EUROBANK ERGASIAS S.A.

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2014

According to Article 4 of the Law 3556/2007

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I. Statement of the members of the Board of Directors (according to the article 4, par. 2 of the Law 3556/2007)

Statements of Members of the Board of Directors
(according to the article 4 par. 2 of the Law 3556/2007)

We declare that to the best of our knowledge:

- the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with the applicable accounting standards, present fairly the assets, liabilities, equity and annual results of the Bank and the companies included in the consolidation, and

- the annual report of the Board of Directors presents fairly the development, the performance and the position of the Bank and of the companies included in the consolidation, including the description of the main risks and uncertainties they face.

Athens, 10 March 2015

Nikolaos V. Karamouzis	**Fokion C. Karavias**	**Spyros L. Lorentziadis**
I.D. No AB – 336562	I.D. No AI - 677962	I.D. No Π - 329468
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

II. Directors' Report and Corporate Governance Statement

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the year ended 31 December 2014.

Profit or Loss Attributable
The loss after tax attributable to Eurobank (or "the Bank") shareholders for 2014 amounted to €1,219m (2013: €1,154m loss) as set out in the consolidated income statement on page 4.

Eurobank's Share Capital Increase and Capital Management
The capital needs of Eurobank Group (or "the Group") were assessed by the Bank of Greece (BoG) based on the credit loss projections from BlackRock's 2013 diagnostic review and the estimated future ability of internal capital generation for the period June 2013-December 2016, based on a conservative adjustment of the Bank's restructuring plan submitted in November 2013. On 8 April 2014, the BoG following a) the assessment of Eurobank's capital needs and b) the capital enhancement plan submitted by the Bank, notified the Bank that its Core Tier I capital should increase by €2,864m.

On 30 March 2014 the Greek Parliament under Law 4254/2014 that amended Law 3864/2010, reformed the framework for the recapitalization of credit institutions operating in Greece, introducing significant amendments regarding the rights and discretions of the Hellenic Financial Stability Fund (HFSF) (note 6 to the consolidated accounts).

Following the assessment of the Bank's capital needs by the BoG and according to the new recapitalisation framework, on 12 April 2014 the Bank's Extraordinary Shareholders' General Meeting approved the increase of the share capital of the Bank up to €2,864m through payment in cash or/and contribution in kind, the cancellation of the preemption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new ordinary registered shares, of a nominal value of €0.30 each.

On 29 April 2014, the Bank announced that both the public offering of new ordinary registered shares to the public in Greece and the private placement of new ordinary registered shares to investors outside Greece were oversubscribed and the offer price set at €0.31 per offered new ordinary registered share. As a result, the share capital of the Bank increased by €2,771,612,903.10 and an aggregate of 9,238,709,677 new ordinary registered shares, each having a nominal value of €0.30, were issued, whereas the total above par value of €92,387,097.00 was credited to the Bank's own funds account "Difference from the issuance of shares above par". The new shares have been listed on the main market of the Athens Exchange and their trading commenced on 9 May 2014. The proceeds were used to increase the Tier I Capital according to 8 April 2014 resolution of the BoG. The successful completion of the Bank's capital increase constitutes a step towards further strengthening its capital position and enhances its ability to support the Greek economy.

Following the completion of the Bank's share capital increase in May 2014, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%, while in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Bank's General Assembly have been switched to restricted ones. Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it. Eurobank became the first Greek bank with majority of private shareholding, mainly constituted of international institutional investors (note 40 to the consolidated accounts).

During the last years the Group focused on the organic strengthening of its capital position by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans as well as by proceeding to several strategic initiatives to internally generate capital.

In addition, the Group is examining a number of additional initiatives for enhancing its capital base, 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.

As at 31 December 2014, the Common Equity Tier I ratio stood at 16,2 % and proforma with the regulatory treatment of Deferred Tax Assets (DTAs) as Deferred Tax Credits (DTCs), at 15.2%.

European Central Bank's Comprehensive Assessment and Eurobank's assessment of results

On 26 October 2014, the European Central Bank (ECB) and the European Banking Authority (EBA) announced the results of the Comprehensive Assessment (CA) of the European Union's (EU) systemically important banks, which was conducted in cooperation with National Competent Authorities (NCAs) and the EBA. The CA was undertaken prior to the transfer of full responsibility for banking supervision from national authorities to the ECB in November 2014 under the Single Supervisory Mechanism (SSM).

The CA assesses the resilience of each bank, using a common methodology and applying it consistently across all participating banks. The results have been derived taking into account the combined effect of the following two main pillars:

(a) An Asset Quality Review (AQR) – to enhance the transparency of bank balance sheets, by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions;
(b) A Stress Test (ST) – performed in cooperation with the EBA to examine the resilience of banks' balance sheets to two stress test scenarios: baseline and adverse.

Capital adequacy was assessed over a three-year time period (2014-2016) against a Common Equity Tier I (CET 1) ratio benchmark of 8.0% and 5.5% in the baseline and adverse scenario, respectively. Furthermore, the CA was carried out on both the Static and Dynamic balance sheet assumptions. According to the Static balance sheet assumption, the actual balance sheet as of 31 December 2013 was used as reference, thus not taking into account any subsequent capital action and/or executed capital raising as well as structural operating performance improvement. According to the Dynamic balance sheet assumption, the effect of measures announced and committed in the Restructuring Plan (RP) approved by the European Commission for the 2014-2016 period, have been incorporated. These were then stress-tested under the baseline and adverse scenario.

The CA represents an unprecedented exercise, given the wide, rigorous and detailed review of 130 banks and a key milestone in the harmonization and strengthening of the European financial system. This exercise will also contribute to the enhancement of the financial stability of the EU banking system and provide confidence in the resilience of all tested banks. In particular, in the case of Eurobank, under the AQR, 84% of the Bank's total loan portfolio was reviewed. Specifically regarding the Greek corporate portfolio, credit file reviews and collateral valuation on € 9.9 bn loans were performed, representing 64% of the relevant portfolio (note 6 to the consolidated accounts).

Taking into account the € 2.9 bn raised pursuant to the share capital increase completed in May 2014, the results determine that Eurobank meets the capital benchmark set out for the purpose of the AQR, resulting in a CET1 ratio of 15.3% post AQR impact, compared to an 8% benchmark. Regarding ST outcome, ECB stated that the Dynamic scenario will be taken into consideration for assessing the Group's capital position and has also stated that Eurobank has "practically no shortfall". More specifically, according to the Dynamic baseline scenario, the Group concludes the exercise with a CET1 ratio of 15.1% while, according to the adverse scenario, with 5.5%. As a result, the Group meets the CA benchmarks in both baseline and adverse scenario and no capital shortfall arises from such extensive exercise.

Furthermore, a number of additional factors create a capital buffer of € 1.4 bn, increasing the stressed CET1 ratio under the Dynamic adverse scenario from 5.5% to 9.5%.

Restructuring Plan

On 29 April 2014, the European Commission (EC) approved the Bank's restructuring plan, as it was submitted through the Greek Ministry of Finance on 16 April 2014. The Hellenic Republic has committed that the Bank will implement in particular specific measures and actions and will achieve objectives which are integral part of said restructuring plan.

Principal commitments to be implemented by the end of 2018 relate to (a) the reduction of the total costs and the net loan to deposit ratio for the Group's Greek activities, (b) the reduction of the Bank's cost of deposits, (c) the reduction of the Group's foreign assets, (d) the decrease of the shareholding in specific non banking subsidiaries, (e) the securities portfolio deleveraging, and (f) restrictions on the capital injection to the Group's foreign subsidiaries unless the regulatory framework of each relevant jurisdiction requires otherwise, the purchase of non investment grade securities, the staff remuneration, the credit policy to be adopted and other strategic decisions.

The plan, adapted to the needs of, and the new conditions prevailing in, the Greek and international banking markets, will enable the further enhancing of Eurobank's capital base, allowing it to retain and increase its corporate value, its access to international markets and prompt return to organic profitability; in so doing, it will safeguard the Bank's ability to play a leading role in the national effort to exit the crisis and return to positive growth.

Monitoring Trustee

The Memorandum of Economic and Financial Policies (MEFP) of the Second Adjustment Program for Greece between the Hellenic Republic, the European Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB) provides for the appointment of a monitoring trustee in all banks under State Aid.

On 22 February 2013, the Bank appointed Grant Thornton as its Monitoring Trustee (MT). The MT monitors compliance with commitments on corporate governance and commercial operational practices, and the implementation of the restructuring plan and reports to the European Commission.

International Activities

Eurobank has established a substantial presence in 6 countries outside of Greece. In Cyprus, it offers Wholesale Banking, Private Banking and Asset Management services, in Luxembourg it provides Private Banking operations, in Romania, Bulgaria, Serbia and Ukraine offers Retail, Corporate, Asset Management, Insurance, and Investment Banking services through a network of more than 500 retail and corporate units. It has also a presence in London.

Group's operations in Ukraine

In March 2014, management committed to a plan to sell the Group's operations in Ukraine. The sale was considered probable, therefore, the Group's operations in Ukraine were classified as a disposal group held for sale.

Financial Results Review

The Greek sovereign debt crisis, which has severely impacted the Greek economy, has adversely affected the Group's operations. The uncertainty and volatility in markets, mainly in Greece but also in the other areas in which the Group has presence, and the negative sentiment among the Group's clients and counterparties, have created a challenging business environment, despite the stabilization and recovery signals that became substantially evident in 2014. In this particularly demanding context, the Group's operations were aimed to adjust to the prevailing conditions. As at 31 December 2014 total assets, following the assets' deleveraging, amounted to €75.5bn (Dec. 2013: €77.6bn).

At the end of December 2014 gross customer loans reached €51.9bn (Dec. 2013: €52.9bn[1]), of which €44.3bn in Greece and €7.6bn in international operations. Business loans have remained stable at €26.8bn (Dec. 2013: €26.9bn[1]) and accounted for 52% of total Group loans, while loans to households receded to €25.1bn (Dec. 2013: €26bn[1]), with mortgage portfolio constituting 35% and consumer loans 13% of the total portfolio. During the year, Greek deposits were reduced by €2bn to €31bn, mainly driven by the deposit outflows in December due to the political uncertainty, whereas deposit balances from International operations increased by €1.6bn to €9.9bn. Group deposits reached €40.9bn (Dec. 2013: €41.3bn[1]).As a

[1] Comparative figures have been adjusted to exclude Ukraine operations, since they have been classified as held for sale as of March 2014.

result, the (net) loan–to–deposit (L/D) ratio for the Group improved to 103% from 109% one year ago, while International Operations improved further their L/D ratio to 66% (Dec. 2013: 86%[1]). The strengthening of its liquidity position, resulting from the completion of the share capital increase in May 2014, the assets deleveraging and the re-access of repo and senior debt markets has enabled the Group to reduce its dependence from the Eurosystem from €16.9bn in December 2013 to €12.5bn one year later, eliminating funding from the Emergency Liquidity Assistance. On 19 June 2014, Eurobank accessed international debt capital markets with an issue of €500m senior unsecured bond, aiming to raise medium term funds for the Bank's general liquidity purposes. The issue was over-subscribed by more than 2 times and indicated at that time the gradual restoration of the Group's access to the international capital markets at a reasonable cost.

However, as from early December 2014 the developments in Greece had an adverse effect on the liquidity position of the Greek banking system, mainly due to deposits withdrawals, which were fully substituted by Eurosystem's secured funding. In addition, the matured interbank secured funding transactions (repos) have been replaced with Eurosystem funding, since the collaterals previously posted to market counterparties were eligible either for ECB (the largest part) or ELA funding. Moreover, ECB decided on 4th of February 2015 to treat GTBs, GGBs and Greek Government guaranteed bonds as non-eligible collateral for refinancing operations, leading the Greek banks to substantially increase their funding from ELA. The initial agreement reached between Greece and its European partners at the Euro Group meeting held on 20 February 2015 was acting positively towards the improvement of the Greek Banking Sector liquidity. Some early confirming signs have already been observed in the sense that deposits' balances have been stabilized since then. At 27 February 2015, the Group's net funding from ECB and ELA stood at 9.5 bn and 19.5 bn, respectively, while the Group maintained unutilized highly liquid assets (cash value) of around € 14.7 bn.

Within an improving but still challenging macroeconomic environment, the Pre-Provision Income (PPI) increased to €835m[2] from €520m[1] in 2013. Net interest income (NII) stood at €1,515m[2] (2013: €1,270m[1]), positively affected by the decreased cost of funding (due to the lower cost of deposits and the exit from the "Emergency Liquidity Assistance" mechanism in the 1st half 2014). Net interest margin (NIM) stood at 1.99%[2] (2013: 1.74%[1]), with 4th quarter reaching 2.11%. Fees and commissions amounted to €284m[2] (2013: €269m[1]) with improved asset management fees and property income, whereas other trading activities, including initiatives for disposal of listed shares, recorded €90m[2] gain (2013: €19m[1] gain). Cost containment efforts continued and operating expenses amounting to €1,054m[2] (2013: €1,038m[1]) were 10.1% lower year–on–year, on a like for like basis (adjusting 2013 comparatives with NHPB and New Proton), mainly from reduced personnel, premises, other office and insurance costs. In the 2nd quarter of 2014, the Group has completed the operational merger with the NHPB, further contributing to the synergies achieved from the integration of two banks. The cost to income (C/I) ratio for the Group declined significantly to 55.8%[2] (2013: 66.6%[1]), while International Operations reduced further their C/I ratio to 51.9% (2013: 55.1%[1]).

In this challenging environment, the Group continued strengthening its accumulated loan provisions and increasing the coverage of delinquent loans. Loan provisions reached €2,264m[2] in 2014 or 5.19%[2] of average net loans (2013: €1,900m[1] or 4.02%[1]), driving the coverage ratio for 90 days past due portfolio to 56.3% (Dec. 2013: 49.9%[1]). As at 31 December 2014, 90d past due loans stood at 33.4% of gross loans (end 2013: 29.4%[1]). During the year the new 90d past due loans (formation) amounted to €1,538m[2] (4th quarter: €239m), compared to €2,536m[1] in 2013. This translates to a year-on-year decrease of 39.3%. In addition, the Group recognised in 2014 impairment/ valuation losses amounting to €305m, of which €92m related to goodwill allocated to Bulgaria as a result from revised estimates reflecting the current economic conditions and more conservative growth assumptions about the Group's operations in the country, €95m to investment property portfolio and repossessed assets and €105m to bonds and equity investments.

As of March 2014 the Group classified its operations in Ukraine as held for sale and after measuring the disposal group at the lower of its carrying amount and fair value less costs to sell, recorded a loss of €181m for the year mainly reflecting the uncertainty in the economic and political conditions in the country,

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[2] Including the results of New TT Hellenic Postbank group and New Proton Bank, which are incorporated in the Group's financial statements from 1 September 2013 prospectively.

escalating during 2014. In addition, in April 2014, an agreement was reached with RBI and the Group received an additional amount of €30m in settlement of the remaining consideration receivable of € 100m for the disposal of its Polish operations, while the relating provision recognized in 2013 was released accordingly. Furthermore, the Group has recognised €27m restructuring costs mainly relating to the closing of branches in the framework of its network rationalisation. Finally the Group recorded non recurring tax adjustments amounting to €252m income, of which €167m related to deferred tax asset recognition on loan impairment of New Proton acquired, through merger, portfolio, €43m to reversal of provisions for withholding tax claims against the State following a favourable Supreme Court decision and €40m tax income following the Circular 1143/15.05.2014 by the Ministry of Finance, providing clarification that the accumulated losses from shares and derivatives, which had been recognised in accordance with the former tax Law 2238/1994, are added to the Bank's carried forward tax losses.

Overall in a year where Greek economy bottomed-out and started to show signs of recovery, the Group increased materially its Pre–Provision Income, and enhanced substantially its provision coverage for delinquent loans. Net loss attributable to shareholders amounted to €1.219m[2] (2013: loss €1,154m) while International operations loss amounted to €378m, including the €181m loss from held for sale operations (2013 loss: €107m).

Going forward, the Group expects to return to profitability based on the following initiatives and actions:

a) Continued cost containment efforts, such as the Greek and international operations' retail network rationalization, the centralization of supporting functions and the streamlining of product portfolio and processes,
b) Further time deposit cost reduction, as a result of the macroeconomic environment stabilization and the banking system consolidation,
c) Fee and commission income recovery from the improved markets performance,
d) Normalization of cost of risk supported by further enhancing the remedial / NPL management and
e) Selective lending of competitive industry sectors.

Ordinary Share Capital

As at 31 December 2014 the ordinary share capital amounted and amounts up to date to €4,412,362,962.60, divided into 14,707,876,542 ordinary voting shares of a nominal value of €0.30 each, which represents 82.28% of the total share capital of the Bank.

All ordinary shares are registered, listed on the Athens Stock Exchange and incorporate all the rights and obligations set by the Greek legislation (note 40 to the consolidated accounts).

It is noted that, following the share capital increase of the Bank in May 2014, according to the Law 3864/2010 as amended by Law 4254/2014, Hellenic Financial Stability Fund (HFSF) has restricted voting rights[3].

Preference Share Capital

As at 31 December 2014, the preference share capital amounted and amounts up to date to €950,125,000 divided into 345,500,000 registered non-voting preference shares with nominal value €2.75 each, issued under Law 3723/2008, which represent 17.72% of the total share capital of the Bank. All the preference shares are tangible, non-listed, non-transferable and confer upon the Hellenic Republic (as exclusive owner) the following rights: a) the right to collect a non-cumulative coupon of 10% of the subscribed by the Hellenic Republic capital, b) the right to preferential reimbursement, in priority to all other shareholders and pari passu with the HFSF (under Law 3864/2010), from the proceeds of the Bank's liquidation, in the event the Bank is liquidated, c) the right to participate in the Bank's Board of Directors (BoD) via a representative who may be appointed as an additional member of the Board and has the following rights: i) veto strategic decisions and decisions which alter substantially the legal or financial position of the Bank

[3] Information regarding HFSF's rights as owner of Bank's ordinary shares, according to Law 3864/2010 and the Relationship Framework Agreement (RFA), is included in Corporate Governance Code and Statement.

and require the General Meeting's approval or veto decisions related to the distribution of dividends and the remuneration policy towards the members of the BoD and the General Managers and their deputies pursuant to a relevant resolution of the Minister of Finance or in the event such representative judges that the decision may jeopardize the interests of the depositors or materially affect the solvency and the orderly operation of the Bank; ii) attend the General Meetings of shareholders and veto discussions and decisions regarding the aforementioned issues and iii) freely access to the Bank's books and records, the restructuring and recovery plans, the plans for Bank's mid-term finance needs and data regarding the level of loans granting in real economy (note 41 to the consolidated accounts).

Greek Economy Liquidity Support Program (law 3723/2008)

Eurobank participates in the Greek Economy Liquidity Support Program under Law 3723/2008, as in force (note 4 to the consolidated accounts).

Dividends

Based on relevant legislation, the banks participating in the Greek Economy Liquidity Support Program are not allowed to declare a cash dividend to their ordinary shareholders from 2008 to 2013. Based on the 2014 results and in accordance with the article 1, par. 3 of Law 3723/2008 (as in force) in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted (note 53 to the consolidated accounts).

Business Outlook and Risks

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

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

The implementation of the SEAP stalled by April 2012 while developments on the public debt front were not encouraging either. On the back of the above, and after the implementation/ legislation of a long list of structural reforms and fiscal austerity measures by the Greek Government, the Eurogroup on 26/27 November 2012 permitted the disbursement of €49.1bn conditional on the implementation of an additional series of structural reforms and at the same time reached an agreement on a set of new actions for the reduction of Greek public debt to 124% of GDP by 2020 and below 110% of GDP in 2022. This debt path was consistent with debt sustainability levels required by the IMF. By the end of April 2013 the Greek government, after completing the prerequisites received the last tranche of the €49.1bn.

The successful completion of the 3rd and 4th reviews of the SEAP permitted the respective disbursements by the European Stability Mechanism (ESM) and the IMF. According to the Eurogroup's statement on Greece issued on 1 April 2014 following the summit held in Athens, the conclusion of the 5th review of the SEAP, as well as Law 4254/2014, which includes, among other things, the relevant structural reforms agreed with the Troika, permitted the disbursement of the ESM instalment of €8.3bn in three tranches. The three tranches (of €6.3bn, €1bn and €1bn respectively) have been disbursed already after being approved by the Eurogroup Working Group and the ESM's Board of Directors, following the full implementation of a list of milestones agreed between the Greek Government and the Troika and the finalisation of Member States' relevant national procedures. The IMF instalment of approximately €3.5bn was disbursed in early June 2014 following the May 30th 2014 IMF's decision to continue the financing of the SEAP until mid-2015. The good progress towards SEAP implementation in the first semester of 2014 allowed Greece's return to the international capital markets with the issue of a five–year bond in April 2014 and of a three-year bond in July 2014 that both had considerable demand. Discussions between the Greek government and the Troika continued in autumn 2014 for the successful conclusion of the last review of the SEAP. The instalment that corresponded to the last review of the SEAP amounted to €7.2bn (€3.6bn from the IMF,

€1.9bn from the ESM and €1.8bn from the ECB (gains of the ECB from GGBs bought in spring 2010 under the SMP)). However, the discussions for the conclusion of the last review were interrupted by the constitutional process for a new President of the Hellenic Republic, initiated by the outgoing government. A new President was not elected, snap elections were held on January 25th 2015 and a new coalition government came in office. During the second half of February 2015, after continuous negotiations between the new Greek government and its official lenders (institutions), the Greek government requested an extension of the Master Financial Assistance Facility Agreement (MFFA) in order to achieve a successful completion of the last review. After presenting to the European Commission a list of reform proposals, the European Commission made the following statement: "the list is sufficiently comprehensive to be a valid starting point for a successful conclusion of the review as called for by the Eurogroup at its last meeting."

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

The external imbalance continues to adjust rapidly, assisted by strong tourism revenue, income from the shipping industry, the ongoing contraction of imports and the beneficial impact of earlier debt-relief measures on the income account. The current account according with the Bank of Greece (BoG) data, recorded a surplus of 0.6% and 0.9% of GDP in 2013 and 2014 – for the first time since official records are available (1948) – against a deficit of 2.38%, 9.93%, 9.95% and 10.87% of GDP for 2012, 2011, 2010 and 2009 respectively. Furthermore, during the period December 2013 – November 2014, the current account balance recorded a surplus of €2.28bn. For 2014, the current account surplus is expected at 1.27% of GDP.

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

The ongoing deleveraging in the Greek economy can be considered as a major drag for the recovery path. From June 2011 until December 2014, the average annual total domestic credit growth was -8.02%. According to the latest available data from BoG, i.e. December 2014, the total domestic credit stock was at €235.2bn, -1.73% lower compared to December 2013. However, on a monthly basis (month on month difference), this was the 3rd consecutive month where total domestic credit increased. Finally, on the other side of the ledger, total domestic deposits decreased by -2.33% (yoy% change), i.e. from €212.8bn in December 2013 to €207.9bn in December 2014.

Considerable risks continue to surround the near-term domestic economic outlook. Although the unemployment rate follows a decreasing path, is still very high. In December 2014 the general price level (HICP) recorded the second highest decrease from the beginning of the Greek depression (-2.53% compared to -2.86% in November 2013). Yet, the apparent stabilization of seasonally unadjusted real output dynamics which begun in the 2nd quarter of 2014 (real GDP expanded at 0.34% in Q2, at 1.97% in Q3 and 1.15% in Q4 2014) and the on-going improvement in a range of high frequency data and sentiment indicators signal the stabilization of the domestic economy. In 2014, real GDP growth turned positive, 0.77%, for the first time after 6 years in recession.

The ongoing Ukraine-Russia conflict, the Ruble depreciation plus the commodities prices collapse and the expansive ECB monetary policy have shaped the economic environment in the New Europe region in late 2014. In a low-export growth and low interest rate environment, with limited room for more expansionary fiscal policy, primarily private consumption via lower energy prices and secondly investments via improved EU funds absorption could support growth in 2015. Yet, the countries of the region, particularly those of continental Southeast Europe need to accelerate structural reforms in order to generate sustainable growth in the medium term.

Bulgaria is expected to register another year of mediocre and below potential growth in 2015. The negative impact from the banking crisis in last June, issues with EU funds absorption, the lack of meaningful structural reforms will have a negative carryover effect this year while there is limited room for fiscal policy to be more expansionary. Romania is widely anticipated to stand out of the pack for a second consecutive year in 2015. Growth is driven primarily from consumption as energy prices remain low, positive real wage growth and a continued turnaround of domestic credit dynamics. Furthermore, growth is expected to receive some support from public investments to the extent that the quality of fiscal policies improves. Finally, Serbia is expected to remain in recession in 2015 as well undermined by very weak domestic demand, a less supportive external environment and the lasting impact from the catastrophic floods. Meanwhile, the tentative IMF agreement buys time for the implementation of structural reforms and fiscal consolidation to take hold.

Ukraine is undergoing the most difficult era since independence. As a result of an inappropriate macro policy mix which resulted in the accumulation of fiscal and external imbalances in the past plus the recent flare-up of the conflict with Russia, Ukraine now is going through a very painful adjustment process that entails sharp and deep output losses in the short-term. If the financial support to the country through an IMF programme, complemented by assistance from multilateral and bilateral donors and IFIs is not injected with additional resources to address the increased financing needs, a restructuring of its debt could be unavoidable. With the conflict continuing and the deterioration of financial conditions amid sharp UAH depreciation and soaring interest rates, any turnaround in economic activity is only postponed.

The thorny issue of an effective assets foreclosure framework in line with the programme conditionalities was the reason for the incomplete endorsement of the fifth review of the Cyprus adjustment programme by international creditors. On the positive side, macroeconomic outturns have come out far better than expected. The over-performance in quantitative fiscal targets, the recapitalisation of the domestically regulated banking system, the milder than forecasted output contraction, the relaxation of capital controls, the normalisation of market conditions with the partial market access restoration plus the strong ELA funding decline are among those programme accomplishments recorded so far. Despite the improvement in the economic outlook and sentiment, significant downside risks remain and challenges persist. The immediate focus has shifted on the implementation of structural reforms in the welfare state, the privatisation program and the removal of external capital controls. In the medium term, authorities have to deal with the high stock of NPLs, credit scarcity and the surge of unemployment, while ensuring high primary surpluses.

Authority to issue new shares

A. The authorities that the BoD has to issue new shares (without further prior decision of the Shareholders' General Meeting), are as follows:

1) Issue of new ordinary shares as a result of the exercise of the stock options rights (note 43 to the consolidated accounts):

- The BoD is authorised by law to issue ordinary shares to those stock option holders who have exercised their rights within the rules set by the current stock option program. It is noted that in 2014 no stock options were exercised. At 31.12.2014 ended the last in force program of stock options definitively and therefore ceased to exist such options.

2) Issue of new ordinary shares as a result of the exercise of their rights to convert the convertible bonds (note 42 to the consolidated accounts):

- The BoD is authorised by law to issue ordinary shares to those convertible bonds holders who exercise their rights within the rules set by the convertible bond loan issued by the Bank as follows:
    - As authorised by the General Meeting of 30 June 2009, the BoD issued in 2009 €400m of callable bonds convertible to ordinary shares of the Bank after 5 years from their issue, upon a written declaration of the bondholder to the Bank, in accordance with the specifications of the resolution of the above General Meeting, €350m of which were allocated. As of today, following the cancellation in December 2014 of callable bonds of principal amount €379m held by the Bank, callable bonds of principal amount €21m are held by third parties.

- In July 2014 passed the date by which the BoD was able to issue either in lump sum or in tranches by July 2014 callable bonds of €150m or, under certain circumstances, €250m, convertible to ordinary shares of the Bank, in accordance with the specifications of the resolution of the General Meeting dated July 11, 2011.

B. The members of the BoD are not authorized to issue new shares.

Major Shareholders

Following the completion of the Bank's share capital increase in May 2014 for raising € 2.864 million through payment in cash and the cancellation of the preemption rights of the Bank's ordinary shareholders, including HFSF, and of the preference shareholder, which was resolved by the Extraordinary General Meeting convened on April 12, 2014 and which was fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights of Eurobank's major shareholders, have as follows:

Based on notification received from the HFSF on May 30, 2014, HFSF holds 5,208,067,358 ordinary shares with voting rights, namely 35.41% out of total 14,707,876,542 ordinary shares with voting rights issued by Eurobank. The exercise of the voting rights on the above ordinary shares is subject to the limitations of art. 7a of L. 3864/2010.

Based on notification received from the company "Fairfax Financial Holdings Limited" (Fairfax) on June 3, 2014, Fairfax acquired indirectly on May 30, 2014, through its controlled subsidiaries, 1,290,322,580 ordinary shares with voting rights, issued by Eurobank, representing 13.58% of its total number of ordinary shares with voting rights excluding those held by the HFSF.

Based on notification received from the company "Capital Group Companies, Inc." (Capital), , the percentage of Eurobank's voting rights held indirectly by Capital amounted on February 24, 2015 at 14,5854% of the total number of Eurobank's voting rights, respectively, excluding those held by the HFSF. The percentage of the February 24th, 2015 relates to 1,385,587,936 (14.5854%) voting rights of "Capital Research and Management Company" (CRMC)[4], a company controlled by Capital, excluding those held by the HFSF. In these rights are included 527,322,143 (5.551%) voting rights assigned for management to CRMC from the company "EuroPacific Growth Fund", holder of 527,322,143 Eurobank's ordinary shares.

Based on the information received from the company "Mackenzie Financial Corporation" (hereafter «MFC») on June 3, 2014, MFC held in total (indirectly), as of May 30, 2014, 554,838,709 voting rights in Eurobank, corresponding to 5.84% of the total voting rights, excluding those held by the HFSF. MFC has the right to exercise at its discretion these voting rights in its capacity as portfolio manager of its mutual funds, third party clients' assets and mutual funds that are structured within its 100% subsidiary "Mackenzie Financial Capital Corporation".

Finally, the Greek State holds 100% of the non-voting preference shares of Eurobank, issued according to Law 3723/2008 and consequently has no voting rights.

Board Membership

On 28 June 2014, was terminated, at their wish, the term of office of four BoD members and the General Meeting elected seven new BoD members, three of which as independent-non executive members. The term of office of the new members will expire concurrently with the term of office of the other members (Board with a membership of eleven from now onwards) and more specifically on 27.06.2016, prolonged until the end of the period the Annual General Meeting for the year 2016 will take place. On the same day took place the constitution of the BoD as a body. It is noted that already on February 1, 2015, following the resignations of the Chairman of the BoD and of the Chief Executive Officer (CEO) of the Bank, the BoD elected a new member, constituted as a body, appointed as its Chairman the new elected member and

[4] CRMC manages equity assets for various investment companies.

appointed new CEO. The BoD of the Bank is set out in note 52 to the consolidated accounts. Personal details of the Directors are available on the website of Eurobank (www.eurobank.gr).

Employee Engagement

The Bank has established a competitive compensation framework in order to attract, engage and retain its employees while safeguarding at the same time, the alignment of individual employees' objectives with the Bank's long- term business objectives and strategy, as well as the long-term value creation for shareholders.

The basic principles of the compensation framework are to:

- Safeguard that the compensation is sufficient to retain and attract executives with appropriate skill and experience
- Monitor that internal equity between Business Units is applied
- Avoid excessive risk behaviour
- Link compensation with long-term performance

Employees are systematically kept informed on corporate issues in a variety of print, interpersonal and online ways, including announcements, briefings, intranet and corporate videos, achieving a common awareness of the financial and economic factors affecting the performance of the Group as well as the enhancement of the corporate culture. In addition to the annual performance evaluation of all employees, the professional growth at all levels is fostered via targeted training on technical knowledge and skills as well as leadership and management development. Moreover, an integrated professional development framework has been implemented in order to support continuous and systematic performance improvement and career development.

Following the completion of the operational merger of NHPB and New Proton within 2014, the smooth integration of their employees into the enlarged Eurobank Group was achieved thus enhancing a common culture and ensuring smooth operations.

The diversity agenda at Eurobank seeks to include customers, colleagues and suppliers. Our objective is to recruit and retain the best people regardless of race, religion, age, gender, sexual orientation or disability. We strive to ensure that our workforce reflects the communities in which we operate and the international nature of the organisation. We recognise that diversity is a key part of a responsible business strategy in support of our regional business.

Corporate Social Responsibility

Since its foundation, Eurobank Group undertakes social responsibility activities, responding to the concerns of the society and the local communities in the markets it has a presence. Eurobank is firm in its conviction that innovation and business extroversion are key factors to develop countries' economy. For that reason it has focused in programs, such as "egg-enter•grow•go" and initiatives, such as "Greece Innovates!" to boost entrepreneurship.

Eurobank also continues its long standing effort in developing relations with acclaimed agencies and organizations in order to realize initiatives in the critical fields of Education, the Society and Culture. Especially, in this extremely testing period for Greek families, believes that it is necessary, if not imperative, to realize programs and initiatives focusing on children and youth. In collaboration with the Ministry of Culture, Education and Religious Affairs, Eurobank sponsors the "Apostoli supports the pupils" program and for the second decade, continues to implement The "Great Moment for Education" program.

At the same time the organization places major emphasis on programs and actions to protect the Environment. Since 2010 Eurobank is a member of the United Nations Environmental Program Finance Initiative (UNEP-FI), it chairs the relevant European Task Force, and it is holding senior administrative positions in the Global Steering Committee and the Banking Committee on environmental issues.

Financial Instruments
The Group's financial risk management objectives and policies, including the policy for hedging each major type of transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in notes 2, 7 and 24 to the consolidated accounts.

Sundry information required under L. 3556/2007 (article 4, par.7)
By derogation of: a) the preference shares held by the Greek State which carry special rights and restrictions under the legislation in force (see notes 4 and 41 to the consolidated accounts) and b) the ordinary shares held by HFSF which also carry special rights and restrictions under the legislation in force and the new Relationship Framework Agreement (RFA) signed by the Bank on 26 August 2014 with HFSF (see note 51 to the consolidated accounts), according to the Bank's Articles of Association:

- there are no restrictions on the transfer of the Bank's shares
- there are no shares with special controlling or voting rights
- there are no restrictions on voting rights
- the rules related to the appointment and replacement of directors as well as to the amendment of the Articles of Association are in accordance with the provisions of company law.

The Bank is not aware of any shareholders' agreements resulting in restrictions in the transfer of its shares or in the exercise of the shares' voting rights.

There are no significant agreements that enter into force, are amended or expire if there is change in the control of the Bank following a public offer.

There are no agreements between the Bank and the Directors or the staff for compensation in the event of departure as a result of a public offer.

The Auditors
During 2014 the Audit Committee reviewed the independence and effectiveness of the external auditors including their relationship with the Group, and monitored the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors, and assessed them as satisfactory.

The BoD at its meeting on January 16, 2015 approved PricewaterhouseCoopers Certified Auditors (PwC) being the finally successful audit firm of the tendering process for conducting the statutory audit of the Bank's financial statements for the period 2016-2019, subject to preceding every year, the BoD's proposal addressed to the Bank's Shareholders' General Meeting and the decision of the General Meeting for the appointment of PwC as statutory auditor of the period 2016-2019, as well as receiving any other necessary approvals each time in force.

Related party transactions
All transactions with related parties are entered into the normal course of business and are conducted on an arm's length basis. See also note 51 to the consolidated accounts.

Corporate Governance Statement

Eurobank's Corporate Governance Code and Practices are on the website (www.eurobank.gr). The Corporate Governance Statement attached herewith, is an integral part of the Directors' Report.

Nikolaos Karamouzis	Fokion Karavias
Chairman	Chief Executive Officer

10 March 2015

CORPORATE GOVERNANCE STATEMENT 2014

1. Corporate Governance Code and Practices

In compliance with the Greek legislation, and based on the international best practices on corporate governance as well as with the Bank's contractual obligations towards to the Hellenic Financial Stability Fund (HFSF), Eurobank Ergasias S.A. ("the Bank") and its subsidiaries (collectively "Eurobank" or the "Group"), have adopted and implement a Corporate Governance Code ("Code"), which describes the basic corporate governance principles that have been adopted by the Group. The Code and relevant corporate governance practices are available on the Bank's website (www.eurobank.gr).

2. Board of Directors[1]

The Bank is headed by a Board of Directors (BoD or Board) which is collectively responsible for the long-term success of the Bank. The Board exercises its responsibilities effectively and in accordance with the Greek legislation, international best practices and the Bank's contractual obligations with HFSF under the Relationship Framework Agreement (RFA) signed between the Bank and the HFSF.

The members of the Board are elected by the Bank's General Meeting which also determines their term of office. The current Board consisted of nine (9) members (including the Greek State and the HFSF representatives) was elected by the Annual General Meeting held on 27 June 2013, and its term expires on 27.06.2016 extended up to the final date within which the 2016 Annual General Meeting should be convened.

On 31 October 2013, Mr. Michael Colakides, resigned from the Board and from his position of Deputy Chief Executive Officer.

On 28 June 2014, at the wish of Messrs. George A. David (Chairman of the Board at that date), Efstratios-Georgios A. Arapoglou (Vice-Chairman of the Board at that date), Dimitri T. Papalexopoulos and George C. Gondicas, their term of office was terminated. At the same date (28 June 2014), the Annual General Meeting resolved on the increase of the number of the Board members and elected seven (7) new Board Members, namely Messrs: Panayotis-Aristidis A. Thomopoulos, Fokion C. Karavias, Wade Sebastian R.E. Burton, George K. Chryssikos, Jon Steven B.G. Haick, Bradley Paul L. Martin and Josh P. Seegopaul, for a term of office equal to the remaining term of the other Board members that were elected by the Annual General Meeting of 2013. Subsequently, the number of the Board members at that date counted to eleven (11).

On 1 February 2015, following the resignation of the Chairman of the Board of Directors Mr. Panayotis-Aristidis A. Thomopoulos and of the Chief Executive Officer, Mr. Christos I. Megalou, the Board of Directors appointed Mr. Nikolaos V. Karamouzis as new Board member. Subsequently, the Board of Directors resolved on its constitution and appointed Mr. Nikolaos Karamouzis as its Chairman and Mr. Fokion Karavias as Chief Executive Officer, who already held the position of Executive Director as of that date.

Following the acceptance by the Minister of Finance of the resignation of Mr. Dimitrios A. Georgoutsos from the position of the Greek State representative, the Minister of Finance appointed (with his decision published in the Government Gazette) Mrs. Christina G. Andreou as the Greek State's representative in the Bank's Board, whose term commenced on 6.3.2015, with the publication of the Minister's decision in the Government Gazette, and expires at the end of the Bank's participation in the provisions of L. 3723/2008. The Bank's Board at its meeting of 10.3.2015 decided the appointment of Mrs. Andreou as an additional non-executive Board member and her integration to the Board of Directors according to the provisions of L. 3723/2008.

Consequently, the Board, as of the date of approval of the here-in Statement, consists of ten (10) Directors of whom, one (1) executive, three (3) non-executives, four (4) independent non-executives and one (1) representative of the Greek State and one (1) representative of HFSF who have been appointed as additional non-executive Directors in accordance with relevant legal requirements.

		First appointment	End of Term
Nikolaos V. Karamouzis	Non-Executive Chairman	February 2015	2016
Spyros L. Lorentziadis	Vice-Chairman Non-executive Independent	June 2007	2016
Fokion C. Karavias	Chief Executive Officer	June 2014	2016
Wade Sebastian R.E. Burton	Non-Executive Director	June 2014	2016
George K. Chryssikos	Non-Executive Director	June 2014	2016
Jon Steven B.G. Haick	Non-Executive Independent Director	June 2014	2016
Bradley Paul L. Martin	Non-Executive Independent Director	June 2014	2016
Josh P. Seegopaul	Non-Executive Independent Director	June 2014	2016
Christina G. Andreou	Non-Executive Greek State representative	March 2015	2016
Kenneth Howard Prince-Wright	Non-Executive HFSF representative	June 2013	2016

[1] Information regarding the Board's composition is included in note 52 of the consolidated accounts and short biographical details of its members may be found at the bank's website (www.eurobank.gr).

There are no restrictions in the re-election and cessation of Directors in the Bank's Articles of Association. The General Meeting may elect alternate members of the Board of Directors, in order to replace those who resign, pass away or whose membership lapses for whatever reason. In case where the replacement of a member, according to the aforementioned, is not possible by alternate members which have been elected by the General Meeting, the Board, may decide, with a resolution of its remaining members, provided that they are at least three (3), to elect new members in order to replace those whose membership has lapsed. In any such case of members whose membership has lapsed, the Board of Directors is entitled to continue the management and representation of the Bank, without being obliged to replace the lapsed members, provided that the number of the remaining members exceeds half of the number of the members prior to the event that led to the lapse of their membership and, in any case, is not less than three (3). According to the Bank's Articles of Association, the Board may consist of three (3) to twenty (20) members, while, under the RFA, this range has been specifically set to be between seven (7) and fifteen (15) members (including the representatives of the Greek state and the HFSF). In addition, according to the RFA, the number of the Board members must be odd. For any differentiations from RFA's provisions the HFSF's prior consent should be in place. The Bank informed HFSF, for the deviations from the RFA provisions concerning the current Board membership in relation to the odd number of the Board members and the number of its executive members, resulting from the resignations of two (2) Board members on 1 February 2015 and the election of one (1) new member by the Board on the same date, as described in section 2 herein. HFSF agreed to the above deviations in view of the remedial actions that the Bank is planning.

The Executive Directors have responsibility for the day-to-day management and control of the Group and the implementation of its strategy. The non-Executive Directors are responsible for the overall promotion and safeguarding of the Bank's interests, constructively challenge and help develop proposals on strategy and approve, revise and oversee the implementation of the remuneration policy both at Bank and Group level. The Independent Non-Executive Directors have the duty, if they consider it necessary; to submit each one of them or jointly to the General Meeting their own reports other than those of the BoD on a specific subject.

In the context of the recapitalization of the Bank under Law 3864/2010, the HFSF has appointed one (1) representative to the Board as a non-executive member whose rights derive from Law 3864/2010 and the RFA. The RFA regulates, among others, (a) the Bank's corporate governance, (b) the development and approval of the Bank's Restructuring Plan, (c) the material obligations deriving from the Restructuring Plan and the switch of voting rights, (d) the monitoring of the implementation of the Restructuring Plan and the Bank's ensuing risk profile and (e) the significant matters requiring the HFSF's consent.

Regarding the Board operations the HFSF's Representative has, amongst others, the right to: a) request the convocation of the Board, b) add items on its agenda, c) request the postponement of a Board meeting for three (3) business days so as to receive HFSF's directions, d) veto any resolution of the Board (i) related to dividend distributions and the remuneration policy of Board members, as well as, of the General Managers and their deputies, ii) in case such resolution of the Board may jeopardise depositors' interests or seriously impact the liquidity or the solvability or in general the prudent and concise operation of Eurobank (such as business strategy, asset/liability management etc) iii) resulting in the amendment of the Bank's Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the Board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets, including the sale of subsidiaries, or for any other issue requiring increased majority as provided for in Company Law 2190/1920 which may materially impact HFSF's participation in the Bank's share capital.

According to the RFA provisions, HFSF is entitled to a) appoint up to two (2) representatives as non-executive members of the Board and b) perform an annual overall evaluation of the Board and submit its recommendations to the Board for the purpose of identifying weaknesses and improving working methods and the Board's work effectiveness.

The HFSF appoints its Representatives or any replacements in writing addressed to the Chairman of the Board. The Board shall immediately and in any case no later than ten (10) days from the notification by the HFSF of the HFSF Representatives or their replacements, approve their appointment and, should a General Meeting decision be required, the Board shall convoke as soon as allowed by Law the General Meeting, to approve the HFSF representatives' appointment.

In the context of the participation of the Bank to the Greek State Bank Support Program and pursuant to the resolution of the extraordinary General Meeting held on 12 January 2009, 345,500,000 non-voting preference shares were issued, which are held by the Greek State. The Preference Shares, amongst others, confer upon the Greek State the right to appoint one (1) representative to the Bank's Board of Directors as additional non-executive Board member. Its representative has the right to veto resolutions of strategic character or resolutions which materially alter the legal or financial situation of the Bank and require approval by the General Meeting of the shareholders; or of any resolution related to the distribution of dividends and the remuneration policy for the Chairman, the Chief Executive Officer and the remaining members of the Board of Directors as well as the Bank's General Managers and their deputies, pursuant to a relevant decision of the Minister of Finance or in the event the representative considers that the resolution may jeopardise the interests of the Bank's depositors or materially affect the solvency and the orderly operation of the Bank.

The Chairman of the Board chairs the Board and ensures its effectiveness on all aspects of its role. He is non-executive and does not serve as Chairman of either the Risk or the Audit Committees. The CEO is accountable for and manages strategy development and implementation in line with the vision of the Bank. He is responsible for leading the organisation to the achievement of its objectives.

The Board meets regularly every quarter and on an ad hoc basis given at least two (2) business days' notice as per Company Law 2190/20 provisions, otherwise a decision is taken only when all members of the Board are present or represented and nobody objects to the convocation of the meeting and to the taking of decisions. In addition, according to the RFA provisions the agenda together with the relevant supporting material should be sent to the HFSF representative at least three (3) business days prior to the Board meeting, otherwise the HFSF representative is entitled to request a postponement of the Board meeting which shall be resumed after three (3) business days.

The Board is considered to be in quorum and meets validly when at least half plus one of its members are present or represented. The number of the present members is not allowed to be less than three (3). For defining the quorum any resulting fraction is omitted. Decisions of the Board are taken by absolute majority of the Directors that are present or represented. In case of parity of votes, the vote of the Chairman of the Board does not prevail. During 2014 the Board held twenty five (25) meetings (2013: 42) and the average ratio of the Directors attendance was 94% (2013: 84%). Submissions to the Board are normally circulated together with the agenda. Decisions are taken following discussions which exhaust the issues to the satisfaction of all Directors present. Board meetings minutes are kept by the Secretary of the Board; are approved at subsequent Board meetings and signed by all Directors present.

The number of directorships which may be held by the Bank's Board members at the same time, comply with the provisions of Law 4261/2014 (art. 83) as these have been described in the Bank's Code under paragraph C.3.5.

It is forbidden to Directors and members of staff to pursue personal interests if these are in conflict with the Group's interests. All Directors and members of staff have a duty to inform the Board of any personal interests they may derive from the Bank's transactions that fall under their field of responsibility or any conflict between their and Eurobank's interests that may occur, in carrying out their duties.

The Group's remuneration policy aims to align the Directors and employees' objectives with the long-term business objectives and strategy of Eurobank and the long-term value creation for shareholders. The 2014 Board and key management remuneration disclosure is included in note 51 of the consolidated accounts.

In discharging its responsibilities for 2014 the main issues the Board dealt with related to:

a) Governance: following the Annual General Meeting's resolution that was held on 28.6.2014, constitution of the Board as a body, appointment of Chief Executive Officer, determination of executive and non-executive members, representation of the Bank and membership of the Board Committees, induction session for the new Board members, revision of Board Risk, Remuneration and Nomination Committees' Terms of Reference, regular update on Board Committees' meetings, approval of the revised, on 26.8.2014 Relationship Framework Agreement (RFA), preparation and convocation of General Meetings, acceptance of Board calendar for 2015, approval of Compliance and Remuneration Policies, update on the tender process for the 2016 statutory auditor (in January 2015 the Board approved Audit Committee's proposal on the successful tenderer).

b) Corporate and other actions: disposal of "P.J.S.C. Universal Bank", targeted voluntary redundancy scheme, various remuneration issues of senior officers.

c) Capital adequacy: increase of the Bank's capital by the amount of €2.864 bn., annual renewal of the EMTN Program guaranteed by the Bank, approval of the 2013 Internal Capital Assessment Process (ICAAP) – Pillar 2 Report, update on the European Central Bank (ECB) stress test results, capital plan in the context of the ECB and the European Banking Authority (EBA) comprehensive assessment, participation of the Bank in the Economy Liquidity Support Program, acquisition and cancellation by the Bank of subordinated securities and redeemable and convertible bonds.

d) Business monitoring: update on Restructuring Plan preparation process and approval, 2013 annual financial statements and 2014 interim financial statements approval, review of preliminary budget 2015, review of business developments and liquidity.

e) Risk Management and Internal Control: briefing on the annual reports on evaluation of Internal Control System and Compliance Policies, approval of the 2013 Pillar 3 report (Capital and Risk Management Pillar 3 Report), regular briefing on Risk and Audit Committees meetings, update on Bank of Greece audit findings regarding the Remuneration Policy, update on the implementation of the Connected Borrowers Policy, update on the Monitoring Trustee's matters.

3. Board Committees

The Board is assisted in carrying out its duties by Board Committees, to which it delegates some of its responsibilities, approves their mandate and composition, from which it receives regular and ad-hoc reports and whose performance it assesses. According to the RFA, the HFSF's representative has the right to: a) participate in the Audit, Risk, Remuneration and Nomination Committees, b) request the convocation of the Board Committees and c) include items on their agenda. In addition, HFSF has the right to perform an annual overall evaluation of all Board Committees' performance and submit its recommendations to the relevant Committees for the purpose of identifying weaknesses and improving working methods and work effectiveness.

According to the RFA provisions, the members of the Audit, Risk, Remuneration and Nomination Committees should be at least three (3) and should not exceed 40% (rounded to the nearest integer) of the Board members. For any deviations from the RFA provisions, the prior consent of HFSF should be in place. The Bank informed the HFSF for the deviations from RFA provisions regarding the number of the members of the Risk, Remuneration and Nomination Committees, resulting from the resignation of two (2) Board members on 1 February 2015, the election of one (1) new Board member on the same date, as described in section 2 herein, and the appointment of the new Board member (and new Chairman) as member of the aforementioned Committees, on 16 February 2015. The HFSF agreed to the above deviations in view of the remedial actions that the Bank is planning.

3.1 Audit Committee[2]

The primary function of the Audit Committee is to assist the Board in discharging its oversight responsibilities primarily relating to:

- The review of the adequacy of the Internal Control and Risk Management systems and the compliance with rules and regulations monitoring process
- The review of the financial reporting process and satisfaction as to the integrity of the Bank's Financial Statements
- The External Auditors' selection, performance and independence
- The effectiveness and performance of the Internal Audit function and of the Compliance function.

The Audit Committee's members are elected by the General Meeting for a term of three (3) years following proposal by the Board. The current Audit Committee consists of four (4) non-executive Directors, three (3) of whom are independent. One (1) of the Audit Committee members is the HFSF Representative. The Chairman of the Audit Committee, Mr. Lorentziadis (an independent non-executive Director) and one (1) other member (a non-executive Director), Mr. Prince - Wright, are the appointed financial/audit expert Board members The Audit Committee as a whole possesses the necessary skills and experience to carry out its duties.

The Audit Committee meets at least eight (8) times per year or more frequently, as circumstances require, reports to the Board on a quarterly basis on its activities, submits the minutes of its meetings to the Board and annually submits an Activity Report of the Audit Committee to the Board (submitted in March 2014). The Audit Committee's meeting is effective when at least two (2) members participate. The Chairman or the Vice Chairman must be one (1) of the participating members. The Audit Committee resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. The Board is informed whenever a decision of the Audit Committee is not reached unanimously. During 2014 the Audit Committee held fourteen (14) meetings (2013: 15) and the average ratio of attendance was 98% (2013: 88%). In 2014 all decisions were unanimous.

The Audit Committee's Terms of Reference (ToR) are reviewed every three (3) years and revised if necessary, unless significant changes necessitate earlier revision (last review performed in August 2013). The ToR are approved by the Board. At least annually the Committee reviews its own performance and the results are discussed with the Board (last done June 2014).

In discharging its responsibilities for 2014 the Audit Committee has, amongst others:

- Reviewed and discussed reports with information relating to the System of Internal Controls, including quarterly reports from Internal Audit Group, Compliance, Operational Risk Sector, Clients Relations Office, etc.
- Ensured that an annual evaluation of the System of Internal Controls has been performed, by the Internal Audit Group for the year 2013. Results are documented in the later's report of the System of Internal Controls. The Audit Committee has prepared its own assessment report on Internal Audit Group's report. Both reports have been submitted to the Board and the BoG, as per BoG Act 2577 requirements, within 2014
- Ensured that the independent assessment of the System of Internal Controls by an external party, a BoG Act 2577 requirement for every three (3) years, commenced in 2014. The assessment was concluded in early 2015
- Reviewed the Compliance & Regulatory Requests Division report over the compliance policies of the Bank for the year 2013, and prepared its own assessment report on Compliance & Regulatory Requests Division's report. Both reports

[2] Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

have been submitted to the Board and the BoG, as per the BoG Act 2577 and BoG Decision 281/2009 requirements, within 2014
- Reviewed and, where necessary, discussed issues arising at Eurobank's Board Risk Committee meetings
- Discussed with Management, Internal Audit, Countries Audit Committee Chairpersons and with External Auditors issues relating to the quarterly results, the mid-year and the year-end financial statements
- Reviewed and cleared the financial statements and other financial reports prior to their release
- Discussed with Management and Internal Audit Group the implementation of corrective actions to recommendations made by Internal and External Auditors as well as Regulatory Authorities
- Assessed the effectiveness of the External Auditors, their objectivity and independence, discussed results with Management, Internal Audit and External Audit and submitted final results to the Board
- Assessed the performance of the Head of Internal Audit and the Head of Compliance & Regulatory Requests
- Approved the remuneration of External Auditors and the Bank's Policy on External Auditors' Independence, covering matters relating also to the approval of non-audit services and reviewed quarterly reports on compliance with independence related limits and policies
- Performed a self-assessment exercise and reported the results to the Board
- Approved the annual plans of Internal Audit and of Compliance & Regulatory Requests and monitored their progress
- Approved changes to the memberships of the Audit Committees of the subsidiaries and has reviewed their Activity Reports and Self Assessments
- Received updates on the progress of the restructuring plan
- Oversaw the tender process for the statutory audit of the Group External Auditors for the years 2016-2019 and made relevant proposal to the BoD.

3.2 Board Risk Committee[3]

The Board Risk Committee's (BRC) role is to approve strategic risk management decisions (e.g. risk appetite, balance sheet profile and risk management structure), monitor the quantitative and qualitative aspects of all market, credit, liquidity and operational risks and assign credit approval authorities to Management.

The BRC members are appointed by the Board for a term of three (3) years with an option to renew their appointment for three (3) more times. During 2014 BRC held 6 meetings. The current BRC consists of five (5) Directors, three (3) non-executives of whom one (1) is HFSF's representative and two (2) independent non-executive Directors.

The Chairman of the BRC, Mr. Burton (Member of the Board of Directors, non-executive) has solid experience in commercial banking and particularly in risk and capital management, as well as, he is familiar with local and International regulatory framework and he has been appointed by the Board as an expert in risk management. All BRC members have previous experience in the financial services and/or commercial banking industry and have the necessary qualifications and experience to perform their duties.

The BRC meets at least on a monthly basis and shall report to the BoD, on a quarterly basis. The BRC meetings are minuted and are submitted to the Board. Other executives of Eurobank or outside advisors or experts may be invited to attend. The Committee is in quorum when the majority of the members are in attendance. The Chairman must be one of the participating members. The BRC resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. The Board is informed whenever a decision of the BRC is not reached unanimously. During 2014 the BRC held six (6) meetings (2013: 4) and the ratio of attendance was 100% (2013: 94%).

BRC Terms of Reference (ToR) are reviewed at least every three (3) years (last review performed in November 2014) and revised if necessary, unless significant changes in the role, responsibilities, organization and/or regulatory requirements necessitate earlier revision. The ToR are approved by the Board. In addition, on a regular basis the Committee reviews its own performance (last self-assessment performed in June 2012); for 2014 the Committee decided that its next self-assessment will take place during 2015 in order to give itself the opportunity to operate for a sufficient time under its new composition after June 2014.

In 2014, the BRC monitored qualitative and quantitative aspects of credit, market, liquidity and operational risks, updated the Board on the adequacy of the risk management structure and reported key risks with regard to the aforementioned risks.

It also approved the Bank's annual risk appetite and the final 2013 ICAAP, Pillar 3 report, as well as the Group CRO's Risk Annual report. BRC approved in November 2014 its Terms of Reference and in May 2014 those of the Group Assets and Liabilities Committee (G-ALCO).

[3] Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

3.3 Remuneration Committee[4]

The Board has delegated to the Remuneration Committee the responsibility to provide specialized and independent advice for matters relating to remuneration policy and its implementation at Bank and Group level. The Non-Executive Directors have the responsibility to approve, maintain and oversee the implementation of the remuneration policy both at Bank and Group level.

The implementation of the remuneration policy is also in line with the provisions of Laws 3723/2008, 3864/2010, 4261/2014 and Bank of Greece Governor's Act 2650/2012.

The Committee is appointed and approved biennially by the Board. The current Remuneration Committee consists of six (6) Directors, three (3) non-executives out of whom one (1) is the representative of the HFSF and three (3) independent non-executives out of whom one (1) is its Chairman. According to the RFA provisions the majority of the Committee's members should be independent non-executive and for any deviations from RFA's provisions the HFSF's prior consent should be in place. The Bank informed the HFSF for the aforementioned deviation from the RFA provisions, resulting from the appointment of the new Chairman of the Board as member of the Remuneration Committee on 16 February 2015 as described in section 3 herein. The HFSF agreed to the above deviation in view of the remedial actions that the Bank is planning.

The Committee meets at least twice a year and minutes are kept. The Committee is in quorum and meets validly when half of its members plus one are present or represented (fractions, if any, are not counted), provided that no less than three members are present. The Committee's resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. During 2014 the Remuneration Committee held eight (8) (2013: 7) meetings and the ratio of attendance was 90% (2013: 90%).

At least once every two (2) years the Committee reviews its Terms of Reference (ToR) (last review performed in October 2014). In addition, on a regular basis the Committee reviews its own performance (last self-assessment performed in May 2012); for 2014 the Committee decided that its next self-assessment will take place during 2015 in order to give itself the opportunity to operate for a sufficient time under its new composition after June 2014. Performance results are discussed with the Board, while any changes in the ToR are submitted to the Board for approval.

In discharging its responsibilities for 2014 the Remuneration Committee, amongst others:
- Proposed to the Non-Executive Directors the updated Remuneration Policy and the respective remuneration framework
- Approved the composition and approval limits of the Top Management Lending Committee and the Staff Lending Committee
- Proposed to the Non-Executive Directors a Targeted Voluntary Redundancy Scheme
- Proposed to the Non-Executive Directors fixed remuneration adjustments for the Top Management in New Europe countries
- Approved borrowing requests for related parties.

3.4 Nomination Committee[4]

The Board has delegated to the Nomination Committee the responsibility to consider matters related to the Board's adequacy, efficiency and effectiveness, and to the appointment of key management personnel.

The Committee is appointed and approved biennially by the Board. The current Nomination Committee consists of six (6) Directors three (3) of whom are independent non-executive and the other three (3) are non-executive out of whom one (1) is the representative of the HFSF. The Committee meets at least twice a year, minutes are kept and the Chairman presents all relevant decisions to the Board. The Committee is in quorum and meets validly when half of its members plus one are present or represented (fractions, if any, are not counted), provided that no less than three members are present. The Committee's resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. During 2014 the Nomination Committee held eight (8) meetings (2013: 8) and the average ratio of attendance was 94% (2013: 82%).

At least once every two (2) years the Committee reviews its Terms of Reference (ToR) (last review performed in August 2014). In addition, on a regular basis the Committee reviews its own performance (last self-assessment performed in May 2012); for 2014 the Committee decided that its next self-assessment will take place during 2015 in order to give itself the opportunity to operate for a sufficient time under its new composition after June 2014. Performance results are discussed with the Board, while any changes in the ToR are submitted to the Board for approval.

In discharging its responsibilities for 2014 the Nomination Committee, amongst others:

[4] Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

- Proposed to the Board the appointment of new members
- Approved the appointments of Bank's executives as members of the Executive Board and/or Management Committee
- Approved the Board Nominee's selection criteria policy.
- Approved the appointment of Chief Executive Officers in various subsidiaries.

The Board nominee's selection criteria policy describes Eurobank's formal process for inclusion of possible candidates in the Board, ensuring that such appointments are made on the basis of merit and individual's ability to carry out a defined role within the Bank and in accordance with specific criteria as set below. The Bank recognizes and embraces the benefits of having a diverse Board, which will include and make good use of differences in the skills, experience, background, gender and other qualities of Directors.

1. General Board nominees' selection criteria
    - The backgrounds and qualifications of the Directors should provide a significant breadth of experience, knowledge and abilities in order to assist the Board in fulfilling its responsibilities. The members of the Board should have an appropriate mix of business, financial services or commercial banking experience. Some of the members should have solid financial management, accounting, auditing and risk & capital management experience. The BoD should possess adequate collective knowledge, skills, and experience in order to be able to understand the Bank's activities, including the main risks
    - The Chairperson of the BoD must not exercise simultaneously the functions of the Chief Executive Officer, unless justified and authorized by the Bank of Greece
    - The Directors shall not hold more than one of the following combinations of directorships at the same time:
        a) one (1) executive directorship with two (2) Non-Executive directorships;
        b) four (4) Non-Executive directorships.
- The majority of the Board should comprise of Non-Executive Directors. At least 50% of the Non-Executive Directors should be Independent
- The diversity of the Board, generated from a mix of viewpoints and ideas, should be considered when assessing potential nominees
- The reappointment of existing Directors should be based on continuing adherence to the criteria established by the Board.

In any case, the criteria provided by the legal framework are applied while the criteria set in the European Banking Authority (EBA) Consultation Paper (EBA/CP/2013/03) could also be taken into consideration.

2. Specific Board nominees' selection criteria

A nominee should:
- Have a reputation for integrity, honesty, fairness, responsibility, good judgment, personal discipline and high ethical standards
- Be or have been in a generally recognized position of leadership in the nominee's field of endeavour
- Be a well reputed figure enjoying high social esteem and having the ability to drive public opinion and contribute to the Bank's results
- Have demonstrated the business acumen, experience and ability to use sound judgment and to contribute to the effective oversight of the business and financial affairs of a large, multifaceted, global organization
- Have the ability to contribute constructively to the discussion and decision making process and have independent opinions and be willing to state them in a productive manner
- Possess the ability to retain confidential information
- Be committed to understanding the Bank and to spending the time necessary to function effectively as a Director, including regularly attending and participating in meetings of the Board and its Committees
- Have an understanding of the legal and regulatory banking requirements
- Neither have, nor appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all the Bank's stockholders and to fulfil the responsibilities of a Director
- Be able to work well with other Directors and executives with a view to a long-term relationship with the Bank as a Director.

The Nomination Committee reviews regularly and approves the Board Nominees' selection criteria policy.

3.5 Strategic Planning Committee[5]

The Board at its meeting held on 16 February 2015 decided the establishment of the Strategic Planning Committee (SPC). The Strategic Planning Committee's role is to assist the executive members of the Board in planning and developing the Group's Strategy.

[5] Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

The main role and responsibilities of the Strategic Planning Committee are:

- To ensure that the Group develops a well-defined planned medium term strategy in line with the Board's guidance and its approved business and restructuring plan.
- To set the key objectives and goals of the business plan and the annual budget, to review major business initiatives within the framework of which the Executive Board draws up the annual budget and the medium term business plan to be reviewed and approved by the SPC, before its submission for approval to the Board.
- To review and propose to the Board strategic partnerships, rights issues, issuing convertibles and/or launching debt issuance programs, acquisitions or disposals, the formation of joint ventures and all other major investments or disinvestments by the Group; and where deemed necessary, make proposals, to the Board on all of the above issues.
- To maintain and take all necessary actions on regulatory and internal capital required to cover all types of risks (incl. strategic and reputational risks, as well as other non-quantifiable risks) and to ensure that capital requirements are met at all times.
- To review and evaluate all major Group's initiatives aiming at transforming the business and operating model.
- To monitor on a regular basis the strategic and the key performance indicators of the Group, including the segmental view.
- To review and, as needed, make proposals to the Board on all other issues of strategic importance to the Group.

The SPC members are appointed by the Board, on the recommendation of its Chairman, following the proposal by the Nomination Committee. The Committee's members are appointed for a term of three (3) years that can be renewed up to three (3) times.

The Committee is chaired by the Chairman of the Board and in case of absence or impediment of the Chairman by the CEO, is composed of at least five (5) members who may be, besides the Chairman and the CEO either Board's Executive Members or Senior Executive Officers. The Committee may delegate specific responsibilities and authorities within the purview of its responsibilities and authorities to one (1) or more individual Committee members.

The SPC meets biweekly or ad hoc when necessary, keeps minutes of its meetings and reports to the Board on a quarterly basis. The Committee has a quorum and duly convenes if half of its members plus one (including the Chairman or the CEO) are present. Decisions shall be validly taken by simple majority vote of members present. In case of a tie of votes the Chairman or in his absence the CEO has the casting vote. The Board shall be informed whenever a decision of the Committee is not reached unanimously. The opinion of the minority should be recorded in the meeting's minutes.

The Committee may invite to its meetings any Board member, officer of the Bank or of a Group subsidiary, or such other person deemed appropriate to assist it in performing its responsibilities.

The Committee reviews and assesses the adequacy of its Terms of Reference and requests the approval of the Board for proposed amendments. The Terms of Reference will be reviewed at least once every three (3) years and revised if necessary, unless significant changes in the role, responsibilities, organization and / or regulatory requirements necessitate earlier revision. At least annually the Committee evaluates its performance; the results are submitted to the Nomination Committee which makes its proposals to the Board.

4. Management Committees

The CEO establishes committees to assist him as required. Following the establishment of a new Board Committee, the Strategic Planning Committee and the reformation (membership and responsibilities) of the Executive Board, which absorbed the majority of the Management Committee's responsibilities, the most important Committees established by the CEO with approval authority are the Executive Board and the Central Credit Committee.

<u>Executive Board</u> [6]

The Executive Board (ExBo) manages the day-to-day implementation of Eurobank Group's strategy, as defined by the Strategic Planning Committee (SPC). The functioning of ExBo is subject to the provisions of the RFA. Its membership consists by the CEO, the Senior General Managers of Retail Banking and of Group Operations, Technology & Organization and International Activities, the General Managers of Group Risk Management, Global Markets & Wealth Management, Group Corporate & Investment Banking, Troubled Assets Group, Retail Remedial Management and of Group Finance and Control, the Deputy General Managers of Branch Network and of Individual Banking and the Head of International Activities. The head of Group Strategy will attend. Also, depending on the subject to be discussed other executives of the Group may be invited to attend. ExBo meets on a weekly basis and minutes are kept.

The Committee's main duties and responsibilities are to:

- manage the implementation of Group's strategy as set by the SPC

[6] Information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

- plan, direct and control Group's activities to ensure high level of performance and customer satisfaction
- draw up the annual budget and the medium term business plan for submission to the SPC and approval by the BoD
- monitor the performance of each business unit and country against budget and ensure corrective measures are in place wherever required
- take decisions on all material business issues which relate to the Bank as a whole
- decide on all major Group's initiatives aiming at transforming the business and operating model, enhancing the operating efficiency and cost rationalization, improving organizational and business structure
- scrutinise risk management policies and their application
- ensure that all activities of the Group are harmonized with the Greek, EU and international legislation
- establish adequate systems of internal control and ensure they are properly maintained
- monitor the quality of services provided by the Group and assure that they exceed industry quality standards
- review and approve Bank's Policies, i.e. Compliance Policy, Code of Conduct, Policy for reporting unethical conduct, Anti-money laundering policy, Internal Control Manual, External Auditors Independence Policy and Inside Information Policy, as well as any subsequent changes before their submission to the Audit Committee; and any other policy that relates to its responsibilities
- review the performance of any Committee and /or individuals to whom it has delegated part of its responsibilities, as approved.

Central Credit Committee[7]
The Board Risk Committee has delegated to the Central Credit Committee (CCC) the authority to approve unsecured credit requests above €10m and up to €50mio. The CCC meets at least once a week and all meetings are minuted.

The CCC members are the following:
- the General Manager of Credit Sector and
- the General Manager of Group Corporate and Investment Banking

Unsecured exposures up to €100mio and up to a total limit of €130mio require further approval by the Group Chief Risk Officer (CRO). Unsecured exposures over €100m require further approval by the Chief Executive Officer.

5. Key Control Functions

As part of its overall system of internal controls the Bank has established a number of dedicated control functions whose main responsibility is to act as independent control mechanisms thus reinforcing the control structure of the Bank. The most important functions and their key responsibilities are described below.

5.1 Internal Audit

Internal Audit Group ("IAG") comprises the "Internal Audit Division", the "Forensic Audit Division" and the "International Audit Division". All IAG's officers are full time employees exclusively dedicated to the Internal Audit function. IAG is a group function responsible for the Bank and all of its subsidiaries.

In order to safeguard its independence, IAG reports directly to the Audit Committee, is independent of the Bank units with operational responsibilities and for administrative purposes reports to the CEO. The Board has delegated the responsibility for monitoring the activity of the IAG to the Audit Committee of the Bank. The head of IAG is appointed by the Audit Committee who also assesses her performance.

IAG follows a risk-based methodology which examines the existence and adequacy of controls that address specific control objectives. Its main duties and responsibilities indicatively include:
- Provide reasonable assurance, in the form of an independent opinion, as to the adequacy and effectiveness of the internal control framework of the Bank and its subsidiaries. In order to form an opinion, IAG carries out audits based on an annual plan of audits. The required frequency of audits depends on the level of risk in each business unit
- Assist and advise management on the prevention of fraud and defalcation, unethical practices (code of conduct, insider dealing) and undertake such special projects as required
- Assist management in enhancing the system of internal control by making recommendations to address weaknesses and improve existing policies and procedures
- Follow-up to ascertain that appropriate action is taken on reported audit findings within agreed deadlines.

5.2 Compliance

The Board has delegated the responsibility for monitoring the activity of the Compliance & Regulatory Requests Division to the Audit Committee of the Bank which appoints the Compliance & Regulatory Requests Division Head and assesses her

[7] Information regarding the Committee's current composition may be found at the Bank's website (www.eurobank.gr).

performance. The Division Head has a dual reporting line to the Audit Committee and to the Chairman of the Board. The Compliance & Regulatory Requests Division is responsible for the Bank and all of its subsidiaries.

Its duties and responsibilities indicatively include:

- handling issues related to Anti-Money Laundering (AML) and Combat Financing of Terrorism (CFT), in accordance with applicable laws and regulations. The Division is responsible for the development of the necessary policies and procedures as well as for monitoring adherence to them. Moreover, it is responsible for the provision of AML/CFT training and guidance to the staff, as well as, for the cooperation with the relevant Authorities
- providing timely and accurate responses to requests arising from Regulatory and other Authorities as well as, co-operating with them in order to facilitate their work
- setting up internal codes of conduct and monitoring staff adherence to such internal rules
- developing policies and procedures in accordance to the MiFID related (Markets in Financial Instruments Directives) applicable laws and regulations and monitoring staff adherence to such policies and procedures
- cooperating with other divisions of Eurobank and its subsidiaries on handling issues of banking secrecy and data protection
- informing Management and providing advice regarding the impact of any new laws and regulations falling under the Division's scope of responsibilities
- co-ordinating the activities of the Compliance Officers of the bank's international branches as well as of local and international subsidiaries in order to ensure compliance with the provisions of the applicable regulatory framework customised to the local regulatory requirements of each country.

6. Principles of Internal Controls

The Group has established a System of Internal Controls that is based on international good practices and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- efficient and effective operations
- reliability and completeness of financial and management information
- compliance with applicable laws and regulations.

The key principles underlying the Group's system of internal controls are described below:

- **Control Environment:** The control environment is the foundation for all components of Internal Control System, providing discipline and structure and influencing the control consciousness of employees. Integrity and high ethical values stem from management's philosophy and operating style and appropriate recruitment and training policies ensure the competence of the Group's people. The Group's organisation structure is suitable for its size and complexity with clearly defined responsibilities and reporting lines and clearly specified delegation of authority.

- **Risk Management:** the Group acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms to identify those risks and assess their potential impact on the achievement of the Group's objectives. Because economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms in place shall be set (and evolve) in a manner that enables to identify and deal with the special and new risks associated with changes.

- **Control Activities:** Internal control activities are documented in the policies and detailed procedures that are designed to ensure that operations are carried out safely and all transactions are recorded accurately in compliance with Management's directives and regulations. They occur throughout the organisation and business processes, at all levels and in all functions. One of the prime organisational measures to ensure control effectiveness in the Group is segregation of duties. Functions that shall be separated include those of approval (limits, limit excesses, specific transactions), dealing, administration (administrative input, settlement, confirmation checks, transaction approval check, documentation check, file keeping, custody) and controlling (reconciliation, limit monitoring, excess approval check, risk management, compliance checks, physical counts).

- **Information and Communication:** Information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. The Group has set effective communication channels to ensure that information is communicated down, across and up within the organisation. Mechanisms are also in place to obtain appropriate external information as well as to communicate effectively with outside parties including regulators, shareholders and customers.

- **Monitoring:** the Group has established mechanisms for the ongoing monitoring of activities as part of the normal course of operations. These include regular management and supervisory activities and other actions personnel take in performing their duties that assess the performance of internal control systems. There are also independent evaluations of the internal control system by the Internal Audit function, the scope and frequency of which depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported upstream, with serious matters reported to top management, the Audit Committee and the Board.

7. Shareholders' General Meeting

The Shareholders' General Meeting ("General Meeting") is the supreme body of the Bank, convened by the Board of Directors and entitled to resolve upon any matter concerning the Bank. All shareholders have the right to participate and vote at the General Meeting either in person or by their legal representatives according to the proposed legal procedure each time in force.

The General Meeting is entitled to resolve on any matter and is the only competent body to resolve on issues described in article 34 of Company Law 2190/1920 (such as amendments to the Articles of Association).

The General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 20% (1/5) of the paid-in share capital that corresponds to the shares with voting rights ("share capital"). Resolutions are reached by absolute majority. Exceptionally, with regard to certain significant decisions such as most decisions related to share capital, mergers etc.,(para 3, art. 29, Company Law 2190/1920), the General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 66.67% (2/3) of the paid-in share capital. Resolutions on the aforementioned issues are reached by two-thirds (2/3) majority. If such quorum is not reached, the General Meeting is convened again in a repeat Meeting where lower quorum is required for all categories of resolutions.

The HFSF's representative has the right to request the convocation of the Shareholder's General Meeting within shortened deadlines. This right was not exercised during 2014. In addition, the Bank is obliged to send to the HFSF at least ten (10) days prior to any General Meeting any supporting document and information necessary for the HFSF to be prepared and exercise its voting rights.

Following the completion of the Bank's share capital increase during the first half of 2014, fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. As a result, in the context of Law 3864/2010 as amended by Law 4254/2014, the HFSF casts its votes in the General Assemblies only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring increased majority as provided for in Company Law 2190/1920.

Pursuant to Law 3723/2008, the representative of the Greek State, holder of preference shares issued under law 3723/2008 has, amongst others, the right to attend the General Meeting of the ordinary shareholders and veto the discussion and resolutions of strategic character or resolutions which materially alter the legal or financial situation of the Bank and require approval by the General Meeting of the shareholders; or resolution related to the distribution of dividends and the remuneration policy for the Chairman, the Chief Executive Officer and the remaining members of the Board of Directors as well as the Bank's general managers and their deputies, pursuant to a relevant decision of the Minister of Finance or in the event the representative considers that the resolution may jeopardise the interests of the Bank's depositors or materially affect the solvency and the orderly operation of the Bank. The Greek State did not exercise any veto.

The Annual General Meeting is held every year before the end of June. An Extraordinary General Meeting may be convened by the Board when it is considered necessary or when required by law.

The minutes of the General Meeting are signed by the Chairman and the Secretary of the General Meeting.

All persons appearing as shareholders of ordinary shares of the Bank in the registry of the Dematerialized Securities System (DSS) managed by Hellenic Central Securities Depository S.A. on the Record Date, namely the fifth day before the General Meeting and in case of a repetitive General Meeting the fourth day prior to such Meeting, have the right to participate and vote in the General Meeting. For each General Meeting, the Board arranges for the detailed notice, including date, place, record date, issues on the agenda and related papers to be available to shareholders at least 20 days before the meeting, including the proposed resolution or commenting by the Board of Directors on each issue. The detailed notice also defines the procedure to be followed for voting by proxy, the minority shareholders rights and any available documentation relating to the General Meeting.

Standard minority rights, as described in Company Law 2190/1920, apply.

8. Preference Shareholders' Special Meeting

Shareholders of non-voting preference shares ("preference shareholders") hold their own special General Meeting to resolve on any issue affecting their rights and they do not participate in the Ordinary Shareholders' General Meeting.

9. Other information required by Directive 2004/25/EU

- ***Holders of securities with special control rights***

Greek Government's participation in the share capital of the Bank via the preference shares it holds provides it with special control rights which are referred to in note 4 of the consolidated accounts.

The HFSF's participation interest in the Bank's share capital through the ordinary shares it possesses, confer to HFSF special controlling rights according to legislation in force and the Relationship Framework Agreement that has been signed between the Bank and the HFSF, that are referred to in note 51 of the consolidated financial statements.

- ***Treasury Shares***

Shareholders' General Meeting can authorize the Board of Directors, under article 16 of Company Law 2190/1920, to implement a program of acquisition of treasury shares. However, Law 3723/2008 prohibits credit institutions, participating in the Greek Government Liquidity Program of this Law, including the Bank, from acquiring treasury shares (note 40 of the consolidated accounts).

For other information required by Directive 2004/25/EU regarding the: a) Major shareholdings, b) Authority to issue new shares, and c) Restrictions of voting rights please refer to the relevant sections of the Directors' Report.

III. *Consolidated Financial Statements for the 2014 Financial Year (Auditor’s Report included)*

EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

8 Othonos Street, Athens 105 57, Greece

www.eurobank.gr, Tel.: (+30) 210 333 7000

Company Registration No: 000223001000

Index to the Consolidated Financial Statements .... Page

Independent Auditor's Report

To the Shareholders of "Eurobank Ergasias S.A."

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eurobank Ergasias S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2014 and the consolidated income statement and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the disclosures made in note 2.1 to the consolidated 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 and in particular its liquidity. These material uncertainties may cast significant doubt on the Group's ability to continue as a going concern.

Reference on Other Legal and Regulatory Matters

a) Included in the Board of Directors' Report is the corporate governance statement that contains the information that is required by paragraph 3d of article 43a of Codified Law 2190/1920.

b) We verified the conformity and consistency of the information given in the Board of Directors' report with the accompanying consolidated financial statements in accordance with the requirements of articles 43a, 108 and 37 of Codified Law 2190/1920.

Athens, 31 March 2015

The Certified Auditor

PricewaterhouseCoopers S.A.	
Certified Auditors	
268 Kifissias Avenue	
152 32 Halandri	Despina Marinou
Soel Reg. No 113	Soel Reg. No 17681

Consolidated Balance Sheet

	Note	31 December 2014 € million	2013 € million
ASSETS			
Cash and balances with central banks	20	**1,948**	1,986
Loans and advances to banks	22	**3,059**	2,567
Financial instruments at fair value through profit or loss	23	**360**	375
Derivative financial instruments	24	**2,134**	1,264
Loans and advances to customers	25	**42,133**	45,610
Investment securities	27	**17,849**	18,716
Property, plant and equipment	30	**702**	770
Investment property	31	**876**	728
Intangible assets	32	**150**	266
Deferred tax assets	17	**3,894**	3,063
Other assets	33	**2,143**	2,241
Assets of disposal group classified as held for sale	18	**270**	-
Total assets		**75,518**	77,586
LIABILITIES			
Due to central banks	34	**12,610**	16,907
Due to other banks	35	**10,256**	10,192
Derivative financial instruments	24	**2,475**	1,558
Due to customers	36	**40,878**	41,535
Debt issued and other borrowed funds	37	**811**	789
Other liabilities	38	**2,020**	2,082
Liabilities of disposal group classified as held for sale	18	**164**	-
Total liabilities		**69,214**	73,063
EQUITY			
Ordinary share capital	40	**4,412**	1,641
Share premium	40	**6,682**	6,669
Reserves and retained earnings		**(6,485)**	(5,095)
Preference shares	41	**950**	950
Total equity attributable to shareholders of the Bank		**5,559**	4,165
Preferred securities	42	**77**	77
Non controlling interests		**668**	281
Total equity		**6,304**	4,523
Total equity and liabilities		**75,518**	77,586

Notes on pages 8 to 118 form an integral part of these consolidated financial statements

Consolidated Income Statement

	Note	Year ended 31 December 2014 € million	2013 € million
Interest income	8	**2,903**	2,797
Interest expense	8	**(1,388)**	(1,527)
Net interest income		**1,515**	1,270
Banking fee and commission income		**360**	351
Banking fee and commission expense		**(160)**	(152)
Net banking fee and commission income	9	**200**	199
Net insurance income	10	**36**	36
Income from non banking services	11	**48**	34
Dividend income		**3**	3
Net trading income	12	**(5)**	(16)
Gains less losses from investment securities	12	**85**	41
Net other operating income		**7**	(9)
Operating income		**1,889**	1,558
Operating expenses	13	**(1,055)**	(1,037)
Profit from operations before impairments and non recurring income/(expenses)		**834**	521
Impairment losses on loans and advances	26	**(2,264)**	(1,900)
Impairment losses on intangible assets	32	**(100)**	(142)
Other impairment losses	15	**(205)**	(114)
Restructuring costs and other non recurring income/(expenses)	15	**57**	(264)
Share of results of associated undertakings and joint ventures	33	**(0)**	(2)
Profit/(loss) before tax		**(1,678)**	(1,901)
Income tax	16	**462**	454
Non recurring tax adjustments	16	**252**	329
Net Profit/(loss) from continuing operations		**(964)**	(1,118)
Net Profit/(loss) from discontinued operations	18	**(232)**	(39)
Net profit/(loss)		**(1,196)**	(1,157)
Net profit/(loss) attributable to non controlling interests		**23**	(3)
Net profit/(loss) attributable to shareholders		**(1,219)**	(1,154)
		€	€
Earnings/(losses) per share			
-Basic and diluted earnings/(losses) per share	19	**(0.11)**	(0.41)
Earnings/(losses) per share from continuing operations			
-Basic and diluted earnings/(losses) per share	19	**(0.09)**	(0.40)

The consolidated income statement for the year ended 31 December 2014 includes the results of New TT Hellenic Postbank group and New Proton Bank, which are incorporated in the Group's financial statements from 1 September 2013 prospectively.

Notes on pages 8 to 118 form an integral part of these consolidated financial statements

	Year ended 31 December			
	2014		2013	
	€ million		€ million	
Net Profit/(loss)		**(1,196)**		(1,157)
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Cash flow hedges				
- net changes in fair value, net of tax	**(28)**		19	
- transfer to net profit, net of tax	**18**	**(10)**	52	71
Available for sale securities				
- net changes in fair value, net of tax	**(31)**		60	
- transfer to net profit, net of tax (note 27)	**(55)**	**(86)**	(4)	56
Foreign currency translation				
- net changes in fair value, net of tax	**(35)**	**(35)**	(22)	(22)
		(131)		105
Items that will not be reclassified to profit or loss:				
- Actuarial gains/(losses) on post employment benefit obligations, net of tax		**(7)**		(8)
Other comprehensive income		**(138)**		97
Total comprehensive income attributable to:				
Shareholders				
- from continuing operations	**(1,107)**		(1,014)	
- from discontinued operations	**(249)**	**(1,356)**	(43)	(1,057)
Non controlling interests				
- from continuing operations	**22**		(3)	
- from discontinued operations	**(0)**	**22**	(0)	(3)
		(1,334)		(1,060)

Notes on pages 8 to 118 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

	Total equity attributable to shareholders of the Bank							
	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Preferred securities € million	Non controlling interests € million	Total € million
Balance at 1 January 2013	1,222	1,451	1,212	(6,134)	950	367	277	(655)
Net Profit/(loss)	-	-	-	(1,154)	-	-	(3)	(1,157)
Other comprehensive income	-	-	97	-	-	-	0	97
Total comprehensive income for the year ended 31 December 2013	-	-	97	(1,154)	-	-	(3)	(1,060)
Share capital decrease by reducing the ordinary shares' par value	(1,211)	-	1,211	-	-	-	-	-
Share capital increase following recapitalisation, net of expenses	1,136	4,537	-	-	-	-	-	5,673
Share capital increase following LME, net of expenses	62	254	-	-	-	-	-	316
Share capital increase following acquisition of NHPB, net of expenses	426	430	-	-	-	-	-	856
Acquisition of NHPB group and NPB	-	-	912	(1,169)	-	-	1	(256)
Acquisition of other subsidiaries	-	-	1	(1)	-	-	6	6
(Purchase)/sale of preferred securities, net of tax	-	-	-	(17)	-	(290)	-	(307)
Preferred securities' dividend paid, net of tax	-	-	-	(10)	-	-	-	(10)
Share-based payment:								
- Value of employee services	-	-	(8)	-	-	-	-	(8)
Purchase of treasury shares	(0)	(0)	-	-	-	-	-	(0)
Sale of treasury shares, net of tax and related expenses	6	(3)	-	(1)	-	-	-	2
Deferred tax release on losses from sale of treasury shares	-	-	-	(34)	-	-	-	(34)
Transfers between reserves	-	-	233	(233)	-	-	-	-
	419	5,218	2,349	(1,465)	-	(290)	7	6,238
Balance at 31 December 2013	1,641	6,669	3,658	(8,753)	950	77	281	4,523
Balance at 1 January 2014	**1,641**	**6,669**	**3,658**	**(8,753)**	**950**	**77**	**281**	**4,523**
Net Profit/(loss)	-	-	-	(1,219)	-	-	23	**(1,196)**
Other comprehensive income	-	-	(137)	-	-	-	(1)	**(138)**
Total comprehensive income for the year ended 31 December 2014	**-**	**-**	**(137)**	**(1,219)**	**-**	**-**	**22**	**(1,334)**
Share capital increase, net of expenses	2,771	13	-	-	-	-	-	**2,784**
Acquisition/changes in participating interests in subsidiary undertakings (note 28)	-	-	-	(45)	-	-	376	**331**
(Purchase)/sale of treasury shares	(0)	0	-	0	-	-	-	**(0)**
Deferred tax on treasury shares' and preferred securities' transactions	-	-	-	11	-	-	-	**11**
Dividends distributed by subsidiaries attributable to non controlling interests	-	-	-	-	-	-	(12)	**(12)**
Share-based payment:								
- Value of employee services	-	-	(0)	-	-	-	1	**1**
Transfers between reserves			(228)	228				**-**
	2,771	**13**	**(228)**	**194**	**-**	**-**	**365**	**3,115**
Balance at 31 December 2014	**4,412**	**6,682**	**3,293**	**(9,778)**	**950**	**77**	**668**	**6,304**
	Note 40	Note 40	Note 44		Note 41	Note 42		

Notes on pages 8 to 118 form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2014 € million	2013 € million
Cash flows from continuing operating activities			
Profit/(loss) before income tax from continuing operations		**(1,678)**	(1,901)
Adjustments for :			
Impairment losses on loans and advances		**2,264**	1,900
Other impairment losses and provisions		**207**	371
Depreciation and amortisation		**99**	95
Other (income)/losses on investment securities	21	**(201)**	(160)
(Income)/losses on debt issued		**8**	8
Other adjustments		**(2)**	(10)
		697	303
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**95**	197
Net (increase)/decrease in financial instruments at fair value through profit or loss		**(14)**	248
Net (increase)/decrease in loans and advances to banks		**(622)**	1,985
Net (increase)/decrease in loans and advances to customers		**890**	2,774
Net (increase)/decrease in derivative financial instruments		**(40)**	(241)
Net (increase)/decrease in other assets		**42**	(351)
Net increase/(decrease) in due to banks		**(4,224)**	(6,701)
Net increase/(decrease) in due to customers		**(372)**	(491)
Net increase/(decrease) in other liabilities		**(19)**	115
		(4,264)	(2,465)
Income taxes paid		**(41)**	(19)
Net cash from/(used in) continuing operating activities		**(3,608)**	(2,181)
Cash flows from continuing investing activities			
Purchases of property, plant and equipment and intangible assets		**(216)**	(120)
Proceeds from sale of property, plant and equipment and intangible assets		**24**	10
(Purchases)/sales and redemptions of investment securities		**759**	2,513
Acquisition of subsidiaries net of cash acquired		**(0)**	175
Disposal of holdings in subsidiaries		**139**	9
Dividends from investment securities, associated undertakings and joint ventures		**2**	3
Net cash from/(used in) continuing investing activities		**708**	2,590
Cash flows from continuing financing activities			
(Repayments)/proceeds from debt issued and other borrowed funds		**13**	(612)
Proceeds from share capital increase (SCI)		**2,864**	316
Expenses paid for SCI		**(107)**	(74)
Purchase of preferred securities		**-**	(298)
Preferred securities' dividend paid		**-**	(15)
(Purchase)/sale of treasury shares		**(0)**	2
Dividends distributed by subsidiaries attributable to non-controlling interests (NCI)		**(12)**	-
Contribution to subsidiaries' SCI by NCI, net of expenses		**192**	-
Net cash from/(used in) continuing financing activities		**2,950**	(681)
Effect of exchange rate changes on cash and cash equivalents		**(9)**	(3)
Net increase/(decrease) in cash and cash equivalents from continuing operations		**41**	(275)
Net cash flows from discontinued operating activities		**(38)**	6
Net cash flows from discontinued investing activities		**24**	6
Net increase/(decrease) in cash and cash equivalents from discontinued operations		**(14)**	12
Cash and cash equivalents at beginning of year	21	**1,951**	2,214
Cash and cash equivalents at end of year	21	**1,978**	1,951

Notes on pages 8 to 118 form an integral part of these consolidated financial statements

1. General information

Eurobank Ergasias S.A. (the 'Bank') and its subsidiaries (the 'Group') are active in retail, corporate and private banking, asset management, insurance, treasury, capital markets and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in Central, Eastern and Southeastern Europe.

These consolidated financial statements were approved by the Board of Directors on 10 March 2015.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below:

2.1 Basis of preparation

The consolidated financial statements of the Group 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 or issued and early adopted as at the time of preparing these statements.

Going concern considerations

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

Macroeconomic environment

- Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a programme agreed with the EU, the European Central Bank (ECB) and the International Monetary Fund (IMF) ('the Institutions'). This had led to primary fiscal surpluses in 2013 and 2014, but also to reform fatigue and social unrest. Following the recent parliamentary elections of 25 January, the new government negotiated a four-month extension of the Master Financial Assistance Facility Agreement (MFFA), the purpose of which is the successful completion of the review on the basis of the conditions in the current arrangement, making best use of the given flexibility which will be considered jointly with the Greek authorities and the Institutions. This extension would also serve to bridge the time for discussions on a possible follow-up arrangement between the Euro Group, the Institutions and Greece. On 23 February, the Greek government presented to the Institutions, a first list of reform measures to be further specified and agreed by the end of April 2015. Greece's access to the last instalment of the previous arrangement and/or to further Eurozone funding is conditional, inter alia, to the Institutions approving the conclusion of the review of the extended arrangement. Until such review is satisfactorily completed, any securities issued or guaranteed by the Hellenic Republic are deemed not eligible for ECB MRO (Main Refinancing Operations) funding. These conditions create material uncertainties on the Greek macroeconomic environment, with potentially significant adverse effects on the liquidity and solvency of the Greek banking sector.

Liquidity risk

- Liquidity, of the whole Greek banking sector, was negatively affected in the beginning of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of ECB to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by Hellenic Republic (i.e. Greek government bonds and Pillar 2 & 3 of the Law 3723/2009). As a result Greek banks reverted to the fallback funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs. In this context, the Greek banking system and the Bank specifically, still maintain ample liquidity buffers to correspond to persevering adverse liquidity conditions and the Eurosystem has demonstrated its commitment to support Greek banks as long as Greece remains within the EU support program.
- The initial Agreement reached between Greece and its European partners at the Euro Group meeting held on 20 February 2015, as well as the letter of the Minister of Finance to the President of Euro Group, dated 23 February 2015, are positive steps for lifting uncertainties and is acting positively towards the improvement of the Greek banking sector liquidity.
- Specifically for the banking sector, it is re-affirmed that HFSF buffer funds continue to be available for the duration of MFFA extension and can only be used for bank recapitalization needs. In addition, Greek authorities expressed their strong commitment to a deeper structural reform process, ensuring stability and resilience of the financial sector.

Solvency risk

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

  (a) The further recapitalization of the Group with the successful completion, in April 2014, of a Share Capital Increase amounting to € 2,864 million (see note 6), which enhanced CET 1 ratio by 770 basis points.

  (b) The ECB Comprehensive Assessment results, as published in October 2014, which reaffirmed the solid capital position of the Group (see note 6), stating the lack of any capital shortfall, in both the base and the adverse scenarios.

  (c) The CET 1 ratio of the Group which, as of 31 December 2014 stood at 16.2% (15.2% pro-forma with the regulatory treatment of deferred tax assets as deferred tax credits), comfortably above the minimum required in the "Prudential Requirements for Eurobank Ergasias S.A.", as notified to the Bank in the form of draft decision of ECB on 18 December 2014.
- Notwithstanding the economic and fiscal uncertainties described above, the new Greek government has re-affirmed its devotion to the implementation of necessary structural reforms and on Fiscal Budgets' primary surpluses. As a result, despite the possible short-term deceleration in asset quality and funding cost improvements and in loan growth, the macro-economic recovery trajectory and the return to profitability in the medium term, still constitute the base scenario for the Greek economy and the Group respectively.

Going concern assessment

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

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

New and amended standards adopted by the Group

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

IAS 27, Amendment - Separate Financial Statements

The amendment is issued concurrently with IFRS 10 'Consolidated Financial Statements' and together they supersede IAS 27 'Consolidated and Separate Financial Statements'. The amendment prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

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

IAS 28, Amendment - Investments in Associates and Joint Ventures

The amendment replaces IAS 28 'Investments in Associates'. The objective of the amendment is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures following the publication of IFRS 11. An exemption from applying the equity method is provided, when the investment in associate or joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment –linked insurance funds. In this case, investments in those associates and joint ventures may be measured at fair value through profit or loss.

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

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities

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

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

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets

The amendment restricts the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed.

It also includes detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period.

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

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting

The amendment provides relief from discontinuing hedge accounting when, as a result of laws and regulations, a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty and specific criteria are met.

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

IFRS 10, Consolidated Financial Statements

IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC 12 'Consolidation-Special Purpose Entities'. Under IFRS 10, there is a new definition of control, providing a single basis for consolidation for all entities. This basis is built on the concept of power over the investee, variability of returns from the involvement with the investee and their linkage, replacing thus focus on legal control or exposure to risks and rewards, depending on the nature of the entity.

The adoption of IFRS 10 had no impact on the consolidation of investments held by the Group nor on the Group's consolidated financial statements.

IFRS 11, Joint Arrangements

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities- Non – monetary Contributions by Ventures' and establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their classification is based on the parties' rights and obligations arising from the arrangement, rather than its legal form.

The equity method of accounting is now mandatory for joint ventures. The option to use the proportionate consolidation method to account for joint ventures, which was not applied by the Group, is no longer allowed. In joint operations, each party that has joint control of the arrangement recognizes in its financial statements, in relation to its involvement in the joint operation, its assets, liabilities and transactions, including its share in those arising jointly.

The adoption of IFRS 11 had no impact on the Group's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 specifies the disclosures required in annual financial statements to enable users of financial statements to evaluate the nature of and risks associated with the reporting entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Accordingly, the Group has applied the aforementioned disclosures in note 28, note 29 and note 33 in the Consolidated Financial Statements for the year ending 31 December 2014.

IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, 11 and 12, requiring adjusted comparative information to be limited only to the preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied, is removed.

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

IFRS 10, 12 and IAS 27 Amendments - Investment Entities

The amendments require that 'investment entities', as defined below, account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. Under the amendments an 'Investment entity' is an entity that:

(a) obtains funds from one or more investors for the purpose of providing those investors with investment management services;

(b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

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

New standards and interpretations not yet adopted by the Group

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

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

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

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

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016, not yet endorsed by EU)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

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

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.

The adoption of the amendment is not expected to have a material impact on the Group's consolidated financial statements.

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016, not yet endorsed by EU)

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method.

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

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

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

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

Classification and measurement

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

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

Impairment of financial assets

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

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

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

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

Hedge accounting

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

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

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by IASB, not yet endorsed by EU)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary. In January 2015, the IASB tentatively decided to include necessary changes to IFRS 10 and IAS 28 within a forthcoming Exposure Draft and accordingly postponed the effective date of the amendments (previously 1 January 2016).

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

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016, not yet endorsed by EU)

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

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

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2017, not yet endorsed by EU)

IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognize, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition.

The Group is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Group's consolidated 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 Group's consolidated financial statements.

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

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

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

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

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

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

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

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

IFRIC 21, Levies (effective 1 January 2015)

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

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

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

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 Group's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro has been rounded to the nearest million.

2.2 Consolidation

(i) Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The Group consolidates an entity only when all the above three elements of control are present.

Power is considered to exist when the Group has existing rights that give it the current ability to direct the relevant activities of the entity, i.e the activities that significantly affect the entity's returns and the Group has the practical ability to exercise those rights. Power over the entity may arise from voting rights granted by equity instruments such as shares or, in other cases, may result from contractual arrangements.

Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity, unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

The Group may have power even when it holds less than a majority of the voting rights of the entity through a contractual arrangement with other vote holders, rights arising from other contractual arrangements, substantive potential voting rights, ownership of the largest block of voting rights in a situation where the remaining rights are widely dispersed ('de facto power'), or a combination of the above. In assessing whether the Group has de facto power, it considers all relevant facts and circumstances including the relative size of the Group's holding of voting rights and dispersions of holdings of other vote holders to determine whether the Group has the practical ability to direct the relevant activities.

The Group is exposed or has rights to variable returns from its involvement with an entity when these returns have the potential to vary as a result of the entity's performance.

In assessing whether the Group has the ability to use its power to affect the amount of returns from its involvement with an entity, the Group determines whether in exercising its decision-making rights it is acting as an agent or as a principal. The Group acts as an agent when it is engaged to act on behalf and for the benefit of another party, and as a result does not control an entity. Therefore, in such cases, the Group does not consolidate the entity. In making the above assessment, the Group considers the scope of its decision-making authority over the entity, the rights held by other parties, the remuneration to which the Group is entitled from its involvement, and its exposure to variability of returns from other interests in that entity.

The Group has interests in certain entities which are structured so that voting rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual rights. In determining whether the Group has control over such structured entities, it considers the following factors:

- The purpose and design of the entity
- Whether the Group has certain rights that give it the ability to direct the activities of the entity unilaterally
- The existence of any special relationships with the entity
- The extent of the Group's exposure to variability of returns from its involvement with the entity

Information about the Group's structured entities is set out in note 29.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more elements of control. This includes circumstances in which the rights held by the Group and intended to be protective in nature become substantive upon a breach of a covenant or default on payments in a borrowing arrangement, and lead to the Group having power over the investee.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are recorded as equity transactions. Any difference between the consideration and the share of the new net assets acquired is recorded directly in equity. Gains or losses arising from disposals of ownership interests that do not result in a loss of control by the Group are also recorded directly in equity. For disposals of ownership interests that result in a loss of control, the Group derecognizes the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity, and recognizes gains and losses in the income statement. When the Group ceases to have control, any retained interest in the former subsidiary is remeasured to its fair value, with any changes in the carrying amount recognized in the income statement.

Intercompany transactions, balances and intragroup gains on transactions between Group companies are eliminated; intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(ii) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for an acquisition is measured at the fair value of the assets given, equity instruments issued or exchanged and liabilities undertaken at the date of acquisition, including the fair value of assets or liabilities resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. Any previously held interest in the acquiree is remeasured to fair value at the acquisition date with any gain or loss recognised in the income statement. The Group recognises on an acquisition-by-acquisition basis any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquiree, the difference is recognised directly in the income statement. Financial assets or financial liabilities resulting from contingent consideration arrangements are measured at fair value, with changes in fair value included in the income statement.

Commitments to purchase non controlling interests through derivative financial instruments with the non-controlling interests, as part of a business combination are accounted for as a financial liability, with no non-controlling interest recognised for reporting purposes. The financial liability is measured at fair value, using valuation techniques based on best estimates available to management. Any difference between the fair value of the financial liability upon initial recognition and the nominal non-controlling interest's share of net assets is recognised as part of goodwill. Subsequent revisions to the valuation of the derivatives are recognised in the income statement, except for business combinations with an acquisition date up to 31 December 2009, where such changes adjust the carrying amount of goodwill.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies of the Group.

A listing of the Bank's subsidiaries is set out in note 28.

(iii) Business combinations involving entities under common control

Pursuant to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', since business combinations between entities under common control are excluded from the scope of IFRS 3 'Business Combinations', such transactions are accounted for in the Group's financial statements by using the pooling of interests method (also known as merger accounting), with reference to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework and comply with the IFRS general principles, as well as accepted industry practices.

Under the pooling of interests method, the Group incorporates the assets and liabilities of the acquiree at their pre-combination carrying amounts from the highest level of common control, without any fair value adjustments. Any difference between the cost of the transaction and the carrying amount of the net assets acquired is recorded in Group's equity.

The Group accounts for the cost of such business combinations at the fair value of the consideration given, being the amount of cash or shares issued or if that cannot be reliably measured, the consideration received.

Formation of a new Group company to effect a business combination

Common control transactions that involve the formation of a new Group company to effect a business combination by bringing together two or more previously uncombined businesses under the new Group company are also accounted for by using the pooling of interests method.

Other common control transactions that involve the acquisition of a single existing Group entity or a single group of businesses by a new company formed for this purpose are accounted for as capital reorganisations, on the basis that there is no business combination and no substantive economic change in the Group. Under a capital reorganisation, the acquiring entity incorporates the assets and liabilities of the acquired entity at their carrying amounts, as presented in the books of that acquired entity, rather than those from the highest level of common control. Any difference between the cost of the transaction and the carrying amount of the net assets acquired is recognised in the equity of the new company. Capital reorganisation transactions do not have any impact on the Group’s consolidated financial statements.

(iv) Associates

Investments in associated undertakings are accounted for by the equity method of accounting in the consolidated financial statements. These are undertakings over which the Group exercises significant influence but which are not controlled.

Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition net of any accumulated impairment losses. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses, unless it has incurred obligations or made payments on behalf of the associate. Where necessary the accounting policies used by the associates have been changed to ensure consistency with the policies of the Group.

When the Group obtains or ceases to have significant influence, any previously held or retained interest in the entity is remeasured to its fair value, with any change in the carrying amount recognised in the income statement, except in cases where an investment in associate becomes an investment in a joint venture where no remeasurement of the interest retained is performed and use of the equity method continues to apply.

(v) Joint arrangements

A joint arrangement is an arrangement under which the Group has joint control with one or more parties. Joint control is the contractually agreed sharing of control and exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint ventures whereby the parties who share control have rights to the net assets of the arrangement or joint operations where two or more parties have rights to the assets and obligations for the liabilities of the arrangement.

The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. All joint arrangements in which the Group has an interest are joint ventures.

As investments in associates, the Group's interest in joint ventures is accounted for by using the equity method of accounting. Therefore, the accounting policy described in note 2.2(iv) applies also for joint ventures. Where necessary the accounting policies used by the joint ventures have been changed to ensure consistency with the policies of the Group.

When the Group ceases to have joint control over an entity, it discontinues the use of the equity method. Any retained interest in the entity is remeasured to its fair value, with any change in the carrying amount recognised in the income statement, except in cases where an investment in a joint venture becomes an investment in an associate, where no remeasurement of the interest retained is performed and use of the equity method continues to apply.

A listing of the Group's associated undertakings and joint ventures is set out in note 33.

2.3 Foreign currencies

(i) Translation of foreign subsidiaries

In the consolidated financial statements, the assets and liabilities of foreign subsidiaries are translated into the Group's presentation currency using the exchange rate ruling at the Balance Sheet date. Income and expenses are translated at the average rates of exchange for the reporting period.

Exchange differences arising from the retranslation of the net investment in foreign subsidiaries including exchange differences of monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur, that form part of the net investment in foreign subsidiaries, are taken to 'Other comprehensive income'. Such exchange differences are released to the income statement on disposal of the foreign operation or for monetary items that form part of the net investment in the foreign operation, on repayment or when settlement is expected to occur.

(ii) Transactions in foreign currency

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 recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedge.

Non-monetary assets and liabilities have been translated into the functional currency at the exchange rates ruling at initial recognition, except for non-monetary items denominated in foreign currencies that are stated at fair value which have been translated using the rate of exchange at the date the fair value was determined. The exchange differences relating to these items are treated as part of the change in fair value and they are recognised in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

2.4 Derivative financial instruments and hedging

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps, and other derivative financial instruments, are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered into and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 2.11 and 7.3. Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as: (a) hedges of the exposure to changes in fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge), (b) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge); or, (c) hedges of the exposure to variability in the value of a net investment in a foreign operation associated with the translation of the investment's carrying amount in the Group's functional currency. Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

Hedges of net investments in foreign operations, including hedges of monetary items that form part of the net investments in the foreign operations, are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 24.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Group 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.

2.6 Income statement

(i) Interest income and expenses

Interest income and expenses are recognised in the income statement 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 Group 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.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commissions

Fees and commissions are generally recognised on an accruals basis. Commissions and fees relating to foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised on the completion of the underlying transaction.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is recognised in the asset's carrying amount only when it is probable that future economic benefits will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognised in income statement as expenses as occurred.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

- Land: No depreciation
- Freehold buildings: 40-50 years
- Leasehold improvements: over the lease term or the useful life of the asset if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the income statement.

Property held for rental yields and/or capital appreciation that is not occupied by the companies of the Group is classified as investment property. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses, therefore, the policy described above applies also to this category of assets.

2.8 Intangible assets

(i) Goodwill

For business combinations completed from 1 January 2010, goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the Group's share of net identifiable assets and contingent liabilities acquired. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill arising on acquisitions of associates and jointly control entities is neither disclosed nor tested separately impairment, but instead is included in 'investments in associates' and "investments in jointly controlled entities".

Goodwill on the acquisition of subsidiaries is not amortised but tested for impairment annually or more frequently if there are any indications that impairment may have occurred. The Group's impairment test is performed each year end. The Group considers external information such as weak economic conditions, persistent slowdown in financial markets, volatility in markets and changes in levels of market and exchange risk, an unexpected decline in an asset's market value or market capitalisation being below the book value of equity, together with a deterioration in internal performance indicators, in assessing whether there is any indication of impairment.

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each Cash Generating Unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The Group monitors goodwill either at the separate legal entity level or group of legal entities consistent with the internal monitoring of operating segments.

The Group impairment model compares the carrying value of a CGU or group of CGUs with its recoverable amount. The carrying value of a CGU is based on the assets and liabilities of each CGU. The recoverable amount is determined on the basis of the value-in-use which is the present value of the future cash flows expected to be derived from the CGU or group of CGUs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU and the countries where the CGUs operate.

An impairment loss arises if the carrying amount of an asset or CGU exceeds its recoverable amount, and is recognised immediately as an expense in the income statement. Impairment losses are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Costs associated with the maintenance of existing computer software programs are expensed as incurred. Development costs associated with the production of identifiable and unique products controlled by the Group, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and are amortised using the straight-line method over 4 years, except for core systems whose useful life may extend up to 10 years.

(iii) Other intangible assets

Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortised over their estimated useful lives. These include intangible assets acquired in business combinations.

(iv) Impairment of non-financial assets

Intangible assets that have an indefinite useful life other than goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets in the following IAS 39 categories: financial assets at fair-value-through-profit-or-loss, loans and receivables, held-to-maturity investments, 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: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

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

(a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
(b) financial assets share the same risks with financial liabilities 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.

(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 Group upon initial recognition designates as at fair-value-through-profit-or-loss and those that the Group upon initial recognition designates as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) 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 recognised on trade date, which is the date the Group commits to purchase or sell the asset. Loans originated by the Group are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair-value-through-profit-or-loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments 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 income statement 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 income statement.

Dividends on equity instruments are recognised in the income statement when the entity's right to receive payment is established.

2.10 Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortised 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 Group designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:

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

De-recognition of financial liabilities

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

The Group 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 Group repurchases any debt instruments issued by the Group, it accounts for such transactions as an extinguishment of debt.

2.11 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group 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 Group 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 income statement. 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 7.3).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group recognises transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected.

2.12 Impairment of financial assets

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

Impairment indicators

For the Group’s retail loan exposures, objective evidence that a loan or group of loans is impaired refers to observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the borrower, a significant reduction of personal and/or family income or loss of job;
(b) a default or breach of contract;
(c) significant changes in the financial performance and behavior of the borrower (for example, a number of delayed contractual payments);
(d) measurable decrease in the estimated future cash flows of a group of loans through a negative payment pattern such as missed payments or a decrease in property prices;
(e) the Group 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, such as a reduction of the borrower’s monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
(f) it is becoming probable that the borrower will enter into bankruptcy status or other financial reorganisation; and
(g) loss events that could affect the ability of the borrower to repay contractual obligations within the agreed time, such as:
- serious illness or disability of the obligor or a family member;
- death of the borrower.

For all other financial assets including wholesale loan exposures, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence of impairment using the following criteria:

(a) significant financial difficulty of the issuer or borrower;
(b) a default of 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 loan covenants or other terms, or a partial write-off of the borrower's obligations due to economic or legal reasons relating to his financial status;
(e) significant changes in the value of the collateral supporting the obligation;
(f) the Group 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, such as a reduction of the obligors monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
(g) becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
(h) significant adverse changes in the borrower's industry or geographical area that could affect his ability to meet its debt obligations;
(i) market related information including the status of the borrower's other debt obligations; and
(j) a significant downgrade in the internal or external credit rating of the borrower's financial instruments when considered with other information.

(i) Assets carried at amortised cost

Impairment assessment

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If there is no objective evidence of impairment for a financial asset, the Group includes it in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Impairment losses recognized for financial assets for which no objective evidence of impairment exists (incurred but not reported loss – IBNR), represent an interim step pending to the identification of impairment losses of individual assets in the group. As soon as information is available that specifically identifies losses on individually impaired assets in the group, those assets are removed from it.

Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

In determining whether a loan is individually significant for the purposes of assessing impairment, the Group considers a number of factors, including the importance of the individual loan relationship and how it is managed, the size of the loan, and the product line. Consequently, loans to wholesale customers and financial institutions, as well as investment securities are generally considered as individually significant. Retail lending portfolios are generally assessed for impairment on a collective basis as they consist of large homogenous portfolios; exposures that are managed on an individual basis are assessed individually for impairment.

The Group assesses at each reporting date whether there is objective evidence of impairment.

Impairment measurement

If there is objective evidence that an impairment loss on a financial asset 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. If a financial asset has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account for loans and advances or directly for all other financial assets, and the amount of the loss is recognised in the income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For collective impairment purposes, the financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows of a group of financial assets that are collectively assessed for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Estimates of changes in the future cash flows for a group of financial assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). Historical loss experience is adjusted on the basis of current observable data to reflect the effects of conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating the future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Reversals of impairment

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

Write-off of loans and advances

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

The timing of write-off is mainly dependent on whether there are any underlying collaterals, their foreclosure processes, as well as the Group's estimate of the amount collectible. Especially for collateralized exposures, the timing of write-off is mainly dependent on local jurisdictions and consequently maybe delayed due to various legal impediments. The number of days past due is considered by the Group as an indicator, however it is not regarded as a determining factor.

Unpaid debt continues to be subject to enforcement activity even after it is written-off, except for limited cases where debt is forgiven by the Group as an expression of its social responsibility.

Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses for loans and advances in the income statement.

Loan modifications

Modifications of loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors, as well as potential deterioration of the borrower's financial condition. Forbearance occurs in the cases where the contractual payment terms of a loan have been modified due to the deterioration of the borrower's financial position where the Group has granted a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties. Other renegotiations, more of a business nature are not considered as forbearance measures.

Forbearance measures usually do not lead to de-recognition unless changes to the original contractual terms result in a substantially different loan. Modifications that may not result in de-recognition include:

- reduced or interest-only payments;
- payment holidays, grace period;
- extended payment periods under which the original term of the loan is extended;

- capitalization of arrears whereby arrears are added to the principal balance; and
- reduction in interest rates.

If the assessment of the forborne loan's modified terms do not result in de-recognition, the loan is assessed for impairment as the forbearance measures represent a concession that the Group would not otherwise consider. The impairment loss is measured in accordance with the Group's impairment policy for forborne loans (note 7.2.1.2 (d)).

De-recognition of financial assets

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

Furthermore, when a financial asset is modified, the Group determines whether the modified asset should be derecognized and a new asset recognized, considering the extent of the changes to the original contractual terms. Modifications that may result in de-recognition include:

- when an uncollateralized loan becomes fully collateralized;
- debt consolidations, whereby existing loan balances of the borrower are combined in a single loan;
- the removal or addition of conversion features to the loan agreement;
- a change in currency of principal and/or interest denomination;
- a change in the ranking of the instrument; and
- any other changes that cause the terms under the new contract to be considered substantially different from the original loan's terms.

When the terms of the new contract are assessed to be substantially different from those under the original contract, the initial asset is derecognized and a new loan is recognised at fair value. Any difference between the carrying amount of the derecognized asset and the fair value of the new loan is recognised in the Group's income statement.

The Group may occasionally enter into debt-for-equity transactions. Similarly, the modified loan is derecognized while the equity instruments received in exchange are recognised at their fair value, with any resulting gain or loss recognized in the Group's income statement.

(ii) Available-for-sale assets

In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also 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 the income statement. Impairment losses recognised in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.13 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements ("repos") continue to be recorded in the Group's Balance Sheet while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method.

(ii) Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.14 Leases

(i) Accounting for leases as lessee

Finance leases:

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases:

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Accounting for leases as lessor

Finance leases:

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases:

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.15 Income tax

(i) Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from impairment of financial assets, depreciation of fixed assets, pension and other retirement benefit obligations, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax related to changes in fair values of available-for-sale investments and cash flow hedges which are recognised to other comprehensive income is also recognised to other comprehensive income, and is subsequently recognised in the income statement together with the deferred gain or loss.

The deferred tax asset on income tax losses carried forward is recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(iii) Uncertain tax positions

The Greek Group's sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, are required to obtain an 'Annual Tax Certificate' following a tax audit by the same statutory auditor or audit firm that audits the annual financial statements (see note 16).

The Group determines and assesses all material tax positions taken, including all, if any, significant uncertain positions, in all tax years that are still subject to assessment (or when the litigation is in progress) by relevant tax authorities.

In evaluating tax positions in various states, local, and foreign jurisdictions, the Group examines all supporting evidence (Ministry of Finance circulars, individual rulings, case law, past administrative practices, ad hoc tax/legal opinions etc.) to the extent they are applicable to the facts and circumstances of the particular Group case/ transaction.

In addition, judgments concerning the recognition of a provision against the possibility of losing some of the tax positions are highly dependent on advice received from internal/ external legal counselors. For uncertain tax positions with a high level of uncertainty, the Group recognizes, on a transaction by transaction basis using an expected value (probability-weighted average) a) a provision against tax receivable which has been booked for the amount of income tax already paid but further pursued in courts or b) a liability for the amount which is expected to be paid to the tax authorities.

2.16 Employee benefits

(i) Pension obligations

The Group provides a number of defined contribution pension plans where annual contributions are invested and allocated to specific asset categories. Eligible employees are entitled to the overall performance of the investment. The Group's contributions are recognised as employee benefit expense in the year in which they are paid.

(ii) Standard legal staff retirement indemnity obligations (SLSRI) and termination benefits

The Group operates unfunded defined benefit plans in Greece, Bulgaria, Serbia, and Romania under broadly similar regulatory frameworks. In accordance with the local labor legislation, the Group provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of high rated European corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds at the end of the reporting period are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains and losses that arise in calculating the Group's obligation in respect of the SLSRI obligations are recognised directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

Past service costs and interest expense are recognised immediately in the income statement. In calculating the standard legal staff retirement obligation, the Group also considers potential separations before normal retirement based on the terms of previous voluntary separation schemes.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) Performance-based cash payments

The Group's Management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are recognised as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognised as employee benefit expense in the accounting period that they are approved by the Group's shareholders.

(iv) Performance-based share-based payments

The Group's Management awards employees with bonuses in the form of shares and share options on a discretionary basis. Non-performance related shares vest in the period granted. Share based payments that are contingent upon the achievement of a performance and service condition, vest only if both conditions are satisfied.

The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

2.17 Insurance activities

(i) Revenue recognition

For casualty, property and short-duration life insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability. Premiums are shown before deduction of commission or reinsurance premium ceded.

For long-term insurance contracts, premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. A liability for contractual benefits that are expected to be incurred in the future is recorded when the insurance contract is in force and the premiums are recognised.

(ii) Insurance liabilities

Insurance reserves are classified as follows:

Mathematical reserves

Mathematical reserves represent insurance provisions for long-term life insurance contracts. They are calculated in accordance with actuarial techniques, after taking into account the technical assumptions imposed by supervisory authorities (mortality tables and the technical interest rate), in effect at the contract's inception, as the difference between the actuarial present value of the contract's liabilities and the present value of the premiums to be received.

Unearned premium and unexpired risk reserves

Unearned premiums' reserves represent the part of the premium written for short term life, and property and casualty insurance contracts, that relates to the period beyond the reporting date until the termination of the period covered by the respective premium of the contract. An additional provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future losses and loss adjustment expenses of business in force at the reporting date.

Outstanding claims' reserves

Outstanding claims' reserves are set for liabilities on claims incurred and reported but not fully settled by the end of the reporting period. The specified liabilities are examined on a case-by-case basis by professional valuers, based on existing information (loss adjustors' reports, medical reports, court decisions etc). The adequacy of outstanding claims is also examined by statistical methods. When the result of the statistical methods is greater than the statutory claims incurred but not reported reserve (IBNR), the Group recognises additional provisions.

(iii) Liability adequacy

At each reporting date, the Group performs a liability adequacy test ("LAT") to assess whether its recognised insurance liabilities are adequate by using current estimates of future cash flows including related handling costs. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the income statement.

(iv) Reinsurance

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment at each reporting date. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

2.18 Repossessed properties

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in 'Other Assets'. Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realisable value. Any gains or losses on liquidation are included in 'Other operating income'.

2.19 Related party transactions

Related parties of the Group include:

(a) an entity that has control over the Group and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
(b) members of key management personnel of the Group, their close family members and entities controlled or jointly controlled by the above mentioned persons;
(c) associates; and
(d) fellow subsidiaries.

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

2.20 Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account risks and uncertainties surrounding the amount to be recognised as a provision.

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

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses within a particular economic environment. Operating segments are identified on the basis of internal reports, regarding operating results, of components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Executive Board (which replaced the Strategic Planning Group (SPG) from August 2013) that is responsible for strategic decision making. Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive prices in line with charges to unaffiliated customers for similar services.

2.22 Share capital

Ordinary shares and preference 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 recognised as a deduction in the Group's equity when approved by the General Meeting of shareholders. Interim dividends are recognised as a deduction in the Group's equity when approved by the Board of Directors.

Where any Group company purchases the Bank's equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.23 Preferred securities

Preferred securities issued by the Group are classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset. Incremental costs directly attributable to the issue of new preferred securities are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on preferred securities is recognised as a deduction in the Group's equity on the date it is due.

Where preferred securities, issued by the Group, are repurchased, the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity. Where such securities are subsequently called or sold, any consideration received is included in shareholders' equity.

2.24 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the income statement.

2.25 Non – current assets classified as held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For a non- current asset to be classified as held for sale, it is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets, and the sale is considered to be highly probable. In such cases, management is committed to the sale and actively markets the property for sale at a price that is reasonable in relation to the current fair value. The sale is also expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The Group presents discontinued operations in a separate line in the consolidated income statement if a Group entity or a component of a Group entity has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations includes the profit or loss before tax from discontinued operations, the gain or loss on disposal before tax or measurement to fair value less costs to sell and discontinued operations tax expense. Upon classification of a Group entity as a discontinued operation, the Group restates prior periods in the consolidated income statement.

2.26 Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than those that meet the definition of loans and receivables may be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables, out of the held-for-trading or available-for-sale categories, if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2.27 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank drafts.

2.28 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Group making allocation, purchase and sale decisions in relation to a wide range of financial instruments. The Group receives fee income for providing these services. Those assets that are held in a fiduciary capacity are not assets of the Group and are not recognized in the financial statements. In addition, the Group does not guarantee these investments and as a result it is not exposed to any credit risk in relation to them.

3. Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Group's accounting policies, the Group's Management makes 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 are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Impairment losses on loans and advances

The Group reviews its loan portfolios to assess whether there is objective evidence of impairment on an ongoing basis. This assessment is performed individually for loans and advances that are individually significant and collectively for loans and advances that are not individually significant. Management is required to exercise judgment in making assumptions and estimates when calculating the present value of the cash flows expected to be received on both, individually and collectively assessed loans and advances.

Individual impairment assessment

For loans assessed on an individual basis, mainly the Group's wholesale lending portfolio, management uses its best estimate to determine the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the borrower's financial position and the net realizable value of any underlying collaterals. Expected recoveries from real estate collaterals may be affected from the decreasing trend in the properties' market value. A 10% decline in the estimated recovery rates used for the measurement of the impairment allowance of the Group's wholesale lending portfolio, would give rise to an additional impairment loss in 2014 of approximately € 115 million.

Each individually assessed loan for impairment is assessed on a case-by-case basis (by cooperation between Credit Risk Management function and the business units) and subsequently it is independently approved by the Credit Risk Management function.

Collective impairment assessment

Collective impairment allowance is established for (a) groups of non-impaired or impaired retail homogenous loans that are not considered individually significant and (b) groups of corporate or retail loans that are individually significant but that were not found to be individually impaired.

In determining whether an impairment loss should be recorded in the income statement, management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a loan portfolio before the decrease can be identified on an individual loan basis in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

In assessing the need for collective impairment, management considers factors such as credit quality, portfolio size, concentrations and economic factors. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics to those in the loan portfolio under assessment when scheduling its future cash flows. Management applies significant judgment to assess whether current economic and credit conditions are such that the actual level of impairment loss is likely to be greater or lower than that suggested by historical experience.

In normal circumstances, historical experience provides objective and relevant information in order to assess the loss within each portfolio. In other circumstances, historical loss experience provides less relevant information, for example when recent trends in risk factors are not fully reflected in the historical information. Where changes in economic, regulatory and behavioral conditions result in most recent trends in portfolio risk factors not being fully reflected in the impairment calculation model used, the Group adjusts the impairment allowance derived from historical loss experience accordingly.

The estimation of impairment loss is subject to uncertainty, which has increased in the current economic environment, and is sensitive to factors such as the level of economic activity, bankruptcy rates, geographical concentrations, changes in laws and regulations, property prices and level of interest rates.

For the Group's mortgage portfolios, recovery rates are calculated based on management's best estimate regarding the net realizable value of residential properties held as collateral as well as the timing foreclosure is expected to occur, which in turn is impacted by the local legal framework. Both the amount and timing of expected cash flows have been affected by the reduction in the level of activity in the real estate market and the changes in the local tax and legal environment such as the temporary suspension of foreclosures in Greece. A 3% decline in the estimated recovery rates used for the measurement of the impairment allowance of the Group's mortgage portfolio, would give rise to an additional impairment loss in 2014 of approximately € 108 million (2013: € 70 million).

For the rest of retail portfolios, statistical analysis of historical losses experience is the primary tool used in order to determine future customer behavior and payment patterns. Due to the stressed macroeconomic environment during the last years, depending on the portfolio under examination, there is a level of uncertainty in terms of the level of future cash flows as well as the time that these cash flows will come. With regards to unsecured consumer and small business exposures, management exercises judgment to determine the applicable recovery rates which are affected by the existing economic conditions. A 5% decrease in the estimated recovery rates used for the measurement of the impairment allowance of the Group's unsecured consumer portfolio would give rise to an additional impairment loss in 2014 of approximately € 42 million (2013: € 40 million), while the same decrease in the small business lending portfolio's recovery rates would give rise to an additional impairment loss of approximately € 42 million (2013: € 50 million).

3.2 Estimated impairment of goodwill

The Group assesses annually whether there is an indication of goodwill impairment in accordance with the accounting policy stated in note 2.8 (i). The recoverable amounts of Cash-Generating Units (CGUs) are determined based on value-in-use calculations. Determining value-in-use is an inherently subjective process that involves the use of management's best estimates and judgments, particularly related to future cash flows of the CGU or group of CGUs and the appropriate discount rates.

The recoverable amount of the CGUs is determined on the basis of the CGU's business plan which is derived from the prospective five-year budgets approved by management, extrapolated over an additional five-year period of sustainable growth followed by a long-term growth rate to perpetuity. The budgets and plans reflect management's current expectations about changes in volumes, margins and capital requirements having regard to anticipated market conditions, competitive activity and effects of recent regulatory or legislative changes.

The discount rate used for each CGU represents an estimate of the cost of equity for that unit. The Capital Asset Pricing model is employed in estimating the discount rate.

The key assumptions for the value-in-use calculations and inputs to the afore-mentioned model, as well as the impact of potential changes to key variables, are described in note 32 and may change as economic and market conditions change.

3.3 Fair value of financial instruments

The fair value 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 mainly to value over-the-counter derivatives and securities measured at fair value.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel 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 own and counterparty), volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available. However, in most cases there will be some historical data on which to base a fair value measurement and consequently even when unobservable inputs are used, fair values will use some market observable inputs.

Valuation techniques used to calculate fair values are discussed in note 7.3.

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.

3.4 Impairment of available-for-sale equity investments

For available-for-sale investments, a significant or prolonged decline in the fair value of equity investments below their cost, is an objective evidence of impairment. In order to determine what is significant or prolonged, the Group's management exercises judgment. In assessing what is significant, the decline in the fair value is compared against the cost price, whereas a decline in the fair value is considered to be prolonged based on the period in which the quoted market price has been below its cost price. In this respect, the Group regards a decline to be 'significant' when the fair value is below the cost for more than 30% to 40% depending on the equity index, and a period of twelve months decline to be 'prolonged'. The Group also evaluates among other factors, the historic volatility in the share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash-flows.

3.5 Securitisations and consolidation of special purpose entities

As part of its activities, the Group sponsors certain securitisation vehicles, the significant activities of which have been predetermined as part of their initial design by the Group. The Group is exposed to variability of returns from these vehicles through its holding of debt securities and through providing subordinated financing and credit enhancements to them in accordance with the respective contractual terms. In assessing whether it has control, the Group considers whether it manages the substantive decisions that could affect these vehicles' returns. As a result, the Group has concluded that it controls these vehicles. For further details on securitisations refer to note 29.

3.6 Income taxes

The Group is subject to income taxes in various jurisdictions and estimates are required in determining the provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In addition, the Group recognizes deferred tax assets to the extent that it is probable that sufficient taxable profit will be available against which unused tax losses and deductible temporary differences can be utilized. In order to determine the amount of deferred tax assets that can be recognized, significant management judgments are required regarding the likely timing and level of future taxable profits. In making this evaluation, the Group has considered all available evidence, including historical levels of profitability, management's projections of future taxable income and the tax legislation in each jurisdiction.

The most significant judgment relates to the Group's assessment on the recoverability of the portion of the deferred tax assets relating to unused tax losses. As at 31 December 2014, amount of € 283 million has been recognised in respect to unused tax losses using the Group's best estimation and judgment as described above. The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date are described in note 17.

3.7 Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The key assumptions used in determining the net cost for the pension obligations include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate that should be used to calculate the present value of the estimated retirement obligations, at the end of each year. In determining the appropriate discount rate the Group uses interest rates of high rated European corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds at the end of the reporting period are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term to maturity of the retirement benefit obligations. The assumed rate of salary increase is determined by reviewing the Group's salary increases each year.

Other assumptions for pension obligations, such as the inflation rate, are based in part on current market conditions.

For a sensitivity analysis of the retirement benefit obligation to reasonably possible, at the time of preparation of these financial statements, changes in the above mentioned key actuarial assumptions, refer to note 39.

4. Greek Economy Liquidity Support Program

The Bank participates in the Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008, as amended by Laws 3844/2010, 3845/2010, 3872/2010, 3965/2011, 4021/2011 and 4093/2012 and extended by relevant Ministerial decisions issued on 3 July 2014 and 14 January 2015 respectively, as follows:

(a) First stream - preference shares
345,500,000 non-voting, non-listed, non-transferable, redeemable tax deductible, non-cumulative 10% preference shares, with nominal value of € 950 million, were subscribed to by the Hellenic Republic on 21 May 2009 (note 41).

(b) Second stream - bonds guaranteed by the Hellenic Republic
As at 31 December 2014, the government guaranteed bonds, of face value of € 13,717 million, were retained by the Bank and its subsidiaries, with the exception of face value of € 50 million which were held by third parties. In May 2014, government guaranteed bonds of face value of € 332 million matured. Furthermore, the Bank in December issued new government guaranteed bonds of face value of € 3,877 million and in June, September and October 2014 proceeded with the cancellation of government guaranteed bonds of face value of € 1,910 million, € 550 million and 1,300 million respectively.
In January 2015, the Bank issued government guaranteed bonds of face value of € 2,736 million which were fully retained by the Bank (note 37).

(c) Third stream - lending of Greek Government bonds
Liquidity obtained under this stream must be used to fund mortgages and loans to small and medium-size enterprises. As at 31 December 2014, the Bank had borrowed special Greek Government bonds of face value of € 1,918 million.

Under Law 3723/2008, for the period the Bank participates in the program through the preference shares or the guaranteed bonds (streams (a) and (b) above) the Hellenic Republic is entitled to appoint its representative to the Board of Directors with the right to veto resolutions of strategic character or resolutions which materially alter the legal or financial position of the Bank and require the General Assembly's approval or resolutions related to the dividends' distribution and the remuneration policy concerning the Board members and the General Managers and their deputies, pursuant to a relevant decision of the Minister of Finance or in the event such representative considers that the resolution may jeopardize the interests of the depositors or materially affect the solvency and the orderly operation of the Bank.

In addition, under Law 3756/2009, as amended by Law 3844/2010 and supplemented by Laws 3965/2011, 4063/2012, 4144/2013 and 4261/2014, any distribution of profits to ordinary shareholders of the banks participating in the first stream of the Greek Economy Liquidity Support Program for the financial years 2008 to 2013 could only take place in the form of ordinary shares, other than treasury shares. In addition, under Law 3756/2009, banks participating in the Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

5. Credit exposure to Greek sovereign debt

As at 31 December 2014, the total carrying value of Greek sovereign major exposures amounted to € 5,728 million (31 December 2013: € 6,473 million). This includes a) Treasury Bills of € 2,410 million (31 December 2013: € 3,164 million), b) GGBs of € 1,584 million (31 December 2013: € 868 million), c) derivatives with the Greek State of € 1,102 million (31 December 2013: € 634 million), d) exposure of € 204 million relating with Greek Sovereign risk financial guarantee (31 December 2013: € 195 million), e) loans guaranteed by the Greek State of € 198 million (31 December 2013: € 238 million), f) loans to Greek local authorities and public organizations of € 103 million (31 December 2013: € 137 million), g) other receivables of € 20 million (31 December 2013: € 40 million) and h) reverse repo agreements of € 107 million. The GGBs issued for the Greek State's subscription to the Preference Shares, under Law 3723/2008 "Greek Economy Liquidity Support Program", matured in May 2014 (31 December 2013: € 1,197 million).

6. Capital Management

Eurobank's share capital increase

In accordance with the Memorandum of Economic and Financial Policies (MEFP) of the Second Adjustment Program for Greece published in July 2013, the Hellenic Republic undertook to place a substantial part of the equity stake in Eurobank held by Hellenic Financial Stability Fund (HFSF) to a privately owned strategic international investor by end of March 2014. In this context, a number of intermediary milestones were also provided.

The capital needs of the Group were assessed by the Bank of Greece (BoG) based on the credit loss projections from BlackRock's 2013 diagnostic review and the estimated future ability of internal capital generation for the period June 2013-December 2016, based on a conservative adjustment of the Bank's restructuring plan submitted in November 2013. For this exercise, BlackRock assessed highly granular data for the banks' domestic loan portfolios, and also provided an evaluation of the loan books of the major foreign subsidiaries of Greek banks. The methodology used for the capital needs assessment was conservative and the capital needs were estimated using a minimum Core Tier I threshold of 8% for the baseline scenario and 5.5% for the adverse scenario, while the regulatory value of the deferred tax assets was limited to 20% of Core Tier I. On 8 April 2014, the BoG following (a) the assessment of Eurobank's capital needs amounting to € 2,945 million under the baseline scenario, concluded on 6 March 2014 and (b) the capital enhancement plan submitted by the Bank on 24 March 2014, whereby the Bank: (i) revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and proposed to adjust the restructuring plan accordingly and (ii) stated that it intends to cover the remaining capital needs through a share capital increase, notified the Bank that its Core Tier I capital should increase by € 2,864 million.

On 30 March 2014, the Greek Parliament under the Law 4254/2014 that amended Law 3864/2010, reformed the framework for the recapitalization of credit institutions operating in Greece. The most significant amendments made pursuant to Law 4254/2014 are set out below:

(a) The disposal of shares held by the HFSF may be conducted by selling shares of the credit institutions to the public or specific investors or group of investors;
(b) The HFSF may reduce its participation in the credit institutions through a share capital increase, by waiving its preemption rights or by selling them;
(c) The HFSF may determine the offer price and the minimum price of the share capital increase based on two valuation reports issued by two independent financial advisors of international standing and experience in similar matters and in particular valuations of credit institutions. The aforementioned specified prices may be lower than the acquisition price by the HFSF or the current market price of the shares;
(d) The HFSF will have restricted voting rights in the Bank's General Assembly in case the private participation in the first capital increase to take place after the publication of Law 4254/2014 is at least equal to the 50% threshold set by this Law. Under this framework, the HFSF will cast its votes in the General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring increased majority as provided for in the company Law 2190/1920.

Following the assessment of Bank's capital needs by BoG and according to the new recapitalization framework, on 12 April 2014 the Bank's Extraordinary Shareholders' General Meeting approved the increase of the share capital of the Bank up to € 2,864 million through payment in cash or/and contribution in kind, the cancellation of the preemption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new ordinary registered shares, of a nominal value of € 0.30 each.

On 29 April 2014, the Bank announced that both the public offering of new ordinary registered shares to the public in Greece and the private placement of new ordinary registered shares to investors outside Greece were oversubscribed and the offer price set at € 0.31 per offered new ordinary registered share. As a result, the share capital of the Bank increased by € 2,771.6 million and an aggregate of 9,238,709,677 new ordinary registered shares were issued, which have been listed on the main market of the Athens Exchange and their trading commenced on 9 May 2014. The proceeds were used to increase the Tier I Capital according to 8 April 2014 resolution of the BoG. The successful completion of the Bank's capital increase constitutes a step towards further strengthening its capital position and enhances its ability to support the Greek economy.

Capital position

	Pro-forma 31 December 2014 [(1)] € million	31 December 2014 € million	31 December 2013 € million
Total equity attributable to shareholders of the Bank	**5,559**	**5,559**	4,165
Add: Regulatory non-controlling interest	**532**	**532**	214
Less: Goodwill	**(4)**	**(4)**	(116)
Less: Other regulatory adjustments	**(158)**	**(193)**	(287)
Common Equity Tier I Capital/Core Tier I Capital for 2013	**5,929**	**5,894**	3,976
Add: Preferred securities	**62**	**62**	77
Less: Other regulatory adjustments	**(62)**	**(62)**	-
Total Tier I capital	**5,929**	**5,894**	4,053
Tier II capital-subordinated debt	**141**	**141**	267
Other regulatory adjustments	**15**	**15**	(70)
Total Regulatory Capital	**6,085**	**6,050**	4,250
Risk Weighted Assets	**39,062**	**36,430**	38,135
Ratios:	%	%	%
Common Equity Tier I/Core Tier I for 2013	**15.2**	**16.2**	10.4
Tier I	**15.2**	**16.2**	10.6
Capital Adequacy Ratio	**15.6**	**16.6**	11.1

[(1)] *pro-forma with the regulatory treatment of Deferred Tax Assets (DTAs) as Deferred Tax Credits (DTCs) (note 17).*

The Group has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (‘BIS rules/ratios’) and adopted by the European Union and the Bank of Greece in supervising the Bank. As of 1 January 2014 the capital adequacy calculation is based on Basel III (CRDIV) rules. Main differences of the new framework compared to Basel II concern the treatment of deferred tax assets, non controlling interests and participation in insurance companies.

During the last years the Group, apart from the share capital increase mentioned above, focused on the organic strengthening of its capital position by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans as well as by proceeding to several strategic initiatives to internally generate capital.

Finally, the Group is examining a number of additional initiatives for enhancing its capital base, associated with the restructuring, transformation or optimisation of operations, in Greece and abroad, that will generate or release further capital and/or reduce Risk Weighted Assets.

Restructuring plan

On 29 April 2014, the European Commission approved the Bank’s restructuring plan, as it was submitted through the Greek Ministry of Finance on 16 April 2014. The Hellenic Republic has committed that the Bank will implement in particular specific measures and actions and will achieve objectives which are integral part of said restructuring plan.

Principal commitments to be implemented by the end of 2018 relate to (a) the reduction of the total costs and the net loan to deposit ratio for the Group’s Greek activities, (b) the reduction of the Bank’s cost of deposits, (c) the reduction of the Group’s foreign assets, (d) the decrease of the shareholding in specific non banking subsidiaries, (e) the securities portfolio deleveraging, and (f) restrictions on the capital injection to the Group’s foreign subsidiaries unless the regulatory framework of each relevant jurisdiction requires otherwise, the purchase of non investment grade securities, the staff remuneration, the credit policy to be adopted and other strategic decisions.

European Central Bank’s Comprehensive Assessment

On 26 October 2014, the European Central Bank (ECB) and the European Banking Authority (EBA) announced the results of the Comprehensive Assessment (CA) of the European Union’s (EU) systemically important banks, which was conducted in cooperation with National Competent Authorities (NCAs) and the EBA. The CA was undertaken prior to the transfer of full responsibility for banking supervision from national authorities to the ECB in November 2014 under the Single Supervisory Mechanism (SSM).

The CA assessed the resilience of each bank, using a common methodology and applying it consistently across all participating banks. The results have been derived taking into account the combined effect of the following two main pillars:

(a) An Asset Quality Review (AQR) – to enhance the transparency of bank balance sheets, by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions;
(b) A Stress Test (ST) – performed in cooperation with the EBA to examine the resilience of banks' balance sheets to two stress test scenarios: baseline and adverse.

Capital adequacy was assessed over a three-year time period (2014-2016) against a Common Equity Tier I (CET 1) ratio benchmark of 8.0% and 5.5% in the baseline and adverse scenario, respectively. Furthermore, the CA was carried out on both the Static and Dynamic balance sheet assumptions. According to the Static balance sheet assumption, the actual balance sheet as of 31 December 2013 was used as reference, thus not taking into account any subsequent capital action and/or executed capital raising as well as structural operating performance improvement. According to the Dynamic balance sheet assumption, the effect of measures announced and committed in the Restructuring Plan (RP) approved by the European Commission for the 2014-2016 period, have been incorporated. These were then stress-tested under the baseline and adverse scenario.

The CA represents an unprecedented exercise, given the wide, rigorous and detailed review of 130 banks and a key milestone in the harmonization and strengthening of the European financial system. This exercise also contributes to the enhancement of the financial stability of the EU banking system and provides confidence in the resilience of all tested banks. In particular, in the case of Eurobank, under the AQR, 84% of the Bank's total loan portfolio was reviewed. Specifically regarding the Greek corporate portfolio, credit file reviews and collateral valuation on € 9.9 bn loans were performed, representing 64% of the relevant portfolio.

CA results for Eurobank

The following tables summarize the CA results for Eurobank under the Static and Dynamic baseline and adverse scenario, excluding the impact of the new regulatory treatment of the deferred tax assets:

AQR Results

	€ million	Ratio %
2013 CET 1	4,049	10.6
AQR impact	(1,070)	(2.8)
AQR adjusted CET 1	2,979	7.8
AQR adjusted CET 1 post € 2.9 bn share capital increase	**5,843**	**15.3**

CA Results

	Static		Dynamic	
	Baseline	Adverse	**Baseline**	**Adverse**
AQR & ST adjusted CET 1, %	2.0	(6.4)	**15.1**	**5.5**
Surplus/(Shortfall), € million	(2,282)	(4,628)	**2,403**	**(18)**
Surplus/(Shortfall) post € 2.9 bn share capital increase, € million	582	(1,764)	**2,403**	**(18)**

Eurobank's assessment of the CA results

Taking into account the € 2.9 bn raised pursuant to the share capital increase completed in May 2014, the results determine that Eurobank meets the capital benchmark set out for the purpose of the AQR, resulting in a CET1 ratio of 15.3% post AQR impact, compared to an 8% benchmark. It is noted that, the capital shortfall under the Static adverse scenario is associated with the 2013 reference point, which was a year in which the Group's operating performance was adversely affected due to systemic and idiosyncratic reasons.

The ECB stated that the Dynamic scenario will be taken into consideration for assessing the Group's capital position and has also stated that Eurobank has "practically no shortfall". As a result, the Group meets the CA benchmarks in both baseline and adverse scenario and no capital shortfall arises from such extensive exercise.

Furthermore, the following factors create a capital buffer of € 1.4 bn, increasing the stressed CET 1 ratio under the Dynamic adverse scenario from 5.5% to 9.5%:

(a) Positive impact of € 315 million deriving from the difference in the 9 months ended 30 September 2014 pre provision income (profit from operations before impairments and non recurring income/(expenses)) versus the pre provision income assumed in the Dynamic adverse scenario, resulting in an increase in the CET 1 ratio under the Dynamic adverse scenario of 90 basis points;
(b) In addition, the regulatory treatment of the deferred tax asset as per recent legislative action, following the approval of opt-in to the scheme by the Extraordinary General Meeting on 7 November 2014, has a positive impact in the Dynamic adverse scenario of € 1.1 bn, or 318 basis points (note 17).

Moreover, the Group has filed for approval the transition of the mortgage portfolio acquired from New Hellenic Postbank (€ 4.9 bn) to the Internal Ratings-Based (IRB) approach, which is expected to further improve its capital position.

The AQR is a prudential exercise using a uniform standardized approach set by the ECB. The impact of € 1,070 million net of tax, as disclosed above, relates mainly to provisions adjustments for loans and advances to customers and was determined according to the ECB methodology. The methodology was specifically developed for the purpose of the CA in order to ensure consistency across banks without introducing greater prescription into the accounting rules outside of the supervisory mechanisms.

The results of the AQR had no effect on the accounting policies, related with the recognition of impairment losses on loans and advances to customers, applied by the Group for the year ended 31 December 2014, which are described in note 2. Furthermore, the AQR impact has been already captured in 2014 to the appropriate extent through the application of the Group's existing impairment accounting policies, which incorporate the constant evaluation and calibration of estimates and judgments based on the latest available information (note 26).

Monitoring Trustee

The Memorandum of Economic and Financial Policies (MEFP) of the Second Adjustment Program for Greece between the Hellenic Republic, the European Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB) provides for the appointment of a monitoring trustee in all banks under State Aid.

On 22 February 2013, the Bank appointed Grant Thornton as its Monitoring Trustee (MT). The MT monitors compliance with commitments on corporate governance and commercial operational practices, and the implementation of the restructuring plan and reports to the European Commission.

Regulatory disclosures regarding capital adequacy and risk management, based on (EU) Regulation No 575/2013 of the European Parliament and the Council of the European Union (Basel III, Pillar 3), are available at the Bank's website.

7. Financial risk management and fair value

7.1 Use of financial instruments

By their nature the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Group also trades in financial instruments where it takes positions in traded and over the counter instruments, including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates.

7.2 Financial risk factors

Due to its activities, the Group is exposed to a number of financial risks, such as credit risk, market risk (including currency and interest rate risk), liquidity and operational risks. The Group's overall risk management strategy seeks to minimise any potential adverse effects on its financial performance, financial position and cash flows.

Risk Management Organization

The Group's risk management strategy is formulated by the Board Risk Committee (BRC) and the Group Chief Risk Officer (GCRO), as well as the Troubled Assets Committee (TAC). Both committees report to the Bank's Board of Directors. The Bank's structure, internal procedures and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision.

The main risk management competences that have been delegated to BRC relate to the risk appetite, the classification of risks, the assets-liabilities management and the institution of risk management mechanisms. The BRC consists of five directors (three non - executives one of whom is the representative of the HFSF, and two independent non-executives), meets at least monthly and reports to the Board of Directors on a quarterly basis.

The Group's Risk Management Division, which is headed by the GCRO, is independent from the business units and comprises of the Credit Sector, the International Credit Division, the Group Market & Counterparty Risk Sector (GMCRS), the Group Credit Control Sector (GCCS), the Capital Adequacy Control & Regulatory Framework Sector (credit risk) and the Operational Risk Sector.

Following the publication of the Bank of Greece Executive Committee's Act No.47/9.2.2015, that details the supervisory directives for the administration of exposures in arrears and non-performing loans, the Bank has responsibly proceeded with a number of initiatives to adopt the regulatory requirements and empower the management of troubled assets. In particular, the Bank transformed its troubled assets operating model into a vertical organizational structure through the establishment of the Troubled Assets Committee (TAC) and Troubled Assets Group General Division (TAG).

The TAC, headed by the Troubled Assets Group's General Manager, oversees and monitors the Group's troubled assets. In particular, the main competencies that have been delegated to TAC relate to the monitoring of loans in arrears and non performing loans' management, the determination and implementation of troubled assets' management strategy, as well as approving and assessing the sustainability of the forbearance and closure procedure measures. The establishment of an independent body ensures transparency, management flexibility and accountability, and safeguards the wise, and in line with the Bank's risks appetite, troubled assets management.

7.2.1 Credit Risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to fulfill its payment obligations, when due.

Credit risk includes country, sector and settlement risk.

Country risk is the risk of losses arising from economic difficulties or political unrest in a country, including the risk of losses following nationalization, expropriation and debt restructuring.

Sector risk is the risk of losses arising from economic difficulties as a result of events that affect a particular sector or industry.

Settlement risk is the risk of loss due to the failure of counterparty to satisfy its contractual obligations to deliver cash, securities or other assets when payments on financial instruments are settled, including derivatives and currency transactions. Settlement risk arises when the Group remits payments before it can ascertain that the counterparties' payments have been received.

The Group's credit risk mainly arises from its wholesale and retail lending activities, which include any credit enhancements provided, such as financial guarantees and letters of credit, as well as from other activities, such as investments in debt securities, trading, capital markets and settlement activities. Since, the credit risk is the primary risk that the Group is exposed to, it is carefully and actively managed and monitored by centralized risk units that report to the GCRO.

(a) Credit Risk Management

The credit approval and credit review processes are centralized on a country level. The appropriate level of segregation of duties ensures independence among those responsible for the customer's relationship, the approval process and the loan's disbursement, as well as the monitoring of the loan during its lifecycle.

Credit Committees

The Group has established various credit committees with escalating credit approval levels in order to manage the credit risk that arises from wholesale lending activities, including:

- Credit Committees which approve new limits, renewals or amendments to existing limits according to their approval authority level, depending on the customer's total exposure its risk category (high, medium, low), as well as the value and type of collaterals;
- Regional Credit Committee, being Head Office committees, which approve limits for International Operations in excess of each country's approval authority, depending also on customer's risk category; and
- Special Handling Credit Committees which decide on credit issues and actions to be taken for specific cases of problematic loans.

Other specialized committees are established to monitor certain portfolios (e.g. forborne non-performing loans, staff loans).

The credit committees meet on a weekly basis or more frequently, if needed.

Credit Sector

The main responsibilities of the Credit Sector are:

- to independently review the credit proposals for large and medium size corporate entities;
- to prepare an assessment (credit opinion) prior to their submission to the appropriate Credit Committee, in which it participates with a voting right; and
- to approve credits for retail customers (small business lending and household lending) in case their total exposure exceeds a predefined threshold.

International Credit Division

The International Credit Division was established in April 2008, in order to ensure full harmonization with the Group's standards and in the light of the increased credit risk management demands for wholesale lending activities in International Operations. Its main responsibilities are:

- to review the credit proposals for large and medium size corporate entities in excess of each country's approval authority and submit them for approval to the Regional Credit Committees', together with a credit opinion, as required;
- to prepare and revise, as needed, the management acts relating to the credit approval processes, as well as the credit approval levels;
- to maintain a uniform credit policy for international subsidiaries, in accordance with the Group's credit policies; and
- to monitor high-risk corporate credits.

The approval process for loans to small businesses (turnover up to € 2.5 million) is centralised, following specific guidelines for eligible collaterals. The assessment is based on the analysis of the borrower's financial position, as well as the use of statistical scorecards.

The approval process for household lending is centralised. It is supported by specialised credit scoring models and the application of credit criteria based on the payment behaviour, the type and quality of collateral, the existence of real estate property, and other factors. The ongoing monitoring of portfolio quality and performance leads to adjustments of the credit policy and procedures, when deemed necessary.

Group Market and Counterparty Risk Sector

The Group Market and Counterparty Risk Sector (GMCRS) is responsible for the measurement, monitoring and reporting of the Group's exposure to counterparty risk, which is the risk of loss due to the customer's failure to meet its contractual obligations in the context of treasury activities, such as securities, derivatives, repos reverse repos and interbank placings.

The Group has set limits on the level of counterparty risk that may be undertaken based mainly on the counterparty's credit rating, as provided by international rating agencies, and the product type (e.g. control limits on net open derivative positions by both amount and term, on sovereign bonds exposure, on asset backed securities). The utilization of the abovementioned limits, any excess of them, as well as the aggregate exposure per Group's entity, counterparty and product type are monitored by GMCRS on a daily basis. Risk mitigation contracts are taken into account for the calculation of the final exposure.

In case of uncollaterised derivative transactions, the Group measures the current exposure along with the potential future exposure (PFE) using financial models. The combined exposure is used for the monitoring of limit utilization.

The GMCRS's exposure measurement and reporting tool is also available to the Group's subsidiaries treasury divisions, thus providing them with the ability to monitor the exposure and the limit availability of each counterparty.

(b) Credit risk monitoring

The Group Credit Control Sector (GCCS) monitors and assesses the quality of all of the Group's loan portfolios and operates independently from the business units of the Bank. The GCCS reports directly to the GCRO.

The main responsibilities of the GCCS are:

- to monitor and review the performance of all of the Group's loan portfolios;
- to conduct field reviews and prepare written reports to the Management on the quality of loan portfolios for all of the Group's lending units;
- to supervise and control the foreign subsidiaries' credit risk management units;
- to participate in the development, approval and implementation of credit risk models, designed according to the characteristics of each loan portfolio;
- to supervise, support and maintain the Moody's Risk Advisor (MRA) used to assign ratings to wholesale lending customers;
- to create, oversee and support the Transactional Rating (TR) application, used to measure the overall risk of wholesale credit relationships, taking into account both the creditworthiness of the borrower and required collaterals;
- to monitor on a regular basis and report on a quarterly basis to the Board of Directors and the BRC of risk exposures, along with accompanying analyses;
- to formulate the provisioning policy and regularly monitor the adequacy of provisions of all of the Group's loan portfolios;
- to participate in the approval of new credit policies and new loan products;
- to participate in the Troubled Asset Committee; and
- to attend meetings of Credit Committees and Special Handling Committees, without voting right.

The Capital Adequacy Control & Regulatory Framework Sector (credit risk) develops and maintains the Internal Ratings Based (IRB) approach in accordance with the Basel framework and the Capital Adequacy Directive of the Group's loan portfolios, measures and monitors their capital requirements, and manages the credit risk regulatory related issues. The Sector reports to the GCRO.

The main responsibilities of the Capital Adequacy Control & Regulatory Framework Sector are:

- to manage external Asset Quality Reviews and stress tests;
- to develop, implement and validate IRB models for evaluating credit risk;
- to measure and monitor risk parameters and capital adequacy calculations (Pillar I) and preparation of relevant management and regulatory reports; and
- to prepare credit risk analyses for Internal Capital Adequacy Assessment and Pillar II purposes.

The Group's international subsidiaries in Bulgaria, Romania, Serbia, Cyprus and Ukraine apply the same credit risk management structure and control procedures as the Bank and report directly to the GCRO. Risk management policies and processes are approved and monitored by the credit risk divisions of the parent bank ensuring that group guidelines are in place and credit risk strategy is uniformly applied across the Group.

The Troubled Assets Group General Division (TAG) has the overall responsibility for the management of the Group's troubled assets portfolio and ensures a close monitoring, tight control and course adjustment, that acknowledges and takes into account the continuous developments in the macro environment, the regulatory and legal requirements, international best practices and new or evolved internal requirements.

The TAG cooperates with Group Risk Management to reach a mutual understanding and develop an appropriate methodology for the evaluation of the risks inherent in every type of modification and delinquency bucket, by lending portfolio. The TAG's recommendations and reports to the Board of Directors are also be submitted to the GCRO who expresses his opinion.

The key governing principles of the TAG are to:

- Preserve the clear demarcation line between business units and troubled assets management;
- Ensure direct top management involvement in troubled assets management and close monitoring of the respective portfolio;
- Ensure a consistent approach for managing troubled assets across portfolios;
- Prevent non performing loans formation through early intervention and clear definition of primary financial objectives of troubled assets;
- Monitor the loan delinquency statistics, as well as define targeted risk mitigating actions to ensure portfolio risk reduction;
- Target maximization of borrowers who return to current status through modifications or collections;
- Monitor losses related to troubled assets; and
- Define criteria to assess the sustainability of proposed forbearance or resolution and closure measures and design decision trees.

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as agreed. Guarantees and standby letters of credit carry the same credit risk as loans since they represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to extend credit in the form of loans, guarantees or letters of credit for which the Group usually receives a commitment fee. Such commitments are irrevocable over the life of the facility or revocable only in response to a material adverse effect.

(d) Concentration risk

The Group structures the levels of credit risk it undertakes by placing exposure limits by borrower, or groups of borrowers, and by industry segments. The exposure to each borrowerr is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. Risk concentrations are monitored regularly and reported to the BRC. Such reports include the 20 largest exposures, major watchlist and problematic customers, industry analysis, analysis by rating/risk class, by delinquency bucket, and loan portfolios by country.

(e) Rating systems

Rating of large corporate and medium sized customers

The Bank has decided upon the differentiation of rating models for wholesale lending activities, in order to reflect appropriately the risks arising from customers with different characteristics. Hence, rating models are employed for a number of general as well as specific segments:

- traditional corporate lending: Moody's Risk Advisor (MRA); Internal Credit Rating (ICR) for those customers that cannot be rated by MRA;
- specialized lending (shipping, real estate and project finance): slotting methodology.

The MRA aggregates quantitative and qualitative information of individual obligors in order to assess their creditworthiness and determine their credit rating. In particular, it takes into account the company's financial performance, its cash flows, industry sector trends, peers' performance, qualitative assessment of management, the company's status, market and industry structural factors. The MRA is used for the assessment of all legal entities with full accountancy tax books irrespective of their legal form, and is calibrated on the Greek corporate environment.

Certain types of entities cannot be analyzed with the MRA due to the special characteristics of their financial statements, such as insurance companies, state-owned organizations, brokerage firms, and start-ups. In such cases, the ICR is applied, which similarly to MRA, combines quantitative and qualitative assessment criteria, such as the entity's size, years in business, credit history, industry sector.

In addition, the Bank performs an overall assessment of corporate customers, based both on their rating (MRA or ICR) and the collaterals and guarantees referred to their approved credit relationships, using a 14-grade rating scale. Credit exposures are subject to detailed reviews by the appropriate Credit Committee based on the respective transactional rating (TR). Low risk corporate customers are reviewed at least once a year, whereas higher risk customers are reviewed either on a semi-annual or quarterly basis. All high risk corporate customers with exposures over € 5 million are reviewed by the Special Handling Committee which takes place on a weekly basis.

For specialized lending portfolios, i.e. when the primary source of repayment of the obligation is the income generated by the asset(s), rather than the independent capacity of the commercial enterprise, the Bank utilizes the slotting method by adapting and refining the Capital Requirements Directive criteria to the Bank's risk practices. Customers falling in the specialized lending category (shipping, real estate and project finance) are classified into five categories: strong, good, satisfactory, weak and default.

The rating systems described above are an integral part of the corporate banking decision-making and risk management processes:

- the credit approval process, both at the origination and review process;
- the calculation of Economic Value Added (EVA) and risk-adjusted pricing; and
- the quality assessment of issuers of cheques prior to their pledge as collateral.

Rating of Retail Lending exposures

The Bank assigns credit scores to its retail customers using a number of statistically-based models both at origination and an ongoing basis through behavioral scorecards. These models have been developed to predict, on the basis of available information, the probability of default, loss given default and exposure at default. They cover the entire spectrum of retail products (credit cards, consumer lending, unsecured revolving credits, car loans, personal loans, mortgages and small business loans).

The models were developed based on the Bank's historical data and credit bureau data. Behavioral scorecards are calculated automatically on a monthly basis, thus ensuring that credit risk assessments are up to date.

The models are applied in the credit approval process, the credit limits management, as well as the collection process for the prioritization of the accounts in terms of handling. Furthermore, the models have been often used for the risk segmentation of the customers. They are also utilized for risk based pricing in particular segments or new products introduced.

The rating systems employed by the Bank meets the requirements of the Basel III –Internal Ratings Based (IRB) approach. The Bank is IRB certified since 2008 for the Greek portfolios, both corporate and retail (as detailed in Basel III, Pillar III disclosures available at the Bank's website).

The Group Capital Adequacy Control Sector independently monitors the capacity of rating models and scoring systems to classify customers according to risk, as well as to predict the probability of default and loss given default. The Bank's validation policy follows a procedure that complies with international best practices and regulatory requirements. The Bank verifies the validity of the rating models and scoring systems on an annual basis and the validation includes both quantitative and qualitative aspects. Validation procedures are documented and regularly reviewed and reported to the BRC. The Group's Internal Audit also independently reviews the validation process annually.

(f) Credit risk mitigation

A key component of the Group's business strategy is to reduce risk by utilizing various risk mitigating techniques. The most important risk mitigating means are collaterals' pledges, guarantees and master netting arrangements.

Types of collateral commonly accepted by the bank

The Group has internal policies in place which set out the following types of collateral that are usually accepted:

- residential real estate, commercial real estate (offices, shopping malls, etc.), industrial buildings and land;
- receivables (trade debtors) and post dated cheques;
- securities including, listed shares and bonds;
- deposits;
- guarantees and letters of support;
- insurance policies; and
- equipment, mainly, vehicles and vessels.

A specific coverage ratio is pre-requisite upon approval and on ongoing basis for each collateral type, as specified in the Group's credit policy.

For exposures, other than loans to customers (i.e. reverse repos, derivatives), the Group accepts only cash or liquid bonds as collateral.

Valuation principles of collateral

In defining the maximum collateral ratio for loans, the Group considers all relevant information available, including any collaterals' characteristics, if market participants would take those into account when pricing relevant assets. Valuation and hence eligibility is based on the following factors:

- the collateral's fair value, i.e. the exit price that would be received to sell the asset in an orderly transaction under current market conditions;
- the fair value reflects market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it;
- a reduction of the collateral value is considered if the type, location or condition (such as deterioration and obsolescence) of the asset indicate so;
- no collateral value is assigned if a pledge is not legally enforceable.

The real estate properties of all units are valued by Eurobank Property Services S.A., a subsidiary of the Group, which reports to the GCRO. Eurobank Property Services is regulated by the Royal Institute of Chartered Surveyors and utilizes internal or external qualified appraisers based on predefined criteria (qualifications and expertise). All appraisals take into account factors such as the region, age and marketability of the property, and are further reviewed and countersigned by experienced staff. The valuation methodology employed is based on International Valuation Standards (IVS), while quality controls are in place such as reviewing mechanisms, independent sample reviews by independent well established valuation companies.

In 2006, the Bank initiated a project in collaboration with other major banks in Greece to develop a real estate property index for residential property. The methodology, which was developed by an independent specialized statistical company, has been approved by the Bank of Greece and its use enables a dynamic monitoring of residential property values and market trends, on an annual basis.

For commercial real estate, re-valuations are performed by qualified property valuers within two to three years. More frequent re-valuations either on site or desktop are performed for material exposures, borrowers downgraded to watchlist / high risk area and for borrowers active in the real estate sector.

To ensure the quality of the post-dated cheques accepted as collateral, the Bank has developed a pre-screening system, which takes into account a number of criteria and risk parameters, so as to evaluate their eligibility. Furthermore, post-dated cheques valuation is monitored weekly through the use of advanced statistical reports and on a monthly basis through the review of detailed information regarding the recoverability of cheques, referrals and bounced cheques, per issuer broken down.

Collateral policy and documentation

For loans, the Group's instructions emphasize that practices and routines followed are timely and prudent, in order to ensure that collaterals are controlled by the Group's subsidiaries and that the loan and pledge agreement, as well as the collaterals are legally enforceable. Thus, the Group's subsidiaries hold the right to liquidate collateral in the event of the obligor's financial distress and can claim and control cash proceeds from the liquidation process.

The Group uses to a large extent standard loan and pledge agreements, ensuring legal enforceability.

Guarantees

The guarantees used as credit risk mitigation by the Group are largely issued by central and regional governments in the countries in which it operates. The Public Fund for very small businesses (TEMPME) and similar funds, banks and insurance companies are also important guarantors of credit risk.

Management of repossessed properties

The objective of the repossessed assets' management is to minimize the time cycle for an asset to be disposed and to maximize the recovery of the capital engaged.

To this purpose, the management of repossessed assets aims at improving rental and other income from the exploitation of such assets, and at the same time reducing the respective holding and maintenance costs.

The Group is actively engaged in identifying suitable potential buyers for its portfolio of repossessed assets (including specialized funds involved in acquiring specific portfolios of properties repossessed), both in Greece and abroad, in order to reduce its stock of properties with a time horizon of 3-5 years.

Repossessed assets are closely monitored based on technical and legal due diligence reports, so that their market value is accurately reported and updated in accordance with market trends.

Counterparty risk

The Group mitigates counterparty risk arising from treasury activities by entering into master netting arrangements and similar agreements, as well as collateral agreements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced through a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

In the case of derivatives, the Group makes use of International Swaps and Derivatives Association (ISDA) contracts, which limit the exposure via the application of netting and Credit Support Annex (CSAs), which further reduce the total exposure with the counterparty. Under these agreements, the total exposure with the counterparty is calculated on a daily basis taking into account any netting arrangements and collaterals.

The same process is applied in the case of repo transactions where standard Global Master Repurchase Agreements (GMRAs) are used. The exposure (the net difference between repo cash and the market value of the securities) is calculated on a daily basis and collateral is transferred between the counterparties thus minimizing the exposure.

The Bank uses a comprehensive collateral management system for the monitoring of ISDA, CSAs and GMRAs, i.e. the daily valuation of the derivatives and the market value of the securities are used for the calculation of the each counterparty's exposure. The collateral which should be posted or requested by the relevant counterparty is calculated daily.

With this system, the Bank monitors and controls the collateral flow in case of derivatives and repos, independently of the counterparty. The effect of any market movement that increases the Bank's exposure is reported and the Bank proceeds to collateral call without delay.

7.2.1.1 Maximum exposure to credit risk before collateral held

	2014 € million	2013 € million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	**3,059**	2,567
Financial instruments at fair value through profit or loss:		
- Debt securities	**98**	111
Derivative financial instruments	**2,134**	1,264
Loans and advances to customers:		
- Wholesale lending	**19,475**	19,748
- Mortgage lending	**18,355**	18,980
- Consumer lending	**6,768**	7,341
- Small business lending	**7,283**	7,429
Less: Impairment allowance	**(9,748)**	(7,888)
Investment securities:		
- Debt securities	**17,555**	18,362
Other assets	**1,611**	1,677
Credit risk exposures relating to off-balance sheet items (note 46)	**1,573**	1,748
	68,163	71,339

The above table represents the maximum credit risk exposure to the Group at 31 December 2014 and 31 December 2013 respectively, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Group's financial statements.

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. Off-balance sheet items mentioned above include letters of guarantee, standby letters of credit, commitments to extend credit and documentary credits.

7.2.1.2 Loans and advances to customers

The section below provides a detailed overview of the Group's exposure to credit risk arising from its customer lending portfolios in line with the guidelines set by the Hellenic Capital Markets Commission and the Bank of Greece released on 30 September 2013.

During 2014, the breakdown of the wholesale portfolio to large corporate and SMEs has been based on the specific criteria for the number of employees, the annual turnover and/ or the total assets of the entity defined by the European Commission. This categorization differentiates with the one used in 2013, which was based on the Group's internal structure and monitoring.

In addition, following the release of the European Banking Association Implementing Technical Standards (EBA ITS) guidelines in July 2014, with effect from 31 December 2014, the Group initiated the implementation of a common forbearance definition for supervisory and financial reporting purposes, as described below in (d) 'Forbearance practices on lending activities'.

(a) Credit quality of loans and advances to customers

Loans and advances to customers are classified as "neither past due nor impaired", "past due but not impaired" and "impaired".

Loans reported as "Neither past due nor impaired "include loans with no contractual payments in arrears and no other indications of impairment.

'Past due but not impaired' category includes loans with contractual payments overdue by at least one day, but which are not impaired unless specific information indicates to the contrary. This is typically when loans are in arrears less than 90 days past due for consumer and small business exposures, less than 180 days past due for mortgage, while for wholesale exposures both the delinquency status and the internal rating, which reflects the borrower's overall financial condition and outlook, are assessed.

For loans in the above categories, although not considered impaired, the Group recognize a collective impairment provision (as set out in note 2.12 'Impairment of financial assets').

"Impaired" loans that are individually assessed include all wholesale exposures as well as small business and mortgage loans which carry an individual impairment allowance. The rest of retail exposures are considered impaired when they are in arrears for more than 90 days for consumer and small business exposures and 180 days for mortgage exposures and carry a collective impairment allowance. Furthermore, impaired loans under forbearance measures may include loans in arrears less than 90 days for consumer and small business exposures and less than 180 days for mortgage exposures, respectively.

The evidence considered by the Group in determining whether there is objective evidence of impairment is set out in note 2.12.

The following tables present the total gross amount, representing the maximum exposure to credit risk gross of impairment allowance, of loans and advances that are classified as non-impaired (i.e. "neither past due nor impaired" and "past due but not impaired") and those classified as impaired. They also present the total impairment allowance recognized in respect of all loans and advances, analyzed into individually or collectively assessed, based on how the respective impairment allowance has been determined, the total net amount, as well as the value of collateral held as security to mitigate credit risk.

For credit risk management purposes, the Public Sector, which includes exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, is incorporated in wholesale lending.

In addition, the value of collateral presented in the tables below is capped to the respective gross loan amount.

	31 December 2014								
	Non impaired		**Impaired**			**Impairment allowance**			
	Neither past due nor impaired	**Past due but not impaired**	**Individually assessed**	**Collectively assessed**	**Total gross amount**	**Individually assessed**	**Collectively assessed**	**Total net amount**	**Value of collateral**
	€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
Retail Lending	**16,063**	**4,309**	**2,929**	**9,105**	**32,406**	**(1,327)**	**(4,358)**	**26,721**	**20,617**
- Mortgage	*11,012*	*2,841*	*80*	*4,422*	*18,355*	*(28)*	*(1,449)*	*16,878*	*15,973*
- Consumer	*1,873*	*561*	*1*	*2,492*	*4,927*	*(0)*	*(1,909)*	*3,018*	*119*
- Credit card	*944*	*111*	-	*786*	*1,841*	-	*(556)*	*1,285*	*31*
- Small business	*2,234*	*796*	*2,848*	*1,405*	*7,283*	*(1,299)*	*(444)*	*5,540*	*4,494*
Wholesale Lending	**8,860**	**2,028**	**7,986**	**-**	**18,874**	**(3,888)**	**(168)**	**14,818**	**10,431**
- Large corporate	*6,903*	*1,513*	*5,477*	-	*13,893*	*(2,981)*	*(100)*	*10,812*	*7,443*
- SMEs	*1,957*	*515*	*2,509*	-	*4,981*	*(907)*	*(68)*	*4,006*	*2,988*
Public Sector	**226**	**375**	**0**	**-**	**601**	**(0)**	**(7)**	**594**	**118**
- Greece	*225*	*375*	*0*	-	*600*	*(0)*	*(7)*	*593*	*118*
- Other countries	*1*	-	-	-	*1*	-	-	*1*	*0*
Total	**25,149**	**6,712**	**10,915**	**9,105**	**51,881**	**(5,215)**	**(4,533)**	**42,133**	**31,166**

	31 December 2013								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed	Total gross amount	Individually assessed	Collectively assessed	Total net amount	Value of collateral
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Retail Lending	16,981	6,570	2,689	7,510	33,750	(1,106)	(3,855)	28,789	21,638
- Mortgage	*11,477*	*4,160*	-	*3,343*	*18,980*	*(0)*	*(1,080)*	*17,900*	*17,002*
- Consumer	*2,078*	*919*	-	*2,299*	*5,296*	*(0)*	*(1,799)*	*3,497*	*31*
- Credit card	*1,127*	*122*	-	*796*	*2,045*	-	*(569)*	*1,476*	*0*
- Small business	*2,299*	*1,369*	*2,689*	*1,072*	*7,429*	*(1,106)*	*(407)*	*5,916*	*4,605*
Wholesale Lending	9,690	3,116	6,232	-	19,038	(2,730)	(187)	16,121	10,017
- Large corporate	*6,528*	*1,612*	*2,108*	-	*10,248*	*(1,197)*	*(153)*	*8,898*	*4,749*
- SMEs	*3,162*	*1,504*	*4,124*	-	*8,790*	*(1,533)*	*(34)*	*7,223*	*5,268*
Public Sector	687	10	13	-	710	(10)	-	700	80
- Greece	*602*	*4*	*13*	-	*619*	*(10)*	-	*609*	*57*
- Other countries	*85*	*6*	-	-	*91*	-	-	*91*	*23*
Total	27,358	9,696	8,934	7,510	53,498	(3,846)	(4,042)	45,610	31,735

Loans and advances neither past due nor impaired

The Group's internal rating systems monitor individually significant exposures based on a variety of quantitative and qualitative factors. For exposures classified as neither past due nor impaired, loans to wholesale customers are segregated into strong, satisfactory and watch list categories, while small business and mortgage loans that are assessed individually are generally segregated into satisfactory and watch list. The rest of the retail exposures that are not assessed individually, the credit quality of which is not rated but is based on their delinquency status, are classified as satisfactory.

The following tables present the risk classification of loans and advances that are neither past due nor impaired:

	31 December 2014				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	**0**	**16,023**	**40**	**16,063**	**11,604**
- Mortgage	-	*11,012*	-	*11,012*	*10,051*
- Consumer	-	*1,873*	-	*1,873*	*15*
- Credit card	-	*944*	-	*944*	*0*
- Small business	*0*	*2,194*	*40*	*2,234*	*1,538*
Wholesale Lending	**4,715**	**3,816**	**329**	**8,860**	**5,154**
- Large corporate	*3,662*	*3,034*	*207*	*6,903*	*3,850*
- SMEs	*1,053*	*782*	*122*	*1,957*	*1,304*
Public Sector	**136**	**90**	**-**	**226**	**113**
- Greece	*136*	*89*	-	*225*	*113*
- Other countries	*0*	*1*	-	*1*	*0*
Total	**4,851**	**19,929**	**369**	**25,149**	**16,871**

	31 December 2013				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	-	16,944	37	16,981	12,389
- Mortgage	-	*11,477*	-	*11,477*	*10,705*
- Consumer	-	*2,078*	-	*2,078*	*7*
- Credit card	-	*1,127*	-	*1,127*	*0*
- Small business	-	*2,262*	*37*	*2,299*	*1,677*
Wholesale Lending	5,131	3,837	722	9,690	5,291
- Large corporate	*3,272*	*2,778*	*478*	*6,528*	*3,065*
- SMEs	*1,859*	*1,059*	*244*	*3,162*	*2,226*
Public Sector	36	650	1	687	67
- Greece	*2*	*599*	*1*	*602*	*48*
- Other	*34*	*51*	-	*85*	*19*
Total	5,167	21,431	760	27,358	17,747

Loans and advances past due but not impaired

The following tables present the ageing analysis of past due but not impaired loans and advances by product line at their gross amounts before any impairment allowance:

	31 December 2014								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total past due but not impaired € million
up to 29 days	1,936	402	74	374	601	193	370	-	3,950
30 to 59 days	486	105	24	247	162	38	-	-	1,062
60 to 89 days	221	54	13	175	717	252	5	-	1,437
90 to 179 days	198	-	-	-	33	32	0	-	263
180 to 360 days	-	-	-	-	-	-	-	-	-
more than 360 days	-	-	-	-	-	-	-	-	-
Total	**2,841**	**561**	**111**	**796**	**1,513**	**515**	**375**	**-**	**6,712**
Value of collateral	**2,462**	**2**	**0**	**519**	**978**	**327**	**5**	**-**	**4,293**

	31 December 2013								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total past due but not impaired € million
up to 29 days	2,827	708	77	873	787	608	4	6	5,890
30 to 59 days	616	153	28	304	143	106	-	-	1,350
60 to 89 days	297	58	17	192	663	708	-	-	1,935
90 to 179 days	420	-	-	-	19	82	-	-	521
180 to 360 days	-	-	-	0	-	-	-	-	0
more than 360 days	-	-	-	0	0	0	-	-	0
Total	4,160	919	122	1,369	1,612	1,504	4	6	9,696
Value of collateral	3,319	24	0	896	896	1,144	3	4	6,286

Impaired loans and advances

The following tables present the movement of impaired loans and advances by product line. In 2013, balances arising from the acquisition of NHPB and New Proton are presented in a separate line "Impairment exposures arising from acquisitions":

	31 December 2014								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
Balance at 31 December 2013	3,343	2,299	796	3,761	2,108	4,124	13	-	16,444
Transfers among product lines	(0)	(0)	0	0	2,064	(2,064)	0	-	0
Balance at 1 January	3,343	2,299	796	3,761	4,172	2,060	13	-	16,444
Transferred to discontinued operations	(85)	(3)	(0)	(59)	(72)	(30)	-	-	(249)
Impairment exposures for the period	1,384	418	89	899	1,099	573	0	-	4,462
Corporate bond loans transferred from AFS portfolio (note 25)	-	-	-	-	535	57	-	-	592
Transferred to non-impaired	(92)	(99)	(3)	(250)	(100)	(69)	(13)	-	(626)
Repayments	(43)	(40)	(30)	(19)	(76)	(66)	(0)	-	(274)
Amounts written off	(13)	(103)	(62)	(99)	(70)	(24)	(0)	-	(371)
Disposals	-	-	-	(1)	(8)	(6)	-	-	(15)
Foreign exchange differences and other movements	8	21	(4)	21	(3)	14	-	-	57
Balance at 31 December	4,502	2,493	786	4,253	5,477	2,509	0	-	20,020
Cumulative impairment allowance	(1,385)	(1,849)	(545)	(1,714)	(2,972)	(907)	(0)	-	(9,372)
Net balance at 31 December	3,117	644	241	2,539	2,505	1,602	0	-	10,648

	31 December 2013								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
Balance at 1 January	1,788	1,916	629	3,250	752	2,631	21	-	10,987
Impairment exposures for the period	855	319	73	762	633	1,311	0	-	3,953
Impairment exposures arising from acquisitions	787	189	120	45	805	384	6	-	2,336
Transferred to non-impaired	(62)	(111)	(10)	(268)	(17)	(27)	(12)	-	(507)
Repayments	(33)	(34)	(19)	(19)	(64)	(122)	(3)	-	(294)
Amounts written off	(1)	(31)	(0)	(12)	(6)	(51)	-	-	(101)
Disposals	-	-	-	-	(1)	(0)	-	-	(1)
Foreign exchange differences and other movements	9	51	3	3	6	(2)	1	-	71
Balance at 31 December	3,343	2,299	796	3,761	2,108	4,124	13	-	16,444
Cumulative impairment allowance	(961)	(1,710)	(537)	(1,456)	(1,200)	(1,533)	(7)	-	(7,404)
Net balance at 31 December	2,382	589	259	2,305	908	2,591	6	-	9,040

The following tables present the ageing analysis of impaired loans and advances by product line at their amounts net of any impairment allowance, as well as the value of collaterals held to mitigate credit exposure.

For legally denounced loans, the Group ceases to monitor the delinquency status and therefore the respective balances have been included in the "over 360 days" time band, with the exception of consumer exposures which continue to be monitored up to 360 days past due.

	31 December 2014								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
up to 29 days	418	68	1	375	592	270	-	-	1,724
30 to 59 days	69	10	0	54	53	22	-	-	208
60 to 89 days	43	6	0	50	262	87	-	-	448
90 to 179 days	115	35	16	171	97	77	-	-	511
180 to 360 days	417	36	15	141	194	220	0	-	1,023
more than 360 days	2,055	489	209	1,748	1,307	926	0	-	6,734
Total	**3,117**	**644**	**241**	**2,539**	**2,505**	**1,602**	**0**	**-**	**10,648**
Value of collateral	**3,460**	**102**	**31**	**2,437**	**2,615**	**1,357**	**0**	**-**	**10,002**

	31 December 2013								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
up to 29 days	49	5	0	48	150	311	6	-	569
30 to 59 days	35	7	0	57	10	38	-	-	147
60 to 89 days	32	9	0	65	54	81	-	-	241
90 to 179 days	65	55	9	240	173	177	-	-	719
180 to 360 days	465	65	15	187	152	469	-	-	1,353
more than 360 days	1,736	448	235	1,708	369	1,515	0	-	6,011
Total	2,382	589	259	2,305	908	2,591	6	-	9,040
Value of collateral	2,980	0	-	2,030	789	1,897	6	-	7,702

(b) Collaterals and repossessed assets

Collaterals

The Loan-to-Value (LTV) ratio of mortgage lending reflects the gross mortgage loan exposure at the balance sheet date over the market value of the mortgaged property held as collateral.

The LTV ratio of mortgage portfolio is presented below:

	2014 € million	2013 € million
Mortgages		
Less than 50%	**4,323**	4,779
50%-70%	**3,140**	3,595
71%-80%	**1,595**	1,817
81%-90%	**1,451**	1,704
91%-100%	**1,429**	1,527
101%-120%	**2,255**	2,264
121%-150%	**2,064**	1,939
Greater than 150%	**2,098**	1,355
Total exposure	**18,355**	18,980
Average LTV	**83.56%**	76.15%

The breakdown of collateral and guarantees is presented below:

	31 December 2014				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	received
Retail Lending	**19,985**	**316**	**316**	**20,617**	**179**
Wholesale Lending	**5,771**	**1,304**	**3,356**	**10,431**	**267**
Public sector	**2**	**110**	**6**	**118**	**30**
Total	**25,758**	**1,730**	**3,678**	**31,166**	**476**

	31 December 2013				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	Received
Retail Lending	21,178	300	160	21,638	113
Wholesale Lending	6,717	1,508	1,792	10,017	111
Public sector	3	17	60	80	11
Total	27,898	1,825	2,012	31,735	235

Repossessed assets

The Group recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Group repossesses against repayment or reduction of the outstanding loan is real estate which is recognized within repossessed assets carried at the lower of cost or net realizable value (see also notes 2.18 and 33). In cases where the Group makes use of repossessed properties as part of its operations, they are classified as own-used or investment properties as appropriate (see notes 2.7, 30 and 31).

The following tables present a summary of collaterals that the Group took possession and were recognized as repossessed assets as well as the net gains/ (losses) arising from the sale of such assets in the year:

	31 December 2014						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/(loss) on sale € million
Real estate auction items	**586**	**65**	**(88)**	**(40)**	**498**	**7**	**(0)**
- Residential	*285*	*34*	*(34)*	*(11)*	*251*	*1*	*(0)*
- Commercial	*301*	*31*	*(54)*	*(29)*	*247*	*6*	*0*
Other collateral	**6**	**4**	**(3)**	**(1)**	**3**	**4**	**(1)**

	31 December 2013						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/(loss) on sale € million
Real estate auction items	565	135	(54)	(22)	511	10	1
- Residential	*268*	*46*	*(26)*	*(8)*	*242*	*7*	*0*
- Commercial	*297*	*89*	*(28)*	*(14)*	*269*	*3*	*1*
Other collateral	12	8	(2)	(1)	10	6	0

Properties that have been classified as investment property or own used in 2014 as a result of repossession or transfer from repossessed properties category, amount to € 45 million (2013: € 175 million).

(c) Geographical and industry concentrations of loans and advances to customers

As described above in note 7.2.1, the Group holds diversified portfolios across markets and countries and implements limits on concentrations arising from the geographical location or the activity of groups of borrowers that could be similarly affected by changes in economic or other conditions, in order to mitigate credit risk.

The following tables break down the Group's exposure into loans and advances to customers at their gross amounts, impaired loans and advances and impairment allowance by product line, industry and geographical region:

	31 December 2014								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	**28,667**	**11,026**	**(5,177)**	**3,733**	**1,008**	**(508)**	**6**	**-**	**-**
-Mortgage	*16,592*	*4,184*	*(1,363)*	*1,758*	*318*	*(114)*	*5*	-	-
-Consumer	*4,055*	*2,289*	*(1,761)*	*871*	*204*	*(148)*	*1*	-	-
-Credit card	*1,529*	*707*	*(493)*	*312*	*79*	*(63)*	-	-	-
-Small business	*6,491*	*3,846*	*(1,560)*	*792*	*407*	*(183)*	-	-	-
Wholesale Lending	**13,618**	**6,347**	**(3,090)**	**4,134**	**1,480**	**(849)**	**1,122**	**159**	**(117)**
-Commerce and services	*5,836*	*2,759*	*(1,424)*	*1,616*	*374*	*(220)*	*392*	*60*	*(53)*
-Manufacturing	*3,249*	*1,129*	*(501)*	*517*	*201*	*(118)*	*18*	-	-
-Shipping	*71*	*19*	*(3)*	*101*	*46*	*(30)*	*571*	*37*	*(18)*
-Construction	*2,153*	*1,180*	*(484)*	*775*	*485*	*(222)*	*11*	*4*	*(0)*
-Tourism	*1,159*	*503*	*(122)*	*59*	*16*	*(11)*	-	-	-
-Energy	*297*	*14*	*(13)*	*63*	*6*	*(0)*	-	-	-
-Other	*853*	*743*	*(543)*	*1,003*	*352*	*(248)*	*130*	*58*	*(46)*
Public Sector	**600**	**0**	**(7)**	**1**	**-**	**-**	**-**	**-**	**-**
Total	**42,885**	**17,373**	**(8,274)**	**7,868**	**2,488**	**(1,357)**	**1,128**	**159**	**(117)**

	31 December 2013								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	29,401	9,217	(4,442)	4,333	982	(519)	16	-	-
-Mortgage	*16,899*	*3,057*	*(952)*	*2,065*	*285*	*(128)*	*16*	-	-
-Consumer	*4,400*	*2,125*	*(1,680)*	*896*	*173*	*(119)*	-	-	-
-Credit card	*1,630*	*709*	*(500)*	*415*	*88*	*(69)*	-	-	-
-Small business	*6,472*	*3,326*	*(1,310)*	*957*	*436*	*(203)*	-	-	-
Wholesale Lending	13,714	4,843	(2,181)	5,196	1,272	(666)	128	117	(70)
-Commerce and services	*5,293*	*2,029*	*(919)*	*2,097*	*481*	*(317)*	*69*	*62*	*(45)*
-Manufacturing	*3,498*	*1,192*	*(573)*	*458*	*129*	*(78)*	-	-	-
-Shipping	*694*	*37*	*(16)*	*215*	*81*	*(43)*	*39*	*35*	*(24)*
-Construction	*2,155*	*1,001*	*(310)*	*996*	*451*	*(168)*	*19*	*19*	*(1)*
-Tourism	*1,155*	*279*	*(74)*	*36*	*2*	*(0)*	*1*	*1*	*(0)*
-Energy	*202*	*6*	*(4)*	*58*	*4*	*(4)*	-	-	-
-Other	*717*	*299*	*(285)*	*1,336*	*124*	*(56)*	-	-	-
Public Sector	620	13	(10)	90	-	-	-	-	-
Total	43,735	14,073	(6,633)	9,619	2,254	(1,185)	144	117	(70)

(d) Forbearance practices on lending activities

Modifications of loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors as well as due to potential deterioration of the borrower's financial condition. As a consequence of the current financial and economic crisis, the Group has employed a range of forbearance options in order to enhance the management of customer relationships and effectiveness of collection efforts, improve the recoverability of cash flows and minimize losses for both retail and wholesale portfolios.

Forbearance practices' classification

Following the release of the European Banking Authority Final Draft Implementing Technical Standards (EBA ITS) guidelines in the third quarter of 2014, the Group initiated implementation of a common forbearance definition for supervisory and financial reporting purposes. Accordingly, (a) the Group proceeded with the reassessment of all loans that were modified and categorized as forborne as at 31 December 2014 and redefined the perimeter of the existing forborne loans and (b) from 1 January 2015, the Group will monitor prospectively all forbearance practices based on the EBA ITS guidelines. Hence, considering that the EBA ITS guidelines were applied prospectively and that it is impracticable to proceed with a retrospective application for financial reporting purposes, the Group did not proceed with the restatement of the 2013 comparative information on forbearance practices.

Accordingly, forbearance practices as monitored and reported by the Group occur only in the cases where the contractual payment terms of a loan have been modified as the borrower is considered unable to comply with the existing loan's terms due to apparent financial difficulties and the Group has made a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties.

All other types of modifications granted by the Group, where there is no apparent financial difficulty of the borrower and may be driven by factors of, a business nature, are not classified as forbearance measures.

Forborne loans are classified as impaired by assessing their delinquency status both at the reporting date and the date when forbearance measures were granted, and specifically for wholesale exposures the borrower's rating is considered as well. On the other hand, non-impaired forborne retail loans are classified as either neither past due nor impaired or past due but not impaired based on their delinquency status at the reporting date while for wholesale exposures' classification both the borrower's rating as well as the delinquency status at the reporting date are assessed.

Impaired forborne loans enter initially a probation period of twelve months where the payment performance is closely monitored. If borrowers comply with the terms of the program over the one-year probation period, loans are then reported as non-impaired forborne. In addition, non-impaired forborne loans, including those that were previously classified as impaired and complied with the terms of the program, are monitored over a period of two years in order to exit the forborne status.

Furthermore, forborne loans that fail to perform under the new modified terms and are subsequently denounced cease to be monitored as part of the Group's forbearance activities and are reported in the denounced impaired loans consistently with the Group's management and monitoring of all denounced loans.

Forbearance programs

Forbearance options provide borrowers with more favorable terms than those set in the initial contracts; they are granted following an assessment of the customer's ability and willingness to repay and can be of a temporary or longer term nature. The objective is to assist financially stressed borrowers by decreasing their monthly installment or rearranging their repayment cash outflows, and at the same time, protect the Group from suffering credit losses.

The nature and type of forbearance options may include but is not necessarily limited to, one or more of the following:

- debt consolidations, whereby existing loan balances of the borrower are combined in a single loan;
- reduced or interest-only payments;
- payment holidays, grace period;
- extended payment periods under which the original term of the loan is extended;
- capitalization of arrears whereby arrears are added to the principal balance;
- reduction in interest rates;
- adjustment or non-enforcement of covenants;
- partial write off of the borrower's debt, such as write off part of accrued interest and/ or write off of part of the capital.

Specifically for unsecured consumer loans (including credit cards), forbearance programs are effected mainly through debt consolidation whereby all existing consumer balances are derecognised, as described below. This practice allows the more effective management of debt by both the borrower and the bank. Through debt consolidation, a decrease of the monthly installment is achieved, relieving the borrower from part of the monthly financial obligations he has to meet. Furthermore, debt consolidation is widely used as means of converting unsecured exposures to secured lending under a mortgage prenotation, which significantly improves the Group's collection opportunities and portfolio quality.

In the case of mortgage loans, a decrease of installment may be achieved through various types of modifications of the existing loan such as extended payment periods, capitalization of arrears and reduced or interest-only payments.

Wholesale exposures are subject to forbearance when there are indications of distress of the borrower, evidenced by a combination of factors including the deterioration of financials, credit rating downgrade, payment delays and other.

Forborne impaired loans are separately monitored by management through Special Remedial Management Committees which evaluate the effectiveness of forbearance programs continuously, monitor borrower compliance with the revised terms and default rates and perform quality reviews of the portfolios' performance to identify key risk drivers. A basic factor of the remedial management is the increase of collaterals, mainly with real estate properties which increase recoverability prospects. In addition, in retail lending borrowers subject to forbearance measures are usually required to repay at least one installment at the beginning of the new arrangement.

Impairment assessment

Where forbearance measures are extended, the Group performs an assessment of the borrower's financial circumstances and ability to repay, under the Group's impairment policies described in notes 2.12 and 7.2.1. Specifically, retail loans are segregated from other loan portfolios and the collective impairment assessment reflects the risk of higher losses, resulting in higher provision charges/coverage relative to non-modified loans. The impairment assessment of the wholesale exposures is performed on an individual basis taking into consideration various risk aspects (such as borrower's rating, financial position, adherence to the forbearance program and level of collaterals) and the respective impairment charge is calculated.

Debt for equity swaps

In wholesale portfolios, the Group on occasion participates in debt for equity transactions as part of the businesses support process, as described in note 2.12. In 2014, as part of a debt for equity forbearance measures the Group acquired a minority shareholding of 12.8% of NGP Plastic, amounting to € 1.3 million. Similarly, in 2013, the Group acquired a minority shareholding of 10.3% of SATO S.A., a company listed on the ASE, amounting to € 4 million.

Loan derecognition

An existing loan whose terms have been modified may be derecognized and the forborne loan recognized as a new loan , when changes to the original contractual terms result in the forborne loan, being considered, as a whole, a substantially different financial asset. Examples of circumstances that will likely lead to de-recognition are described in note 2.12. Upon de-recognition, any difference between the old loan and the fair value of the new loan is recognised in the income statement. Impaired loans that are de-recognized as a result of forbearance measures continue to be classified as impaired until there is a sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

The following table presents a summary of the types of the Group's forborne activities as at 31 December 2014:

	2014 € million
Forbearance measures:	
Interest only schedule	152
Reduced payment schedule	1,639
Payment moratorium/Holidays	767
Term extension	573
Arrears capitalisation	840
Partial debt write-off	21
Hybrid (i.e. combination of more than one type)	1,215
Other	110
Total net amount	**5,317**

The following table presents a summary of the credit quality of forborne loans and advances to customers:

	31 December 2014		
	Total loans & advances € million	Forborne loans & advances € million	% of Forborne loans & advances
Neither past due nor impaired	25,149	1,879	7.5
Past due but not impaired	6,712	855	12.7
Impaired	20,020	3,482	17.4
Total Gross Amount	51,881	6,216	12.0
Individual impairment allowance	(5,215)	(404)	
Collective impairment allowance	(4,533)	(495)	
Total Net amount	42,133	5,317	12.6
Collateral received	31,166	4,160	

The following table presents the Group's exposure to forborne loans and advances by product line:

	2014 € million
Retail Lending	3,749
- Mortgage	*2,688*
- Consumer	*194*
- Credit card	*18*
- Small business	*849*
Wholesale Lending	1,568
-Large corporate	*856*
-SMEs	*712*
Total net amount	5,317

The following table presents the Group's exposure to forborne loans and advances by geographical region:

	2014 € million
Greece	4,602
Rest of Europe	715
Total net amount	5,317

7.2.1.3 Debt Securities

The following table presents an analysis of debt securities by rating agency designation at 31 December 2014 and 2013, based on Moody's ratings or their equivalent:

	31 December 2014				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	-	411	-	145	556
Aa1 to Aa3	-	-	10,138	49	10,187
A1 to A3	0	154	140	110	404
Lower than A3	98	4,735	1,288	353	6,474
Unrated	0	32	-	-	32
Total	98	5,332	11,566	657	17,653

	31 December 2013				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	-	246	-	178	424
Aa1 to Aa3	35	166	10,080	51	10,332
A1 to A3	0	129	200	47	376
Lower than A3	75	1,993	4,577	465	7,110
Unrated	1	225	5	-	231
Total	111	2,759	14,862	741	18,473

Securities rated lower than A3 include: € 3,994 million related to Greek sovereign debt (2013: € 5,229 million), € 906 million related to Eurozone members sovereign debt i.e. Spain, Italy, Portugal and Ireland (2013: € 200 million), € 223 million related to Cypriot sovereign debt (2013: € 181 million), € 61 million related to Ukraine sovereign debt (2013: € 176 million) and € 942 million related to sovereign debt issued mainly by European Union members and candidate members (2013: € 875 million).

The following tables present the Group's exposure in debt securities, as categorized by counterparty's geographical region and industry sector:

	31 December 2014			
	Greece € million	**Other European countries € million**	**Other countries € million**	**Total € million**
Sovereign	**3,994**	**12,747**	**165**	**16,906**
Banks	**32**	**187**	**0**	**219**
Corporate	**210**	**296**	**22**	**528**
Total	**4,236**	**13,230**	**187**	**17,653**

	31 December 2013			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	5,229	12,086	93	17,408
Banks	41	235	0	276
Corporate	310	408	71	789
Total	5,580	12,729	164	18,473

7.2.1.4 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

a) are offset in the Group's balance sheet according to IAS 32 criteria; or

b) are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in balance sheet.

Regarding the former, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously (“the offset criteria”), as also set out in Group's accounting policy 2.5.

Regarding the latter, the International Swaps and Derivatives Association (ISDA) and similar master netting arrangements do not meet the criteria for offsetting in the balance sheet, as they create a right of set - off that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties may not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Similar agreements to ISDA include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, repos and reverse repos agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not subject to this disclosure unless they are offset in the balance sheet.

The Group has not offset any financial assets and liabilities as at 31 December 2014 and 2013, as the offset criteria mentioned above are not satisfied; thus, gross amounts of recognised financial assets and liabilities equal respective net amounts in the tables below.

Amounts that are not set off in the balance sheet, as presented below are subject to enforceable master netting arrangements and similar agreements and mainly relate to derivatives, repos and reverse repos.

In respect of these transactions, the Group receives and provides collateral in the form of marketable securities and cash that are included in the tables below under columns “financial instruments” and “cash collateral” at their fair value.

	31 December 2014					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Derivative financial instruments	2,101	-	2,101	(1,978)	(54)	69

	31 December 2014					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	2,450	-	2,450	(879)	(1,522)	49
Repurchase agreements with banks	9,594	-	9,594	(9,387)	(206)	-
Repurchase agreements with customers	53	-	53	(53)	-	0
Total	12,097	-	12,097	(10,319)	(1,728)	49

	31 December 2013					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Reverse repos with banks	44	-	44	(44)	-	-
Derivatives financial instruments	1,202	-	1,202	(522)	(21)	659
Total	1,246	-	1,246	(566)	(21)	659

	31 December 2013					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	1,541	-	1,541	(522)	(1,016)	3
Repurchase agreements with banks	9,249	-	9,249	(9,249)	-	-
Repurchase agreements with customers	38	0	38	(37)	0	1
Total	10,828	-	10,828	(9,808)	(1,016)	4

Financial assets and financial liabilities are disclosed in the above tables at their recognized amounts, either at fair value (derivative assets and liabilities) or amortized cost (all other financial instruments), depending on the type of financial instrument.

7.2.2 Market risk

The Group takes on exposure to market risks. Market risks arise from exposure on interest rate, currency and equity products or combination of them, all of which are exposed to general and specific market movements. Specifically, the market risks the Group is exposed to are the following:

(a) Interest rate risk

The Group 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. The Board's Risk Committee sets limits on the level of interest rate risk that may be undertaken and exposures are monitored daily.

(b) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board's Risk Committee sets limits on the level of exposures which are monitored daily.

(c) Equity risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Group undertakes, arises mainly from the investment portfolio. The Board's Risk Committee sets limits on the level of the exposures which are monitored daily.

Market risk in Greece and Cyprus is managed and monitored using Value at Risk (VaR) methodology. Market risk in International operations is managed and monitored using mainly sensitivity analyses. Information from International operations is presented separately as it originates from significantly different economic environments with different risk characteristics.

(i) VaR summary for 2014 and 2013

VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Group measures is an estimate based upon a 99% confidence level and a holding period of 1 day and the methodology used for the calculation is Monte Carlo simulation (full re-pricing).

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to certain limitations. Given this, actual outcomes are monitored regularly, via back testing process, to test the validity of the assumptions and the parameters used in the VaR calculation.

Since VaR constitutes an integral part of the Group's market risk control regime, VaR limits have been established for all (trading and investment portfolios) operations and actual exposure is reviewed daily by management. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

Average VaR by risk type (Trading and Investment portfolios [(1)]) - Greece and Cyprus

	2014 **€ million**	2013 € million
Interest Rate Risk	**18**	12
Foreign Exchange Risk	**1**	2
Equities Risk	**4**	4
Total VaR	**20**	14

[(1)] *Interest rate volatility applied to all portfolios. Credit spread volatility applied to Trading and Available-for-sale positions.*

The aggregate VaR of the interest rate, foreign exchange and equities VaR benefits from diversification effects.

Interest Rate VaR takes into account the changes to the fair valuation of all the Group's items that are attributable to movements in the Interest Rates. This includes loans and deposits (customers and interbank), Eurosystem funding and debt issued, as well as securities and derivatives held by the Group. Despite the large relative size of the loan and deposit portfolio, Eurosystem funding and debt issued, its timing and amount matching, combined with the current level of interest rates, mean that the incremental contribution of these items to the Interest Rate VaR is not material. The largest portion of the Group's Interest rate VaR figures is attributable to the risk associated with interest rate sensitive securities and derivatives. Interest rate exposure for the Group's securities and derivatives portfolio can be analyzed into time bands as shown in the following tables:

	31 December 2014				
	less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	**8**	**1**	**37**	**19**	**15**
Fixed coupon bonds	**8**	**1**	**37**	**19**	**15**
Variable coupon bonds	**0**	**-**	**0**	**-**	**-**
Investment securities	**937**	**1,810**	**10,977**	**1,779**	**1,551**
Fixed coupon bonds	**799**	**1,196**	**934**	**1,779**	**1,551**
Variable coupon bonds	**138**	**614**	**10,043**	**-**	**-**
Derivatives[(1)]	**1,073**	**(1,231)**	**1,357**	**(486)**	**(695)**

	31 December 2013				
	less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	47	2	5	37	23
Fixed coupon bonds	47	2	5	37	23
Variable coupon bonds	0	-	0	-	-
Investment securities	1,460	1,549	12,733	1,239	835
Fixed coupon bonds	1,209	982	1,474	1,239	835
Variable coupon bonds	251	567	11,259	-	-
Derivatives[(1)]	380	(1,175)	2,440	(1,105)	(540)

[(1)] For linear interest rate derivatives, notional amounts are shown in the appropriate time band, aggregated across all currencies. For non-linear interest rate derivatives, delta equivalent notional amounts are shown in the appropriate time band, aggregated across all currencies.

(ii) Sensitivity analysis for 2014 and 2013

Sensitivity analyses used for monitoring market risk stemming from International operations, excluding Cyprus, do not represent worst case scenarios.

	31 December 2014		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	**(2)**	**(19)**	**(21)**
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	**(0)**	**(0)**	**(0)**
Foreign exchange: -10% depreciation of functional currency over foreign currencies	**11**	**(43)**	**(32)**

	31 December 2013		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	(2)	(10)	(12)
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	(0)	(0)	(0)
Foreign exchange: -10% depreciation of functional currency over foreign currencies	13	(59)	(46)

(iii) Foreign exchange risk concentration

The following table presents the Group's exposure to foreign currency exchange risk as at 31 December 2014 and 2013:

	31 December 2014							
	USD	CHF	RON	RSD	BGN	OTHER	EUR	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
ASSETS								
Cash and balances with central banks	15	5	220	93	245	42	1,328	1,948
Loans and advances to banks	694	13	22	5	4	116	2,205	3,059
Financial instruments at fair value through profit or loss	7	-	38	-	7	-	308	360
Derivative financial instruments	36	-	-	-	-	1	2,097	2,134
Loans and advances to customers	1,328	5,157	628	250	1,040	286	33,444	42,133
Investment securities	742	1	221	87	3	26	16,769	17,849
Other assets[1]	15	3	172	72	53	20	7,430	7,765
Assets of disposal group classified as held for sale	150	21	-	-	-	99	-	270
Total Assets	2,987	5,200	1,301	507	1,352	590	63,581	75,518
LIABILITIES								
Due to central and other banks	312	2	16	3	3	23	22,507	22,866
Derivative financial instruments	60	-	336	-	376	1	1,702	2,475
Due to Customers	4,281	58	1,317	83	1,404	407	33,328	40,878
Debt issued and other borrowed funds	8	-	-	-	-	-	803	811
Other Liabilities	31	-	45	3	16	5	1,920	2,020
Liabilities of disposal group classified as held for sale	62	-	-	-	-	83	19	164
Total Liabilities	4,754	60	1,714	89	1,799	519	60,279	69,214
Net on balance sheet position	(1,767)	5,140	(413)	418	(447)	71	3,302	6,304
Derivative forward foreign exchange position	1,759	(5,181)	463	15	351	76	2,553	36
Total Foreign Exchange Position	(8)	(41)	50	433	(96)	147	5,855	6,340

	31 December 2013							
	USD	CHF	RON	RSD	BGN	OTHER	EUR	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
ASSETS								
Cash and balances with central banks	16	7	363	139	257	82	1,122	1,986
Loans and advances to banks	505	6	37	-	1	93	1,925	2,567
Financial instruments at fair value through profit or loss	14	-	41	-	2	25	293	375
Derivative financial instruments	41	-	1	-	-	1	1,221	1,264
Loans and advances to customers	1,519	5,438	603	234	944	428	36,444	45,610
Investment securities	651	8	140	81	8	66	17,762	18,716
Other assets[1]	48	2	192	76	63	45	6,642	7,068
Total Assets	2,794	5,461	1,377	530	1,275	740	65,409	77,586
LIABILITIES								
Due to central and other banks	344	32	5	3	27	85	26,603	27,099
Derivative financial instruments	69	-	287	-	375	6	821	1,558
Due to Customers	3,941	63	1,355	90	1,361	473	34,252	41,535
Debt issued and other borrowed funds	3	-	4	-	-	-	782	789
Other Liabilities	14	1	41	-	14	6	2,006	2,082
Total Liabilities	4,371	96	1,692	93	1,777	570	64,464	73,063
Net on balance sheet position	(1,577)	5,365	(315)	437	(502)	170	945	4,523
Derivative forward foreign exchange position	1,643	(5,384)	445	5	346	(73)	4,232	1,214
Total Foreign Exchange Position	66	(19)	130	442	(156)	97	5,177	5,737

[1] *Other assets include Property, plant & equipment, Investment property, Intangible assets, Deferred tax asset & Other assets.*

7.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources due to deposits withdrawals, maturity of medium or long term notes, maturity of secured or unsecured funding (interbank repos and money market takings), loan draw-downs and forfeiture of guarantees. Furthermore, margin calls on secured funding transactions (with ECB and the market) and on risk mitigation contracts (CSAs, GMRAs) result in liquidity exposure. The Group maintains cash resources to meet all of these needs. The Board Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such contingencies.

Past experience shows that liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment. This is also the case with credit commitments where the outstanding contractual amount to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Group.

Liquidity Risk Management Framework

The Group's Liquidity Risk Management Policy defines the following supervisory and control structure:

- Board Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk.
- Group Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Group's risk appetite, and to review at least monthly the overall liquidity position of the Group.
- Group Treasury is responsible for the implementation of the Group's liquidity strategy, the daily management of the Group's liquidity and for the preparation and monitoring of the Group's liquidity budget.
- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Group.

The following list summarises the reports which are produced on a periodic basis:

(a) The regulatory liquidity gap report along with the regulatory liquidity ratios;

(b) Stress test scenarios. These scenarios evaluate the impact of a number of systemic stress events on the Group's liquidity position;

(c) Liquidity warning indicators report and market sensitivities affecting liquidity report;

(d) Liquidity coverage ratios (LCR) estimation (Basel III new regulatory ratio).

Maturity analysis of assets and assets held for managing liquidity risk

The following tables present maturity analysis of Group assets as at 31 December 2014 and 2013, based on their carrying values. Loans without contractual maturities are presented in the 'less than 1 month' time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Group has already posted collateral, which is not presented in the below tables. For derivative assets not covered by ISDA/CSA agreements the positive valuation is presented at fair value in the 'over 1 year' time bucket.

	31 December 2014				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	1,948	-	-	-	1,948
- Loans and advances to banks	611	97	5	751	1,464
- Loans and advances to customers	10,656	619	1,973	28,885	42,133
- Debt Securities	849	1,189	982	14,633	17,653
- Equity securities and Unit Linked products	-	-	-	556	556
- Derivative financial instruments	-	-	-	1,306	1,306
- Other assets(1)	38	23	103	7,601	7,765
- Assets of disposal group classified as held for sale	120	13	40	97	270
	14,222	1,941	3,103	53,829	73,095

	31 December 2013				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	1,986	-	-	-	1,986
- Loans and advances to banks	500	52	-	752	1,304
- Loans and advances to customers	11,192	1,662	2,886	29,870	45,610
- Debt Securities	1,254	983	2,710	13,526	18,473
- Equity securities and Unit Linked products	-	-	-	618	618
- Derivative financial instruments	-	-	-	814	814
- Other assets(1)	50	16	73	6,929	7,068
	14,982	2,713	5,669	52,509	75,873

(1) *Other assets include Property, plant & equipment, Investment property, Intangible assets, Deferred Tax Asset & Other assets.*

The Group holds a diversified portfolio of cash and high liquid assets to support payment obligations and contingent deposit withdrawals in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

(a) Cash and balances with central banks;

(b) Eligible bonds and other financial assets for collateral purposes;

(c) Interbank placings maturing within one month.

The unutilised assets, containing highly liquid and central banks eligible assets, provide a contingent liquidity reserve of € 14.5 bn as at 31 December 2014 (2013: € 12 bn). In addition the Group holds other types of highly liquid assets, as defined by the regulator, amounting to € 2.1 bn (cash value) (2013: € 1.6 bn).

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2014 and 2013. Liabilities without contractual maturities (sight and saving deposits) are presented in the 'less than 1 month' time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Group has already posted collateral which covers the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the 'less than 1 month' time bucket.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected (all term deposits are withdrawn at their contractual maturity). The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

	31 December 2014				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to banks	14,936	5,834	89	2,072	22,931
- Due to customers	24,482	6,807	9,112	896	41,297
- EMTNs	0	6	71	676	753
- Securitizations (redemptions and coupons)[(1)]	3	6	25	94	128
- Other liabilities	192	123	523	1,518	2,356
- Liabilities of disposal group classified as held for sale	79	51	32	2	164
	39,692	12,827	9,852	5,258	67,629
Derivative financial instruments	51	-	-	-	51

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	1,020	553
Capital expenditure	9	-
Operating lease commitments	22	26
	1,051	579

	31 December 2013				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to banks	24,582	1,915	148	488	27,133
- Due to customers	23,568	8,250	9,045	1,020	41,883
- EMTNs	-	309	4	462	775
- Securitizations (redemptions and coupons)[(1)]	33	10	44	209	296
- Other liabilities	212	178	716	988	2,094
	48,395	10,662	9,957	3,167	72,181
Derivative financial instruments	33	-	-	-	33

[(1)] *Outflow from securitisations is fully covered by respective inflows from mortgage loans with matched maturity repayments.*

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	936	812
Capital expenditure	8	-
Operating lease commitments	23	17
	967	829

Due to the Greek sovereign debt crisis, Greek banks obtained part of their funding through the European Central Bank (ECB) and the Bank of Greece (BoG). As at 31 December 2014, the Group's net funding from these sources totaled € 12.5 bn (2013: € 16.9 bn).The main reasons for the decrease of ECB/BOG funding were the completion of the Bank's share capital increase (note 6) and the assets deleveraging. During 2014, the Bank eliminated its secured funding from BOG (emergency liquidity assistance - ELA) (2013: € 5.6 bn).

As from early December 2014, the developments in Greece had an adverse effect on the liquidity position of the Greek banking system, mainly due to deposits withdrawals, which were fully substituted by Eurosystem's secured funding. In addition, the matured interbank secured funding transactions (repos) have been replaced with Eurosystem funding, since the collaterals previously posted to market counterparties were eligible either for ECB (the largest part) or ELA funding.

Moreover, ECB decided on the 4th of February to treat GTBs, GGBs and Greek Government guaranteed bonds as non-eligible collateral for refinancing operations, leading the Greek banks to substantially increase their funding from ELA. The initial agreement reached between Greece and its European partners at the Euro Group meeting held on 20 February 2015 was acting positively towards the improvement of the Greek banking sector liquidity. Some early confirming signs have already been observed in the sense that deposits' balances have been stabilized since then. At 27 February 2015, the Group's net funding from ECB and ELA stood at € 9.5 bn and € 19.5 bn, respectively, while the Group maintained unutilized highly liquid assets (cash value) of around € 14.7 bn.

7.3 Fair value of financial assets and liabilities

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

Financial instruments carried at fair value

Trading assets, derivatives and other transactions undertaken for trading purposes, as well as available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques. See also note 3.3.

These financial instruments carried at fair value are categorised into the three levels of the fair value hierarchy as at 31 December 2014 based on whether the inputs to the fair values are observable or unobservable, as follows:

a) Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds and unit-linked products that have regularly and frequently published quotes.

b) Level 2 – Financial instruments measured using valuation techniques with the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.

c) 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). Level 3 financial instruments include unquoted equities and certain OTC derivatives.

The fair value hierarchy categorisation of the Group's financial assets and liabilities carried at fair value at 31 December 2014 and 2013 respectively is presented in the following table:

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	€ million	**€ million**	**€ million**	**€ million**
Financial assets measured at fair value:				
Financial instruments held for trading	**116**	**1**	**0**	**117**
Financial instruments designated at fair value through profit or loss	**243**	**-**	**-**	**243**
Derivative financial instruments	**-**	**2,132**	**2**	**2,134**
Available-for-sale investment securities	**5,506**	**69**	**51**	**5,626**
Total financial assets	**5,865**	**2,202**	**53**	**8,120**
Financial liabilities measured at fair value:				
Derivative financial instruments	**1**	**2,474**	**-**	**2,475**
Due to customers:				
- Structured deposits	**-**	**32**	**-**	**32**
- Unit linked products	**248**	**246**	**-**	**494**
Debt issued and other borrowed funds:				
- Structured notes	**-**	**37**	**-**	**37**
Trading liabilities	**16**	**-**	**-**	**16**
Total financial liabilities	**265**	**2,789**	**-**	**3,054**

	31 December 2013			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Financial assets measured at fair value:				
Financial instruments held for trading	142	26	0	168
Financial instruments designated at fair value through profit or loss	207	-	-	207
Derivative financial instruments	0	1,264	-	1,264
Available-for-sale investment securities	2,702	131	280	3,113
Total financial assets	3,051	1,421	280	4,752
Financial liabilities measured at fair value:				
Derivative financial instruments	1	1,557	-	1,558
Due to customers:				
- Structured deposits	-	16	-	16
- Unit linked products	212	267	-	479
Debt issued and other borrowed funds:				
- Structured notes	-	34	-	34
Trading liabilities	0	-	-	0
Total financial liabilities	213	1,874	-	2,087

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

Following the management's review of the fair value hierarchy categorisation, the Group transferred during the year ended 31 December 2014 derivative financial instruments of € 7 million from Level 2 to Level 3, which are valued using valuation techniques, where the CVA calculation is based on unobservable inputs that result in a CVA adjustment significant to the entire fair value of the derivative (2013: € 48 million of unquoted available-for-sale equity instruments and € 226 million of available-for-sale bond loans were reclassified from Level 2 to Level 3 due to the significance of the unobservable inputs used in their fair value measurement).

Reconciliation of Level 3 fair value measurements

	2014 € million	2013 € million
Balance at 1 January	**280**	-
Transfers into Level 3	**7**	274
Transfers out of Level 3	**-**	(1)
Transfers to loans and advances to customers (note 25)	**(150)**	-
Level 3 arising on acquisition	**-**	25
Additions, net of disposals and redemptions	**(25)**	1
Total gain/(loss) for the year included in profit or loss	**(61)**	(24)
Total gain/(loss) for the year included in other comprehensive income	**(0)**	5
Foreign exchange differences and other	**2**	-
Balance at 31 December	**53**	280

From the total loss of € 61 million for the year ended 2014, € 60 million are presented in line 'Other impairment losses' and € 1 million in line 'Net trading income' (2013: the total loss of € 24 million is presented in line 'Other impairment losses').

Group's valuation processes

The Group uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. 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, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel 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 the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty, where appropriate.

Global Market Counterparty Risk Sector establishes the processes and procedures governing the fair valuations, in line with the Group's accounting policies. Some of the specific valuation controls include: verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

Valuation techniques

OTC derivative financial instruments are fair valued by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate. Bilateral credit risk adjustments consider the expected cash flows between the Group and its counterparties under the relevant terms of the derivative instruments and the effect of the credit risk on the valuation of these cash flows. As appropriate in circumstances, the Group considers also the effect of any credit risk mitigating arrangements, including collateral agreements and master netting agreements on the calculation of credit risk valuation adjustments (CVAs). CVA calculation uses probabilities of default (PDs) based on observable market data as credit default swaps (CDS) spreads, where appropriate, or based on internal rating models. The Group applies similar methodology for the calculation of debit-value-adjustments (DVAs), when applicable. Where valuation techniques are based on internal rating models and the relevant CVA is significant to the entire fair value measurement, such derivative instruments are categorized as Level 3 in the fair value hierarchy. A reasonably possible change in the main unobservable input (i.e. the recovery rate), used in their valuation, would not have a significant effect on their fair value measurement.

The Group determines fair values for debt securities held using quoted market prices in active markets for securities with similar credit risk, maturity and yield or by using discounted cash flows method.

For debt securities issued by the Group and designated at FVTPL, fair values are determined by discounting the expected cash flows at a risk-adjusted rate, where the Group's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Group or other Greek issuers.

The fair values of unquoted available-for-sale equity instruments are estimated mainly (i) using third parties' valuation reports based on investees' net assets, where management does not perform any further significant adjustments, and (ii) net assets' valuations, adjusted where considered necessary.

The fair values of the unquoted available-for-sale bond loans that were reclassified to loans and advances to customers as at 30 September 2014 (note 25), were estimated by discounting the future cash flows, over the time period they were expected to be recovered, including the realisation of any collateral held. For the purpose of valuing these loans in 2013, the Group made assumptions on expected recoverable amounts and timing of collateral realisation. The main unobservable input used in their valuation was the recovery rate which on average was 50% for the 2013. A reasonably possible change of 3% in the recovery rate used would not have a significant effect on their fair value measurement.

Financial instruments not carried at fair value

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

	31 December 2014				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	42,060	42,060	42,133
Investment securities					
- Debt securities lending portfolio	415	10,631	-	11,046	11,566
- Held to maturity securities	343	280	-	623	657
Total financial assets	**758**	**10,911**	**42,060**	**53,729**	**54,356**
Debt issued and other borrowed funds	298	341	-	639	774
Total financial liabilities	**298**	**341**	**-**	**639**	**774**

	31 December 2013				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	45,930	45,930	45,610
Investment securities					
- Debt securities lending portfolio	2,524	11,886	-	14,410	14,862
- Held to maturity securities	256	437	-	693	741
Total financial assets	2,780	12,323	45,930	61,033	61,213
Debt issued and other borrowed funds	-	637	-	637	755
Total financial liabilities	-	637	-	637	755

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are in line with those used to calculate the fair values for financial instruments carried at fair value and are as follows:

a) Loans and advances to customers: for loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Group makes assumptions on expected prepayments, product spreads and timing of collateral realisation. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate.

b) Investment securities carried at amortised cost: the fair values of financial investments are determined using prices quoted in an active market when these are available. In other cases, fair values are determined using quoted market prices for securities with similar credit risk, maturity and yield or by using the discounted cash flows method.

c) Debt issued and other borrowed funds: the fair values of the debt issued and other borrowed funds are determined using quoted market prices, if available. If quoted prices are not available, 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 Group's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Group or other Greek issuers.

For other financial instruments which are short term or re-price at frequent intervals (cash and balances with central banks, loans and advances to banks, due to central and other banks and due to customers), the carrying amounts represent reasonable approximations of fair values.

8. Net interest income

	2014 € million	2013 € million
Interest income		
Customers	**2,241**	2,343
Banks	**40**	29
Trading securities	**0**	2
Other securities	**316**	326
Derivatives	**306**	97
	2,903	2,797
Interest expense		
Customers	**(785)**	(956)
Banks	**(222)**	(430)
Debt issued and other borrowed funds	**(29)**	(24)
Derivatives	**(352)**	(117)
	(1,388)	(1,527)
Total from continuing operations	**1,515**	1,270
Total from discontinued operations	**14**	24
Total	**1,529**	1,294

Interest Income from continuing operations recognised by quality of Loans and Advances and Product Line is further analysed below:

	31 December 2014		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	1,148	262	1,410
Wholesale lending [(1)]	614	217	831
Total interest income from customers	1,762	479	2,241

	31 December 2013		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	1,196	231	1,427
Wholesale lending [(1)]	742	173	915
Total interest income from customers	1,938	405	2,343

[(1)] *Including interest income on loans and advances to Public Sector*

The unwinding of the discount of the impairment allowance (note 26) amounting to € 286 million (retail lending € 193 million, wholesale lending € 93 million) is included in interest income on impaired loans and advances to customers (2013: retail lending € 177 million, wholesale lending € 72 million).

9. Net banking fee and commission income

	2014 € million	2013 € million
Lending related fees and commissions	**110**	112
Mutual funds and assets under management related fees	**36**	33
Capital markets related fees	**30**	30
Other fees	**23**	24
Total from continuing operations	**200**	199
Total from discontinued operations	**3**	4
Total	**203**	203

10. Net insurance income

	2014 € million	2013 € million
Premiums and other insurance-related revenues	**327**	308
Benefits and claims paid	**(168)**	(188)
Change in insurance reserves and costs	**(123)**	(84)
Total	**36**	36

Additionally, in 2014 the new production and renewals of unit linked products, which are presented within 'due to customers', amounted to € 70 million (2013: € 35 million).

11. Income from non banking services

Income from non banking services includes rental income from investment properties and other recurring income from services provided by the Group (e.g. payroll services, e-commerce).

12. Net trading income and gains less losses from investment securities

	2014 € million	2013 € million
Debt securities and other financial instruments	29	77
Equity securities and mutual funds	76	44
Gains/(losses) on derivative financial instruments	(24)	(105)
Revaluation on foreign exchange positions	(1)	8
Total from continuing operations	80	25
Total from discontinued operations	9	1
Total	89	26

13. Operating expenses

	2014 € million	2013 € million
Staff costs (note 14)	(571)	(573)
Administrative expenses	(326)	(308)
Depreciation of property, plant and equipment	(61)	(65)
Amortisation of intangible assets	(38)	(30)
Operating lease rentals	(59)	(61)
Total from continuing operations	(1,055)	(1,037)
Total from discontinued operations	(22)	(33)
Total	(1,077)	(1,070)

As at 31 December 2014, the administrative expenses include € 42 million, related to the Bank's annual contribution to the Resolution Scheme of the Hellenic Deposits and Investment Guarantee Fund.

The Bank has adopted since 2007 a Policy on External Auditors' Independence which provides amongst others, for the definition of the permitted and non-permitted services the Group auditors may provide further to the statutory audit. For any such services to be assigned to the Group's auditors there are specific controlling mechanisms in order for the Bank's Audit Committee to ensure there is proper balance between audit and non-audit work. Finally, according to Bank's Policy, there is periodic tendering of the statutory auditors at least once every four years in order to ensure the External Auditors' Independence.

The fees charged by the Group's principal independent auditor "PricewaterhouseCoopers" for audit and other services provided are analysed as follows:

	2014 € million	2013 € million
Statutory audit	(3.8)	(3.5)
Tax audit-article 65a, law 4174/2013	(0.6)	(0.5)
Other audit related assignments	(0.1)	(0.4)
Non audit assignments	(1.8)	(0.6)
Total	(6.3)	(5.0)

14. Staff costs

	2014 € million	2013 € million
Wages, salaries and performance remuneration	**(428)**	(418)
Social security costs	**(91)**	(96)
Additional pension and other post employment costs	**(17)**	(18)
Other	**(35)**	(41)
Total from continuing operations	**(571)**	(573)
Total from discontinued operations	**(10)**	(16)
Total	**(581)**	(589)

The average number of employees of the Group during the year was 18,428 of which the employees of Ukraine subsidiaries was 809 (2013: 20,053 of which the employees of Ukraine subsidiaries was 878). As at 31 December 2014, the number of branches of the Group amounted to 1,070 of which the branches of Ukraine subsidiaries was 47.

15. Other impairment and non recurring income/(expenses)

	2014 € million	2013 € million
Impairment losses and valuation losses on investment property and repossessed properties	**(95)**	(132)
Impairment losses on bonds	**(82)**	(39)
Impairment losses on mutual funds and equities	**(23)**	(18)
Impairment losses on other receivables	**(5)**	-
Reversal of impairment on Greek sovereign exposure	**-**	75
Other impairment losses	**(205)**	(114)
Reversal of provision/(provision) for claims in dispute (note 46)	**103**	(103)
Integration costs relating with the operational merger/ acquisition costs of NHPB and New Proton	**(16)**	(14)
Restructuring costs	**(27)**	(10)
Other expenses	**(3)**	-
Voluntary Exit Scheme cost	**-**	(87)
Valuation losses on derivative financial instruments	**-**	(33)
Expenses relating with NBG Voluntary Tender Offer	**-**	(17)
Restructuring costs and other non recurring income/(expenses)	**57**	(264)
Total	**(148)**	(378)

As at 31 December 2014, the Group has recognized impairment and valuation losses on investment and repossessed properties amounting to € 56 million (note 31) and € 39 million respectively, as a result of the effect of the macroeconomic conditions on the real economy and the persistent decline in the real estate market prices in Greece and in the South-Eastern Europe, and after taking into consideration other asset-specific indicators of impairment based on technical and legal reports.

In the last quarter of 2014, the Bank recognized € 29 million impairment losses for the Ukrainian government bonds included in its held-to-maturity portfolio, due to the increasing uncertainty in the economic and political conditions in the country.

As at 31 December 2014, the Group has recognized restructuring expenses amounting to € 27 million, mainly relating to the closing of branches in the framework of its network rationalization. An amount of € 17 million relates with the Group's International operations while the remaining € 10 million with its operations in Greece.

As at 31 December 2014, restructuring/integration costs included depreciation/write offs of € 12 million.

As at 31 December 2014, the Group has recognized other expenses amounting to € 3 million relating to the 2013 BlackRock's diagnostic review of the Greek banks' domestic portfolio and the loan book of their major foreign subsidiaries. This exercise was performed in the context of the Greek banks' capital needs assessment conducted by the BoG.

In the first quarter of 2013, the Group proceeded with the reversal of an impairment loss of € 75 million, which was initially recognized in 2011, for a non-PSI exchanged Greek Government bond, which is expected to be repaid in full.

As of 30 June 2013, the Group has incorporated the overnight index swap curve for cash collateralised derivatives. As at the date of change, the valuation losses recognized amounted to € 23 million. In addition, in 2013 the Group recognized credit valuation losses of € 10 million for the derivatives with the Greek State.

During 2013 a Voluntary Exit Scheme (VES) was designed and implemented for the Group's employees in Greece, having as a main objective to increase the operating efficiency. The total number of employees that opted for the scheme was 965 for the Bank and 1,066 for the Group, while the total cost for the VES was approximately € 82.9 million for the Bank and € 86.5 million for the Group, net of provisions for retirement benefits. As a result of the scheme, the estimated annual saving amounts to € 55.6 million for the Bank and € 60.2 million for the Group.

16. Income tax and non recurring tax adjustments

	2014	2013
	€ million	€ million
Current tax	**(63)**	(60)
Deferred tax	**525**	514
Income tax	**462**	454
Recognition of DTA following Circular 1143/15.05.2014	34	-
Recognition of DTA for New Proton's loan impairment	167	-
DTA release due to tax law 4172/2013	-	(89)
Change in nominal tax rates	-	596
Reassessment of subsidiaries' DTA	-	(77)
Non recurring deferred tax adjustments	**201**	430
Provisions for tax litigations and withholding tax claims	43	(98)
Tax income following Circular 1143/15.05.2014	6	-
Other non recurring tax adjustments	2	(3)
Non recurring current tax adjustments	**51**	(101)
Total tax (charge)/income from continuing operations	**714**	783
Total tax (charge)/income from discontinued operations	**26**	4
Total	**740**	787

According to Law 4172/2013, the nominal Greek corporate tax rate is 26% for income generated in accounting years 2014 and onwards. In addition, dividends distributed, other than intragroup dividends which under certain preconditions are relieved from both income and withholding tax, are subject to 10% withholding tax. In May 2014, the Ministry of Finance with its Circular 1143/15.05.2014 provided clarifications for the application of tax Law 4172/2013. In particular, with the said Circular, it was clarified that the accumulated losses from shares and derivatives which had been recognised in accordance with the former tax Law 2238/1994 can be utilised for tax purposes (i.e. are added to carried forward tax losses). Hence, during the year ended 31 December 2014, the Group recognised in income statement a one off tax income of € 40 million.

During the year ended 31 December 2014, following a favourable Supreme Court decision, the Group recognised a non recurring tax income of € 43 million due to reversal of provisions in relation to withholding tax claims against the State. In addition, in the third quarter of 2014 the Group recognized a deferred tax asset of € 167 million on loan impairment of New Proton's acquired, through merger, portfolio, following its assessment that these impairment losses can be utilized in future periods based on the Group's business plan.

For the year ended 31 December 2011 and onwards, the Greek sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, are required to obtain an "Annual Tax Certificate" provided for in article 82 of Law 2238/1994 (article 65a of Law 4174/2013 applies for the years commencing from 1 January 2014), which is issued after a tax audit is performed by the same statutory auditor or audit firm that audits the annual financial statements. 18 months after the issuance of a tax unqualified certificate, provided that no tax issues have been identified from the tax authorities' potential re-audits, the tax audit is considered finalised. Further tax audits may be effected only in cases of tax offences that have been identified by the

Ministry of Finance audits (i.e. breaches of the money laundering legislation, forged or fictitious invoices, transactions with non-existent companies or breaches of transfer pricing rules).

The Bank has been audited by tax authorities up to 2009, has not been audited for 2010 and has obtained by external auditors unqualified tax certificates for years 2011 – 2013, while tax audit from external auditors is in progress for 2014. In addition, New TT Hellenic Postbank and New Proton Bank, which were merged with the Bank in 2013, have obtained by external auditors unqualified tax certificate with a matter of emphasis for their unaudited by tax authorities periods/tax years 18/1-30/6/2013 and 9/10/2011-31/12/2012, respectively, with regards to potential tax obligations resulting from their carve out. For both cases the Bank has formed adequate provisions. Greek subsidiaries which are subject to statutory audit by external auditors have obtained unqualified tax certificates for years 2011 – 2013 while tax audit for 2014 is in progress. In accordance with the aforementioned tax legislation and considering related preconditions, tax audit of the year 2011 for the Bank and the said subsidiaries is considered finalized.

The open tax years of foreign Group's bank subsidiaries are as follows: (a) Bancpost S.A. (Romania), 2011-2014, (b) Eurobank Cyprus Ltd, 2012-2014, (c) Eurobank Bulgaria A.D., 2013-2014, (d) Eurobank A.D. Beograd (Serbia), 2009-2014, and (e) Eurobank Private Bank Luxembourg S.A., 2009-2014. The remaining of the Group's subsidiaries (including Greek subsidiaries), associates and joint ventures (notes 28 and 33), which operate in countries where a statutory tax audit is explicitly stipulated by law, have 1 to 10 open tax years.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2014 € million	2013 € million
Profit/(loss) before tax from continuing operations	**(1,678)**	(1,901)
Tax at the applicable tax rates	**436**	494
Tax effect of:		
- income and expenses not subject to tax	**47**	(17)
- effect of different tax rates in different countries	**(14)**	(2)
- change in applicable tax rate	**(0)**	596
- provisions for tax litigations and withholding tax claims	**43**	(98)
- other non-recurring tax adjustments	**209**	(169)
- other	**(7)**	(21)
Total tax (charge)/income from continuing operations	**714**	783
Total tax (charge)/income from discontinued operations	**26**	4
Total	**740**	787

17. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method as well as for unused tax losses at the rate in effect at the time the reversal is expected to take place.

The movement on deferred income tax is as follows:

	2014 € million	2013 € million
Balance at 1 January	**3,055**	2,098
Income statement credit/(charge) from continued operations	**726**	944
Income statement credit/(charge) from discontinued operations	**26**	4
Available for sale investment securities	**21**	(9)
Cash flow hedges	**5**	(21)
Costs directly attributable to equity transactions	**28**	61
Other	**11**	(22)
Balance at 31 December	**3,872**	3,055

Deferred income tax assets/(liabilities) are attributable to the following items:

	2014 € million	2013 € million
PSI+ tax related losses	**1,211**	1,256
Loan impairment	**1,980**	1,234
Unused tax losses	**283**	311
Valuations through the income statement	**250**	200
Costs directly attributable to equity transactions	**48**	48
Cash flow hedges	**35**	30
Valuations directly to available-for-sale revaluation reserve	**12**	(6)
Fixed assets	**(8)**	(17)
Defined benefit obligations	**9**	7
Other	**52**	(8)
Net deferred income tax	**3,872**	3,055

An increase in deferred tax assets on loan impairment of € 115 million is included above, which equals a decrease in deferred tax assets on changes in fair value through income statement, following the reclassification of certain corporate bond loans from Available for sale portfolio to Loans and advances to customers (note 25).

The net deferred income tax is analysed as follows:

	2014 € million	2013 € million
Deferred income tax assets	**3,894**	3,063
Deferred income tax liabilities (note 38)	**(22)**	(8)
Net deferred income tax	**3,872**	3,055

Deferred income tax (charge)/credit in the income statement is attributable to the following items:

	2014 € million	2013 € million
Loan impairment	**631**	241
Unused tax losses	**(66)**	263
Change in nominal tax rates	**-**	596
DTA release due to tax law 4172/2013	**-**	(89)
Tax deductible PSI+ losses	**(45)**	(45)
Change in fair value and other temporary differences	**232**	(18)
Deferred income tax (charge)/credit	**752**	948

As at 31 December 2014, the Group recognized net deferred tax assets amounting to € 3.9 bn as follows:

(a) € 1,211 million refer to losses resulted from the Group's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;

(b) € 1,980 million refer to temporary differences arising from loan impairment that can be utilized in future periods with no specified time limit and according to current tax legislation of each jurisdiction;

(c) € 283 million refer to unused tax losses. The ability to utilize tax losses carried forward mainly expires in 2018;

(d) € 48 million mainly refer to costs directly attributable to Bank's share capital increases, subject to 10 years' amortization for tax purposes starting from the year they have been incurred;

(e) € 350 million refer to other temporary differences the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation of each jurisdiction.

The recognition of the above presented deferred tax assets is based on management's assessment that it is expected that the respective Group entities will have sufficient taxable profits against which the unused tax losses and the deductible temporary differences can be utilized.

According to article 5 of Law 4303/2014 (a new article 27A was incorporated in the L. 4172/2013), which is applicable to Greek financial institutions, including leasing and factoring companies, deferred tax assets that have been or will be recognised due to losses from the Private Sector Involvement ('PSI') and the Greek State Debt Buyback Program, accumulated provisions and other general losses due to credit risk in relation to existing receivables as of 31 December 2014 (excluding any receivables raised for Group companies or connected parties), will be converted into directly enforceable claims (tax credit) against the Greek State, provided that the after tax accounting result for the period, is a loss. As at 31 December 2014, deferred tax assets eligible for conversion to tax credits amounted to € 3,204 million.

The total amount of the claim will be determined by multiplying the above eligible deferred tax assets with a ratio that represents the after tax accounting loss of the period as a percentage of total equity, excluding the after tax accounting loss of the period.

The claim will arise upon approval of the financial statements and will be offset against the relevant amount of income tax. When the amount of income tax is insufficient to offset the above claim, any remaining claim will give rise to a direct refund right against the Greek State. For this purpose, a special reserve equal to 110% of the above claim will be created exclusively for a share capital increase and the issuance of capital conversion rights (warrants) without consideration in favor of the Greek State. The above rights will be convertible into ordinary shares and will be freely transferable. Existing shareholders will have a call option within a reasonable period based on their participation in the share capital at the time of issuance of those rights.

On 7 November 2014, the Extraordinary General Meeting of the Shareholders of the Bank approved the Bank's participation in the above described mechanism which will be effective from the tax year 2015 onwards.

18. Discontinued operations

Disposal of Polish operations

Based on the terms of the Investment Agreement signed with Raiffeisen Bank International AG (RBI) in February 2011, the Group recorded the disposal of its Polish operations as of 31 March 2011.

On 30 April 2012, the Group transferred 70% of its Polish banking subsidiary (Polbank) to RBI after obtaining the relevant approvals from the Polish Financial Supervision Authority (KNF) and exercised its put option on its remaining 13% stake in Raiffeisen Polbank. As of 30 April 2012, Polbank and RBI Poland (RBI's Polish banking subsidiary) were combined. The consideration receivable was subject to (a) adjustments based on the Net Asset Value of Polbank at the closing of the transaction and (b) the credit performance of the disposed mortgage loan portfolio.

By the end of March 2014 the Group had received € 814 million in cash, of which € 178 million in February 2014. In April 2014, an agreement was reached with RBI and the Group received an additional amount of € 30 million in settlement of the remaining consideration receivable of € 100 million. Hence, as at 31 March 2014 the gain on the disposal of Polish operations was adjusted with € 70 million losses, before tax (€ 52 million losses, after tax), while the relating provision recognized in 2013 based on management's estimates of the final amount of the consideration to be received was released accordingly. In November 2014, the Group proceeded with the reversal of € 1.5 million of provision for costs related with the disposal of its Polish operations, affecting accordingly the loss on disposal.

Operations in Ukraine classified as held for sale

In March 2014, management committed to a plan to sell the Group's operations in Ukraine (including Public J.S.C. Universal Bank and ERB Property Services Ukraine LLC). The sale was considered probable, therefore, the Group's operations in Ukraine were classified as a disposal group held for sale. The Group's operations in Ukraine are presented in the International segment.

Following the classification of the disposal group as held for sale, in accordance with IFRS 5, impairment losses of € 164 million after tax were recognised from measuring the disposal group at the lower of its carrying amount and fair value less costs to sell. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The fair value less cost to sell, which reflects the uncertainty in the economic and political conditions in the country escalating during 2014, has been determined using the bid offers received from third parties for the sale of the Group's operations in Ukraine, where the Group did not perform any further significant adjustments. The impairment losses were allocated to the non-current assets (€ 18 million), loans and advances to customers (€ 138 million) and deferred tax assets (€ 8 million) of the disposal group. As at 31 December 2014, cumulative losses related to the Ukrainian held for sale operations recognised in other comprehensive income amounted to € 65 million (31 December 2013: € 49 million).

On 14 August 2014, Eurobank entered into an agreement with entities of the Ukrainian Delta Bank Group for the disposal of its Ukrainian subsidiary "Public J.S.C. Universal Bank" and the transfer of Ukrainian assets for a total consideration of € 95 million. The transaction, which was subject to the necessary approvals by the competent authorities as well as conditions relating to the political and economic situation in Ukraine, was not completed since the necessary approvals were not received, and as a result Eurobank decided to terminate the agreement. The Group's operations in Ukraine continue to be classified as a disposal group held for sale, as the Group remains committed to its plan to sell that disposal group.

The results of the Group's held for sale and discontinued operations for 2014 are set out below. Comparative figures have been restated.

	Year ended 31 December	
	2014	2013
	€ million	€ million
Net interest income	**14**	24
Net banking fee and commission income	**3**	4
Other income	**9**	1
Operating expenses	**(22)**	(33)
Impairment and remeasurement losses on loans and advances	**(175)**	(20)
Profit/(loss) before tax from discontinued operations	**(171)**	(25)
Income tax [(1)]	**8**	4
Profit/(loss) after tax from discontinued operations	**(163)**	(21)
Gain/(loss) on disposal before tax (Polish and Turkish operations)	**(69)**	(17)
Loss on the remeasurement of non-current assets of disposal group	**(18)**	-
Income tax (Polish and Turkish operations)	**18**	(0)
Net profit/(loss) from discontinued operations	**(232)**	(39)
Net profit/(loss) from discontinued operations attributable to non controlling interests	**(0)**	(0)
Net Profit/(loss) from discontinued operations attributable to shareholders	**(232)**	(39)

[(1)] *For the year ended 31 December 2014 the amount refers to income tax from remeasurement.*

The major classes of assets and liabilities classified as held for sale are as follows:

	31 December 2014
	€ million
Cash and balances with central banks	29
Loans and advances to banks	1
Trading and investment securities	44
Loans and advances to customers	194
Other assets	2
Total assets of disposal group classified as held for sale	**270**
Due to banks	4
Due to customers	157
Other liabilities	3
Total liabilities of disposal group classified as held for sale	**164**
Net Group funding associated with Ukraine assets held for sale	141
Net assets of disposal group classified as held for sale	**(35)**

19. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The categories of Group's potentially dilutive ordinary shares are as follows: a) share options (until December 2014, note 43). In order to adjust the weighted average number of shares for the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Bank's shares for the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is added to the weighted average number of ordinary shares in issue in order to determine the weighted average number of ordinary shares used for the calculation of the diluted earnings per share, and b) convertible, subject to certain conditions, preferred securities (Series D, note 42).

		Year ended 31 December	
		2014	2013
Net profit/(loss) for the year attributable to ordinary shareholders (after deducting dividend attributable to preferred securities holders and after including gains/(losses) on preferred securities)	*€ million*	**(1,219)**	(1,177)
Net profit/(loss) for the year from continuing operations (after deducting dividend attributable to preferred securities holders and after including gains/(losses) on preferred securities)	*€ million*	**(987)**	(1,138)
Weighted average number of ordinary shares in issue for basic and diluted earnings/(losses) per share	*Number of shares*	***11,517,559,367***	*2,871,586,813*
Earnings/(losses) per share			
- Basic and diluted earnings/(losses) per share	€	**(0.11)**	(0.41)
Earnings/(losses) per share from continuing operations			
- Basic and diluted earnings/(losses) per share	€	**(0.09)**	(0.40)

Basic and diluted losses per share from discontinued operations for 2014 amounted to € 0.02 (2013: losses per share € 0.01).

Share options did not have an effect on the diluted earnings per share for 2013, as their exercise price exceeded the average market price of the Bank's shares for the year. The Series D of preferred securities were not included in the calculation of diluted earnings per share, as their effect would have been anti-dilutive.

20. Cash and balances with central banks

	2014	2013
	€ million	€ million
Cash in hand	**579**	591
Balances with central banks	**1,369**	1,395
	1,948	1,986
of which:		
Mandatory and collateral deposits with central banks	**856**	965
Placement to ECB deposit facility	**150**	-

Mandatory deposits with central banks include (a) deposits of € 822 million (2013: € 837 million) with the Bank of Greece and other central banks which represent the minimum level of average monthly deposits which the banks are required to maintain; the majority can be withdrawn at any time provided the average monthly minimum deposits are maintained (b) deposits of € 34 million (2013:€ 68 million) with the Bank of England in accordance with UK regulatory requirements and (c) for 2013, collateral deposits for eurosystem's funding of 60 million.

21. Cash and cash equivalents and other information on cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	2014 € million	2013 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**1,092**	1,021
Loans and advances to banks	**823**	875
Financial instruments at fair value through profit or loss	**25**	55
Cash and cash equivalents presented within assets of disposal group classified as held for sale	**38**	-
	1,978	1,951

Other (income)/losses on investment securities presented in continuing operating activities are analysed as follows:

	2014 € million	2013 € million
Amortisation of premiums/discounts and accrued interest	**(114)**	(114)
(Gains)/losses from sale	**(85)**	(43)
Dividends	**(2)**	(3)
	(201)	(160)

22. Loans and advances to banks

	2014 € million	2013 € million
Pledged deposits with banks	**2,225**	1,597
Placements and other receivables from banks	**427**	638
Current accounts and settlement balances with banks	**407**	332
	3,059	2,567

As at 31 December 2014, the Group's pledged deposits with banks mainly included collaterals on risk mitigation contracts for derivative transactions and repurchase agreements (CSAs, GMRAs). In addition, an amount of € 13 million is included related with the disposal of the Group's Turkish operations.

The Group's exposure in loans and advances to banks, as categorized by counterparty's geographical region, is presented in the following table:

	2014 € million	2013 € million
Greece	**14**	78
Other European countries	**2,537**	2,229
Other countries	**508**	260
Total	**3,059**	2,567

23. Financial instruments at fair value through profit or loss (including trading)

	2014 € million	2013 € million
Debt securities		
- Greek government bonds	**10**	9
- Greek government treasury bills	**33**	2
- Other government bonds	**55**	98
- Other issuers	**0**	2
	98	111
Unit linked products	**243**	207
Equity securities	**19**	57
	262	264
Total	**360**	375

24. Derivative financial instruments and hedge accounting

24.1 Derivative financial instruments

The Group utilises the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organized financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk undertaken, the Group assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

	31 December 2014			31 December 2013		
	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million
Derivatives held for trading						
OTC currency derivatives						
- Currency forwards	340	4	17	388	8	2
- Currency swaps	1,602	12	3	1,831	4	8
- OTC currency options bought and sold	918	14	13	413	2	4
		30	33		14	14
OTC interest rate derivatives						
- Interest rate swaps	18,704	1,775	1,564	18,000	1,030	920
- Cross-currency interest rate swaps	2,914	101	100	3,523	72	69
- OTC interest rate options	6,155	119	162	5,427	87	92
		1,995	1,826		1,189	1,081
Exchange traded interest rate futures	206	-	1	326	0	1
		1,995	1,827		1,189	1,082
Other derivatives						
Warrants	2,381	17	-	3,195	38	-
Other derivative contracts (see below)	346	31	31	261	3	3
		48	31		41	3
Total derivative assets/liabilities held for trading		2,073	1,891		1,244	1,099
Derivatives designated as fair value hedges						
Interest rate swaps	1,188	0	415	1,293	0	323
		-	415		-	323
Derivatives designated as cash flow hedges						
Interest rate swaps	430	-	98	1,232	0	107
Cross-currency interest rate swaps	4,301	61	71	6,338	19	29
		61	169		19	136
Derivatives designated as net investment hedges						
Currency forwards/currency swaps	20	-	0	23	1	(0)
Total derivative assets/liabilities held for hedging purposes		61	584		20	459
Total derivatives assets/liabilities		2,134	2,475		1,264	1,558

Other derivative contracts include equity index options, exchange traded index futures, exchange traded currency options, exchange traded index options bought and sold, commodity swaps, forward security contracts and forward rate agreements.

The Group's exposure in derivative financial instruments, as categorized by counterparty's geographical region and industry sectors, is presented in the following tables:

	31 December 2014			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,198	0	0	1,198
Banks	27	448	383	858
Corporate	60	5	13	78
	1,285	453	396	2,134

	31 December 2013			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	669	-	-	669
Banks	-	347	176	523
Corporate	45	2	25	72
	714	349	201	1,264

24.2 Hedge accounting

The Group uses derivatives for hedging purposes in order to reduce its exposure to market risks and non-derivative financial instruments to manage foreign currency risk. The hedging practices and accounting treatment are disclosed in note 2.4.

(a) Fair value hedges

The Group hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate financial assets denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2014 was € 415 million liability (2013: € 323 million liability). The Group recognized a loss of € 2 million (2013: € 9 million loss) from changes in the fair value of the hedged items attributable to the hedged risk, net of changes in the fair value of the hedging instruments.

(b) Cash flow hedges

The Group hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. At 31 December 2014, interest rate swaps had a net fair value of € 108 million liability (2013: € 117 million liability). In 2014, the ineffectiveness recognised in income statement that arose from cash flow hedges was nil (2013: nil).

(c) Net investment hedges

The Group hedges part of the currency translation risk of net investments in foreign operations through derivative financial instruments and borrowings designated as hedging instruments, the results of which have been deferred in the translation reserve component of equity.

Borrowings and derivative financial instruments amounting to € 334 million (2013: € 304 million), analysed in RON 1.5 bn (2013: RON 1.3 bn and TRY 65 million), gave rise to currency gains for the year of € 2 million (2013: € 3 million gains), which affected positively the currency translation reserve.

25. Loans and advances to customers

	31 December 2014 € million	Adjustment for reclassified loans € million	31 December 2014 (after adjustment for reclassified loans) € million	31 December 2013 € million
Wholesale lending	**19,033**	**442**	**19,475**	19,748
Mortgage lending	**18,355**	**-**	**18,355**	18,980
Consumer lending [(1)]	**6,768**	**-**	**6,768**	7,341
Small business lending	**7,283**	**-**	**7,283**	7,429
	51,439	**442**	**51,881**	53,498
Less: Impairment allowance (note 26)	**(9,306)**	**(442)**	**(9,748)**	(7,888)
	42,133	**-**	**42,133**	45,610

[(1)] *Credit cards balances are included*

As of 30 September 2014, in accordance with IAS 39, the Group has elected to reclassify certain impaired corporate bond loans from the 'Available-for-sale' portfolio to 'Loans and advances to customers' portfolio that meet the definition of loans and receivables and the Group has the intention and ability to hold them for the foreseeable future or until maturity. The reclassifications were made with effect from 30 September 2014 at the loans' fair value of € 150 million (gross amount of € 592 million less fair value adjustment of € 442 million), which became their amortized cost at the reclassification date.

Considering that the reclassified bond loans are impaired, the fair value adjustment of € 442 million represented incurred credit losses already recognised by the Group as of the reclassification date. Accordingly, for the purpose of monitoring and reporting credit risk, the aforementioned reclassified loans were presented within Loans and advances to customers on a gross basis and therefore the gross balance of Loans and advances to customers and the impairment allowance reported in the notes to the financial statements have been increased by the fair value adjustment of € 442 million. As a result, the gross amount of corporate bond loans transferred to wholesale lending amounted to € 592 million of which € 570 million referred to loans past due more than 90 days. At the reclassification date, the effective interest rates of the reclassified bond loans was on average 2.6%, while the undiscounted expected recoverable cash flows amounted to € 161 million.

For the year ended 31 December 2014, impairment losses on the reclassified financial assets of € 49 million (31 December 2013: € 36 million), were recognized in the consolidated income statement prior to the reclassification; there were no amounts recognized in OCI with respect of these loans. As at 31 December 2014, the carrying amount of these loans is € 120 million which approximates their fair value (during the fourth quarter of 2014, loans of € 6 million carrying amount were de-recognized as part of restructuring and impairment losses of € 24 million were recorded).

Loans and advances to customers include finance lease receivables, as detailed below:

	2014 € million	2013 € million
Gross investment in finance leases receivable:		
Not later than 1 year	**707**	682
Later than 1 year and not later than 5 years	**461**	542
Later than 5 years	**600**	736
	1,768	1,960
Unearned future finance income on finance leases	**(177)**	(280)
Net investment in finance leases	**1,591**	1,680
Less: Impairment allowance	**(441)**	(305)
	1,150	1,375
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**678**	637
Later than 1 year and not later than 5 years	**383**	419
Later than 5 years	**530**	624
	1,591	1,680
Less: Impairment allowance	**(441)**	(305)
	1,150	1,375

26. Impairment allowance for loans and advances to customers

The movement of the impairment allowance for loans and advances to customers by product line is as follows:

	31 December 2014				
	Wholesale € million	**Mortgage € million**	**Consumer [1] € million**	**Small business € million**	**Total € million**
Balance at 1 January	**2,927**	**1,080**	**2,368**	**1,513**	**7,888**
Impairment loss for the year	**928**	**537**	**320**	**479**	**2,264**
Recoveries of amounts previously written off	**1**	**0**	**12**	**1**	**14**
Amounts written off	**(102)**	**(13)**	**(167)**	**(100)**	**(382)**
NPV unwinding	**(93)**	**(70)**	**(10)**	**(113)**	**(286)**
Allowance for discontinued operations	**(43)**	**(46)**	**(2)**	**(36)**	**(127)**
Foreign exchange differences and other movements	**3**	**(11)**	**(56)**	**(1)**	**(65)**
	3,621	**1,477**	**2,465**	**1,743**	**9,306**
Adjustment for reclassified loans (note 25)	**442**	**-**	**-**	**-**	**442**
Balance at 31 December	**4,063**	**1,477**	**2,465**	**1,743**	**9,748**

	31 December 2013				
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Total € million
Balance at 1 January	1,182	425	1,846	1,217	4,670
Impairment loss charged in the year from continuing operations	803	353	352	392	1,900
Impairment loss charged in the year from discontinued operations	14	(1)	6	1	20
Recoveries of amounts previously written off	4	0	19	2	25
Amounts written off	(57)	(1)	(31)	(12)	(101)
NPV unwinding	(72)	(47)	(18)	(112)	(249)
Foreign exchange differences and other movements	(5)	(14)	(71)	(5)	(95)
Arising from acquisition	1,058	365	265	30	1,718
Balance at 31 December	2,927	1,080	2,368	1,513	7,888

[1] *Credit cards balances are included*

The Group is constantly evaluating and calibrating its critical estimates for impairment losses on loans and advances based on the latest available information. During 2014 the Group, after taking into account all available information as well as the uncertainties from the challenging economic conditions, calibrated its provisioning models in relation to the Greek mortgage and wholesale portfolio to reflect decreased expected recoveries. Further, the Group updated its estimates in relation to real estate collateral values in the International segment and calibrated its provisioning parameters regarding recovery data, reflecting further deterioration in 2014.

27. Investment securities

	2014 € million	2013 € million
Available-for-sale investment securities	**5,626**	3,113
Debt securities lending portfolio	**11,566**	14,862
Held-to-maturity investment securities	**657**	741
	17,849	18,716

In May 2014, the Greek Government Bonds of € 1.2 bn, issued for the Greek State's subscription to the Preference Shares under Law 3723/2008 'Greek Economy Liquidity Support Program', matured.

In 2008 and 2010, in accordance with the amendments to IAS 39, the Group reclassified eligible debt securities from the 'Available-for-sale' portfolio to 'Debt securities lending' portfolio carried at amortized cost. Interest on the reclassified securities continued to be recognized in interest income using the effective interest rate method. As at 31 December 2014, the carrying amount of the reclassified securities was € 1,127 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2014 would have resulted in € 368 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

27.1 Classification of investment securities by type

	31 December 2014			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Debt securities				
- EFSF bonds	**-**	**10,061**	**-**	**10,061**
- Greek government bonds	**683**	**891**	**-**	**1,574**
- Greek government treasury bills	**2,377**	**-**	**-**	**2,377**
- Other government bonds	**2,013**	**411**	**372**	**2,796**
- Other issuers	**259**	**203**	**285**	**747**
	5,332	**11,566**	**657**	**17,555**
Equity securities	**294**	**-**	**-**	**294**
Total	**5,626**	**11,566**	**657**	**17,849**

	31 December 2013			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Debt securities				
- EFSF bonds	107	10,080	-	10,187
- Greek government bonds	4	2,052	-	2,056
- Greek government treasury bills	1,079	2,083	-	3,162
- Other government bonds	1,190	400	305	1,895
- Other issuers	379	247	436	1,062
	2,759	14,862	741	18,362
Equity securities	354	-	-	354
Total	3,113	14,862	741	18,716

27.2 Movement of investment securities

	31 December 2014			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Balance at 1 January	**3,113**	**14,862**	**741**	**18,716**
Additions, net of disposals and redemptions	**2,725**	**(3,413)**	**(67)**	**(755)**
Transfers to loans (note 25)	**(150)**	**-**	**-**	**(150)**
Net gains/(losses) from changes in fair value for the year	**(47)**	**-**	**-**	**(47)**
Amortisation of premiums/discounts and interest	**93**	**20**	**1**	**114**
Amortisation of mark-to-market of reclassified securities	**-**	**2**	**2**	**4**
Changes in fair value due to hedging	**-**	**74**	**-**	**74**
Impairment losses/reversal	**(64)**	**-**	**(29)**	**(93)**
Exchange adjustments	**28**	**21**	**9**	**58**
Discontinued operations	**(72)**	**-**	**(0)**	**(72)**
Balance at 31 December	**5,626**	**11,566**	**657**	**17,849**

	31 December 2013			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Balance at 1 January	3,183	4,897	1,389	9,469
Arising from acquisitions	1,041	4,827	-	5,868
Additions, net of disposals and redemptions	(1,158)	5,099	(654)	3,287
Net gains/(losses) from changes in fair value for the year	74	-	-	74
Amortisation of premiums/discounts and interest	38	87	(1)	124
Amortisation of mark-to-market of reclassified securities	-	2	10	12
Changes in fair value due to hedging	-	(111)	-	(111)
Impairment losses/reversal	(45)	69	-	24
Exchange adjustments	(20)	(8)	(3)	(31)
Balance at 31 December	3,113	14,862	741	18,716

27.3 Equity reserve: revaluation of the available-for-sale investments

Gains and losses arising from the changes in the fair value of available-for-sale investments are recognised in a revaluation reserve for available for sale financial assets in equity. The movement of the reserve is as follows:

	2014 € million	2013 € million
Balance at 1 January	**49**	(9)
Net gains/(losses) from changes in fair value	**(47)**	74
Deferred income taxes	**16**	(14)
Acquired AFS reserve (NHPB and NPB), net of tax	**-**	2
	(31)	62
Net (gains)/losses transferred to net profit on disposal	**(85)**	(74)
Impairment losses transferred to net profit	**12**	6
Deferred income taxes on net (gains)/losses transferred to net profit on disposal	**11**	16
Deferred income taxes on impairment losses transferred to net profit	**(3)**	(1)
	(65)	(53)
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	**12**	58
Deferred income taxes	**(2)**	(9)
	10	49
Balance at 31 December	**(37)**	49

28. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2014, included in the Consolidated Financial Statement for the year ended 31 December 2014:

Name	Note	Percentage holding	Country of incorporation	Line of business
Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services		98.01	Greece	Business-to-business e-commerce, accounting and tax services
Cloud Hellas S.A.	i	20.48	Greece	Real estate
ERB Insurance Services S.A.		100.00	Greece	Insurance brokerage
Eurobank Asset Management Mutual Fund Mngt Company S.A.		100.00	Greece	Mutual fund and asset management
Eurobank Business Services S.A.		100.00	Greece	Payroll and advisory services
Eurobank Equities S.A.		100.00	Greece	Capital markets and advisory services
Eurobank Ergasias Leasing S.A.	h	100.00	Greece	Leasing
Eurobank Factors S.A.		100.00	Greece	Factoring
Eurobank Financial Planning Services S.A.		100.00	Greece	Management of overdue loans
Eurobank Household Lending Services S.A.		100.00	Greece	Promotion/management of household products
GRIVALIA PROPERTIES R.E.I.C.	i	20.48	Greece	Real estate
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Eurobank Remedial Services S.A.		100.00	Greece	Notification to overdue debtors
Eurolife ERB General Insurance S.A.		100.00	Greece	Insurance services
Eurolife ERB Life Insurance S.A.		100.00	Greece	Insurance services
Hellenic Post Credit S.A.		50.00	Greece	Credit card management and other services
Hellenic Postbank - Hellenic Post Mutual Funds Mngt		51.00	Greece	Mutual fund management
T Credit S.A.		100.00	Greece	Vehicle and equipment leasing
Eurolife ERB Insurance Group Holdings S.A.	f	100.00	Greece	Holding company
Herald Greece Real Estate development and services company 1	g	100.00	Greece	Real estate
Herald Greece Real Estate development and services company 2	g	100.00	Greece	Real estate
Eurobank Bulgaria A.D.		99.99	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Rendering of financial services and credit card management
ERB Property Services Sofia A.D.	j	100.00	Bulgaria	Real estate services
ERB Leasing E.A.D.	e	100.00	Bulgaria	Leasing
IMO 03 E.A.D.		100.00	Bulgaria	Real estate services
IMO Central Office E.A.D.		100.00	Bulgaria	Real estate services
IMO Property Investments Sofia E.A.D.		100.00	Bulgaria	Real estate services
IMO Rila E.A.D.		100.00	Bulgaria	Real estate services
ERB Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
Eurobank Cyprus Ltd		100.00	Cyprus	Banking
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd		100.00	Cyprus	Special purpose investment vehicle
ERB New Europe Funding III Ltd		100.00	Cyprus	Finance company
Foramonio Ltd	b	100.00	Cyprus	Real estate
NEU 03 Property Holding Ltd		100.00	Cyprus	Holding company
NEU II Property Holdings Ltd		100.00	Cyprus	Holding company
NEU BG Central Office Ltd	a	100.00	Cyprus	Holding company
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		100.00	Luxembourg	Fund management
Eurobank Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Funding II B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.		100.00	Netherlands	Holding company
Bancpost S.A.		99.11	Romania	Banking
Eliade Tower S.A.	i	20.48	Romania	Real estate
ERB IT Shared Services S.A.		100.00	Romania	Informatics data processing
ERB Leasing IFN S.A.		100.00	Romania	Leasing
ERB Retail Services IFN S.A.		100.00	Romania	Credit card management
ERB ROM Consult S.A.		100.00	Romania	Consultancy services
Eurobank Finance S.A.		100.00	Romania	Investment banking
Eurobank Property Services S.A. (Romania)		80.00	Romania	Real estate services
Eurolife ERB Asigurari De Viata S.A.		100.00	Romania	Insurance services

Name	Note	Percentage holding	Country of incorporation	Line of business
Eurolife ERB Asigurari Generale S.A.		100.00	Romania	Insurance services
IMO Property Investments Bucuresti S.A.		100.00	Romania	Real estate services
IMO-II Property Investments S.A.		100.00	Romania	Real estate services
Retail Development S.A.	i	20.48	Romania	Real estate
Seferco Development S.A.	i	20.48	Romania	Real estate
Eurobank A.D. Beograd		99.98	Serbia	Banking
ERB Asset Fin d.o.o. Beograd		100.00	Serbia	Asset management
ERB Leasing A.D. Beograd		99.99	Serbia	Leasing
ERB Property Services d.o.o. Beograd		80.00	Serbia	Real estate services
IMO Property Investments A.D. Beograd		100.00	Serbia	Real estate services
Reco Real Property A.D.	i	20.48	Serbia	Real estate
EFG Istanbul Holding A.S.		100.00	Turkey	Holding company
Public J.S.C. Universal Bank	d	99.97	Ukraine	Banking
ERB Property Services Ukraine LLC		100.00	Ukraine	Real estate services
ERB Hellas Plc		100.00	United Kingdom	Special purpose financing vehicle
Anaptyxi II Plc		-	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle
Byzantium Finance Plc		-	United Kingdom	Special purpose financing vehicle
Daneion 2007-1 Plc		-	United Kingdom	Special purpose financing vehicle
Daneion APC Ltd		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle

The Group holds less than half of the voting rights of GRIVALIA PROPERTIES R.E.I.C. and its subsidiaries: Cloud Hellas S.A., Greece; Eliade Tower S.A., Retail Development S.A., Seferco Development S.A., Romania; Reco Real Property A.D., Serbia, ("GRIVALIA subgroup"), which are controlled by the Group based on the terms of the relevant shareholders' agreement (see below). In addition, the Group holds half of the voting rights of Hellenic Post Credit S.A. which is fully consolidated. The Bank with the consent of the other shareholder who holds the remaining 50% of the share capital, has appointed the majority of the Board's directors and directs the current operations that significantly affect the returns of the company.

The following entities are not included in the consolidated financial statements mainly due to immateriality:

(i) Holding entities of Group's special purpose financing vehicles: Anaptyxi II Holdings Ltd, Anaptyxi SME I Holdings Ltd, Daneion Holdings Ltd, Karta II Holdings Ltd, Themeleion III Holdings Ltd and Themeleion IV Holdings Ltd

(ii) Dormant/under liquidation entities: Enalios Real Estate Development S.A., Global Fund Management S.A., Hotels of Greece S.A., Athens Insurance Brokerage Ltd, Security Services Systems Ltd, Proton Mutual Funds Management Company S.A

(iii) Entities controlled by the Group pursuant to the terms of the relevant share pledge agreements: a) Finas S.A. and b) Rovinvest S.A, Provet S.A and Promivet S.A. In particular, following the denouncement of the loan facilities granted to Rovinvest S.A and Provet S.A, and pursuant to the terms of the said share pledge agreements, the Group obtained substantive rights which resulted in control over these entities and Promivet S.A, whose shares were also pledged under the lending agreements. The aforementioned entities operate in the vet pharmaceutical and food distribution industry and are non-listed. The loans granted to Rovinvest S.A and Provet S.A have been fully provided for.

(a) NEU BG Central Office Ltd, Cyprus

In March 2014, the name of NEUIII Property Holdings Ltd was changed and the new name of the entity is NEU BG Central Office Ltd.

(b) Foramonio Ltd, Cyprus

In May 2014, the Group acquired Foramonio Ltd, a real estate company incorporated in Cyprus.

(c) Andromeda Leasing I Holdings Ltd and Andromeda Leasing I plc, United Kingdom

In July 2014, the liquidation of Andromeda Leasing I Holdings Ltd and Andromeda Leasing I plc was completed.

(d) Public J.S.C. Universal Bank, Ukraine

In August 2014, Eurobank entered into an agreement with entities of the Ukrainian Delta Bank Group for the disposal of its Ukrainian subsidiary PJSC Universal Bank and the transfer of Ukrainian assets ('the Transaction'). In September 2014, Eurobank announced that the necessary approvals were not received in order for the Transaction to be completed and as a result, Eurobank decided to terminate the agreement with the Delta Bank Group (note 18).

(e) ERB Leasing E.A.D and ERB Auto Leasing E.O.O.D., Bulgaria

In August 2014, ERB Leasing E.A.D merged with ERB Auto Leasing E.O.O.D.

(f) Eurolife ERB Insurance Group Holdings S.A., Greece

In September 2014, the Bank established a wholly owned subsidiary, Eurolife ERB Insurance Group Holdings S.A. (hereafter 'Company'). The initial capital contribution consisted of: (a) the 100% of directly held equity shares in its Greek Insurance subsidiaries: Eurolife ERB Life Insurance S.A., Eurolife ERB General Insurance S.A., ERB Insurance Services S.A., including the indirectly held shareholdings (through its Greek subsidiaries) in Romanian Insurance subsidiaries: Eurolife ERB Asigurari de Viata S.A. and Eurolife ERB Asigurari Generale S.A.; and (b) an additional amount in cash of € 3.7 million. The valuation of the aforementioned contribution in kind, pursuant to article 9, par. 4 of Law 2190/1920, amounted to € 346.3 million and thus the total initial share capital of the "Company" amounted to € 350 million.

(g) Herald Greece 1 and Herald Greece 2, Greece

In September 2014, the Group acquired 100% of the shares and voting rights of Herald Greece Real Estate Development and Services Company 1 (Herald Greece 1) and Herald Greece Real Estate Development and Services Company 2 (Herald Greece 2) (note 49).

(h) Eurobank Ergasias Leasing S.A. and T Leasing S.A., Greece

In November 2014, Eurobank Ergasias Leasing S.A. merged with T Leasing S.A.

Post balance sheet event

In January 2015, the Group acquired from Hellenic Post (ELTA) 49% of Hellenic Postbank – Hellenic Post Mutual Funds Management Company S.A. and thus the total Group participation to the company amounts to 100%.

Changes in ownership interest in subsidiaries which did not result in loss of control

(i) GRIVALIA PROPERTIES R.E.I.C (former Eurobank Properties R.E.I.C.)

Transaction with Fairfax Financial Holdings Limited on GRIVALIA PROPERTIES R.E.I.C

On 19 June 2013, Eurobank and Fairfax Financial Holdings Limited ("Fairfax") announced that they agreed on the principal terms of a proposed transaction aiming to further strengthen their relationship as shareholders of Eurobank Properties R.E.I.C. ("Eurobank Properties") and broaden in parallel considerably the ability and resources of Eurobank Properties to become the leading real estate company in Greece and the surrounding region.

On 17 October 2013, Eurobank and Fairfax concluded final binding documentation and received certain key regulatory approvals regarding their cooperation as shareholders of Eurobank Properties.

Under the basic terms of the agreement:

(i) Eurobank Properties would proceed with a share capital increase (the "Rights Issue") to raise € 193 million, approximately, with pre-emption rights in favour of Eurobank Properties' existing shareholders (the "Rights") at an offer price of € 4.80 per new share;

(ii) Fairfax undertook to purchase Eurobank's Rights at an aggregate cash consideration of approximately € 20 million and to exercise the purchased Rights as well as its own Rights, thereby investing approximately € 144 million in the Rights Issue. As a result of the Rights exercise, Fairfax would increase its participation in Eurobank Properties to approximately

41% (from approximately 19% held at 31 December 2013) and the Bank would hold approximately 33.5% assuming that all other shareholders of Eurobank Properties would exercise their Rights; and

(iii) Eurobank and Fairfax would cooperate so that, until 30 June 2020, Eurobank will retain management control and will fully consolidate Eurobank Properties, while Fairfax will be represented in the board of directors of Eurobank Properties and hold customary veto rights for transactions of this type. These agreements will be in force for as long as Eurobank's participation in Eurobank Properties does not fall below 20%; following which management control will automatically pass to Fairfax and Eurobank will retain customary veto rights depending on the level of its shareholding in Eurobank Properties.

Pursuant to the aforementioned investment agreement, on 21 January 2014, Fairfax's subsidiaries acquired from the Bank the 33,888,849 pre-emption rights regarding the share capital increase of Eurobank Properties for a total consideration of € 19,994,420.91, i.e. € 0.59 per pre-emption right.

The share capital increase of Eurobank Properties amounting to € 193 million was fully covered through payment in cash, and on 6 February 2014, 40,260,000 new common shares were issued. As a result, the Group is deemed to have disposed of a 21.99% of its interest that was held in Eurobank Properties.

Transaction with institutional investors on GRIVALIA PROPERTIES R.E.I.C

On 25 June 2014, the Bank disposed of 13,636,848 of common shares with voting rights of Eurobank Properties, which correspond to 13.47% of its interest that was held in Eurobank Properties. The trades were executed at the price of euro 8.75 per share, resulting in a total consideration received of € 119 million.

Following the completion of the transactions (i) and (ii), the Group's ownership interest in GRIVALIA subgroup decreased from 55.94% to 20.48% (0.48% of which is indirectly held through the Group's insurance companies) without loss of control. Control was retained by the Group by virtue of the agreement with Fairfax, which as described in point (iii) above, provided the Group with the ability to direct the significant activities of Eurobank Properties. Hence, the transactions were recorded as equity transactions with non-controlling interests which were increased by € 376 million. The effect of the transactions on the equity attributable to shareholders of the Bank and the regulatory capital is summarised as follows:

	31 December 2014 € million
Carrying amount of interest in Eurobank properties group disposed of [1]	(376)
Consideration received from non - controlling shareholders [2]	331
Decrease in shareholder's equity	**(45)**
Increase in Group's regulatory capital	**256**

[1] Including deemed disposal through the aforementioned ERB properties' share capital increase.
[2] Consideration is presented net of costs attributable to the aforementioned transactions.

(j) ERB Property Services Sofia A.D., Bulgaria

In October 2014, Eurobank Property Services S.A. acquired from Lamda Development S.A. 20% of ERB Property Services Sofia AD., and thus the total group participation to the company amounts to 100%.

During 2013, there were no increases in ownership in the Group's subsidiaries or decreases without loss of control.

Changes in ownership interest in subsidiaries which resulted in loss of control

During 2014, there were no changes in ownership interest in Group's subsidiaries with loss of control.

In June 2013, the Group disposed of 100% of Eurobank EFG Ukraine Distribution LLC. No significant gains/losses were recognized by the Group in respect of the above disposal.

Group subsidiaries with material non controlling interests

GRIVALIA PROPERTIES R.E.I.C and its subsidiaries are the only of the Group's entities with material non controlling interests amounting to 79.52% in 2014 (2013: 44.06%). Financial information regarding GRIVALIA subgroup, which is before inter-company eliminations with other companies in the Group, is provided in the table below:

	2014 € million	2013 € million
Total income	61	46
Total expenses	(28)	(52)
Net profit/(loss)	33	(6)
Other comprehensive income	(0)	-
Total comprehensive income	33	(6)
Total comprehensive income attibutable to non controlling interests	24	(2)
Total assets	919	769
Total liabilities	84	143
Net assets	835	626
Net assets attributable to non controlling interests	664	276
Net cash from/(used in) operating activities	37	25
Net cash from/(used in) investing activities	(211)	18
Net cash from/(used in) financing activities	168	(14)
Net increase/(decrease) in cash and cash equivalents	(5)	30
Cash and cash equivalents at beginning of year	191	161
Cash and cash equivalents at end of year	185	191
Dividends paid to non controlling interests	12	-

The GRIVALIA subgroup entities' principal country of operation is the same as the country of their incorporation.
The proportion of voting rights held by non controlling interests does not differ from the proportion of ownership interests held by them.

Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from regulatory, statutory and contractual requirements, as well as from the protective rights of non controlling interests, set out below:

- Banking and other financial institution subsidiaries are subject to regulatory restrictions and central bank requirements in the countries in which the subsidiaries operate. Such supervisory framework requires the subsidiaries to maintain minimum capital buffers and certain capital adequacy and liquidity ratios, including restrictions to limit exposures and/or the transfer of funds to the Bank and other subsidiaries within the Group. Accordingly, even if the subsidiaries' financial assets are not pledged at an individual entity level, their transfer within the Group may be restricted under the existing supervisory framework. In this situation, it is not feasible to identify individual balance sheet items that cannot be transferred.

As at 31 December 2014, the carrying amount of the Group financial institution subsidiaries' assets and liabilities, before intercompany eliminations, amounted to € 17.9 bn and € 15.6 bn, respectively (31 December 2013: € 19.4 bn and € 17.1 bn).

- Subsidiaries are subject to statutory requirements mainly relating with the level of capital and total equity that they should maintain, restrictions on the distribution of capital and special reserves, as well as dividend payments to their ordinary shareholders. Information relating to the Group's non-distributable reserves is provided in note 44. Moreover, the distribution of dividend to the preference shareholders, as well as the preferred securities holders is subject to restrictions provided under Law 3723/2008 in combination with Law 2190/1920 (note 41) and the preferred securities' prospectus (note 42), respectively.

- Insurance subsidiaries, which are also subject to regulatory and statutory restrictions, hold financial assets in order to satisfy their obligations to policy holders of € 1,799 million (31 December 2013: 1,667 million), before intercompany eliminations.

- The Group uses its financial assets as collateral for repo and derivative transactions, secured borrowing from central and other banks, as well as securitizations. As a result of financial assets' pledge, their transfer within the group is not permitted. Information relating to the Group's pledged financial assets is provided in notes 22, 33 and 45.

- The Group is required to maintain balances with central banks and also posts cash collaterals for obtaining funding from eurosystem. Information relating to mandatory and collateral deposits with central banks is provided in note 20.

- In accordance with the terms of the Shareholders' Agreement of GRIVALIA PROPERTIES R.E.I.C., certain protective rights were granted to non controlling interests, requiring their consent for specific material and related party transactions that involve the GRIVALIA subgroup's total assets and liabilities, before intercompany eliminations, of € 919 million and € 84 million, respectively.

29. Structured Entities

The Group is involved in various types of structured entities, such as securitization vehicles, mutual funds and private equity funds.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities, a narrow well defined objective, insufficient equity to permit it to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

An interest in a structured entity refers to contractual and non-contractual involvement that exposes the Group to variability of returns from the performance of the structured entity. Examples of interest in structured entities include the holding of debt and equity instruments, contractual arrangements, liquidity support, credit enhancement, residual value.

Structured entities may be established by the Group or by a third party and are consolidated when the substance of the relationship is such that the structured entities are controlled by the Group, as set out in note 2.2 (i). As a result of the consolidation assessment performed, the Group has involvement with both consolidated and unconsolidated structured entities, as described below.

Consolidated structured entities
The Group, as part of its funding activity, enters into securitization transactions of various classes of loans (mortgage, consumer loans, credit card and bond loans), which generally result in the transfer of the above assets to structured entities (securitization vehicles), which, in turn issue debt securities held by investors and the Group's entities. A listing of the Group's consolidated structured entities is set out in note 28.

The Group monitors the credit quality of the securitizations' underlying loans, as well as the credit ratings of the debt instruments issued, when applicable, and provides either credit enhancements to the securitization vehicles and/or transfers new loans to the pool of their underlying assets, whenever necessary, in accordance with the terms of the relevant contractual arrangements in force. As at 31 December 2014, the face value of debt securities issued by the securitizations sponsored by the Group amounted to € 4,945 million, out of which € 4,814 million held by the Group's entities, in order to obtain collateralized funding.

The Group did not provide any non contractual financial or other support to these structured entities in 2014, and currently has no intention to do so in the foreseeable future.

Unconsolidated structured entities
The Group enters into transactions with unconsolidated structured entities, which are those not controlled by the Group, in the normal course of business, to provide fund management services and in order to take advantage of specific investment opportunities.

Group managed funds
The Group establishes and manages structured entities in order to provide customers, either retail or institutional, with investment opportunities. Accordingly, through its subsidiaries Eurobank Asset Management Mutual Fund, Hellenic Postbank-Hellenic Post Mutual Funds Management, Eurobank Fund Management Company (Luxembourg) S.A. and ERB Asset Fin doo Beograd, it is engaged with the management of different types of mutual funds, including fixed income, equities, funds of funds and money market.

Additionally, the Group is entitled to receive management and other fees and may hold investments in such mutual funds for own investment purposes as well as for the benefit of its customers under unit linked products.

The Group is involved in the initial design of the mutual funds and, in its capacity as fund manager, takes investment decisions on the selection of their investments, nevertheless within a predefined, by relevant laws and regulations, decision making framework. Therefore, the Group has determined that it has no power over these funds.

Furthermore, in its capacity as fund manager, the Group primary acts as an agent in exercising its decision making authority over them. Based on the above, the Group has assessed that it has no control over these mutual funds and as a result does not consolidate them. The Group does not have any contractual obligation to provide financial support to the managed funds and does not guarantee their rate of return.

Non-Group managed funds

The Group purchases and holds units of third party managed funds including mutual funds, private equity and other investment funds.

Securitizations

The Group has interests in unconsolidated securitization vehicles by investing in residential mortgage backed and other asset-backed securities issued by these entities.

The table below sets out the carrying amount of the Group's interests in unconsolidated structured entities, recognized in the consolidated Balance Sheet as at 31 December 2014, representing its maximum exposure to loss in relation to these interests. Information relating to the total income derived from interests in unconsolidated structured entities, recognized either in profit or loss or other comprehensive income during 2014 is also provided (i.e. fees, interest income, net gains or losses on revaluation and derecognition):

	31 December 2014			
	Unconsolidated structured entity type			
	Securitizations € million	Group managed funds € million	Non- Group managed funds € million	Total € million
Group's interest- assets				
Investment securities	285	65	138	**488**
Financial instruments held for trading	-	7	7	**14**
Financial instruments designated at fair value through profit or loss (unit linked)	-	242	-	**242**
Other Assets	-	1	-	**1**
Total assets in relation to the Group's interests in the unconsolidated structured entities	**285**	**315**	**145**	**745**
Total income from Group interests	3	32	3	**38**

Total income from Group interests in relation to Group managed funds, amounting to € 32 million in 2014 as presented in the table above, consists of € 6 million losses and € 11 million gains recognized in other comprehensive income and profit or loss, respectively, arising from gains or losses on revaluation and derecognition of interest, as well as € 27 million income relating to management fees and other commissions for the management of funds. In addition, from total income in relation to non-Group managed funds, amounting to € 3 million in 2014 as set out above, derived from gains or losses on revaluation and derecognition of interests, € 8 million gains have been recognized in other comprehensive income, whereas € 5 million relate to losses recognized in profit or loss. Income in relation to securitizations has been recognized in profit or loss.

As at 31 December 2014, the total assets of funds under the Group's management as well as those of unconsolidated securitization vehicles amounted to € 2,155 million and € 14,137 million, respectively.

30. Property, plant and equipment

	31 December 2014			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	**875**	**261**	**434**	**1,570**
Arising from acquisitions	**0**	**0**	**-**	**0**
Transfers	**(15)**	**(1)**	**12**	**(4)**
Transfers from/to repossessed assets	**0**	**-**	**-**	**0**
Additions	**7**	**6**	**13**	**26**
Disposals and write-offs	**(14)**	**(8)**	**(27)**	**(49)**
Impairment	**(1)**	**(0)**	**-**	**(1)**
Exchange adjustments	**(3)**	**-**	**(1)**	**(4)**
Discontinued operations	**(14)**	**(11)**	**(4)**	**(29)**
Balance at 31 December	**835**	**247**	**427**	**1,509**
Accumulated depreciation:				
Balance at 1 January	**(214)**	**(208)**	**(378)**	**(800)**
Transfers	**1**	**1**	**(3)**	**(1)**
Arising from acquisitions	**0**	**0**	**-**	**-**
Disposals and write-offs	**10**	**7**	**23**	**40**
Charge for the year	**(28)**	**(14)**	**(20)**	**(62)**
Exchange adjustments	**0**	**0**	**1**	**1**
Discontinued operations	**4**	**8**	**3**	**15**
Balance at 31 December	**(227)**	**(206)**	**(374)**	**(807)**
Net book value at 31 December	**608**	**41**	**53**	**702**

	31 December 2013			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	771	253	447	1,471
Arising from acquisitions	116	15	5	136
Transfers	3	1	0	4
Transfers from/to repossessed assets	1	0	-	1
Additions	9	7	11	27
Disposals and write-offs	(15)	(14)	(29)	(58)
Impairment	(7)	(0)	(0)	(7)
Exchange adjustments	(2)	(1)	(0)	(3)
Disposal of foreign operations	(1)	(0)	(0)	(1)
Balance at 31 December	875	261	434	1,570
Accumulated depreciation:				
Balance at 1 January	(195)	(201)	(385)	(781)
Transfers	(0)	(0)	0	(0)
Arising from acquisitions	(4)	(6)	(2)	(12)
Disposals and write-offs	13	13	29	55
Charge for the year	(28)	(14)	(21)	(63)
Exchange adjustments	0	(0)	1	1
Disposal of foreign operations	0	0	0	0
Balance at 31 December	(214)	(208)	(378)	(800)
Net book value at 31 December	661	53	56	770

Leasehold improvements relate to premises occupied by the Group for its own activities.

Included in the above as at 31 December 2014 is € 0.5 million (2013: € 0.6 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2014 was € 2 million (2013: € 2 million).

31. Investment property

The movement of investment property (net book value) is as follows:

	2014 € million	2013 € million
Cost:		
Balance at 1 January	**779**	658
Arising from acquisition of subsidiaries [1]	**21**	63
Transfers from repossessed assets	**40**	97
Transfers	**15**	(6)
Additions	**163**	77
Disposals and write-offs	**(20)**	(9)
Impairments	**(56)**	(100)
Exchange adjustments	**0**	(1)
Discontinued operations	**(5)**	-
Balance at 31 December	**937**	779
Accumulated depreciation:		
Balance at 1 January	**(51)**	(42)
Transfers	**(1)**	0
Disposals and write-offs	**0**	0
Charge for the year	**(9)**	(10)
Exchange adjustments	**-**	1
Discontinued operations	**0**	-
Balance at 31 December	**(61)**	(51)
Net book value at 31 December	**876**	728

[1] *Amount € 21 million relates with the investment properties held by the subsidiaries Herald Greece 1 and Herald Greece 2 acquired by the Group in September 2014 (note 49)*

During the year ended 31 December 2014 an amount of € 42 million (2013: € 24 million) was recognised as rental income from investment property in income from non banking services. As at 31 December 2014 and 2013, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2014 for each class of investment property are presented in the below table. The main classes of investment property have been determined based on the nature, the characteristics and the risks of the Group's properties. The fair value measurements of the Group's investment property are categorised within level 3 of the fair value hierarchy.

	31 December 2014		31 December 2013	
	Fair Value € million	Book Value € million	Fair Value € million	Book Value € million
Residential				
Greece	**0**	**0**	0	0
International countries	**67**	**65**	68	67
Total	**67**	**65**	68	67
Commercial				
Greece	**524**	**504**	347	332
International countries	**169**	**158**	179	173
Total	**693**	**662**	526	505
Land Plots				
Greece	**6**	**4**	8	6
International countries	**57**	**57**	70	68
Total	**63**	**61**	78	74
Industrial				
Greece	**53**	**42**	35	29
International countries	**47**	**46**	58	53
Total	**100**	**88**	93	82
Total	**923**	**876**	765	728

The basic methods used for estimating the fair value of the Group's investment property are the income approach (income capitalisation/discounted cash flow method), the comparative method and the cost approach, which are also used in combination depending on the class of property being valued.

The discounted cash flow method is used for estimating the fair value of the Group's commercial investment property. Fair value is calculated through the projection of a series of cash flows using explicit assumptions regarding the benefits and liabilities of ownership (income and operating costs, vacancy rates, income growth), including the residual value anticipated at the end of the projection period. To this projected cash flows series, an appropriate, market-derived discount rate is applied to establish its present value.

Under the income capitalisation method, also used for the commercial class of investment property, a property's fair value is estimated based on the normalized net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return).

The comparative method is used for the residential, commercial and land plot classes of investment property. Fair value is estimated based on data for comparable transactions, by analyzing either real transaction prices of similar properties, or by asking prices after performing the necessary adjustments.

The cost approach is used for estimating the fair value of the residential and the industrial classes of the Group's investment property. This approach refers to the calculation of the fair value based on the cost of reproduction/replacement (estimated construction costs), which is then reduced by an appropriate rate to reflect depreciation.

32. Intangible assets

	31 December 2014			31 December 2013		
	Goodwill € million	Other intangible assets € million	Total € million	Goodwill € million	Other intangible assets € million	Total € million
Cost:						
Balance at 1 January	537	346	883	536	308	844
Arising from acquisition of subsidiaries	-	-	-	-	23	23
Transfers	-	(8)	(8)	-	2	2
Additions	4	28	32	-	21	21
Disposals and write-offs	-	(8)	(8)	-	(6)	(6)
Impairment	-	(2)	(2)	-	0	0
Exchange adjustments and other	-	(1)	(1)	1	(2)	(1)
Discontinued operations	-	(8)	(8)	-	(0)	(0)
Balance at 31 December	541	347	888	537	346	883
Accumulated impairment/amortisation:						
Balance at 1 January	(421)	(196)	(617)	(279)	(159)	(438)
Arising from acquisition of subsidiaries	-	-	-	-	(13)	(13)
Transfers	-	3	3	-	0	0
Amortisation charge for the year	-	(38)	(38)	-	(31)	(31)
Disposals and write-offs	-	8	8	-	6	6
Impairment (see below)	(98)	-	(98)	(142)	-	(142)
Exchange adjustments	-	1	1	-	1	1
Discontinued operations	-	3	3	-	0	0
Balance at 31 December	(519)	(219)	(738)	(421)	(196)	(617)
Net book value at 31 December	22	128	150	116	150	266

Included in the above as at 31 December 2014 is € 0.2 million (2013: € 0.3 million) relating to assets under construction.

Impairment testing of goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination and form part of the Group's primary business segments, as described in accounting policies note 2.8 (i). The carrying amount of goodwill is allocated to the following reportable segments:

	2014 € million	2013 € million
Global and Capital Markets (Eurobank Equities S.A.)	-	2
Wealth Management (Eurolife ERB General Insurance S.A.)	22	22
International (Bulgaria)	-	92
Total goodwill	**22**	116

The legal entities included within the Global and Capital Markets and the Wealth Management segment form the CGUs for the impairment testing of goodwill. Within the International Segment, CGUs are determined at the level of each country, which represent the lowest level within the Group at which goodwill is reviewed for internal management purposes. The recoverable amounts of the CGUs are determined from value-in-use calculations. These calculations use cash flow projections based on business plans approved by Management covering a 5-year period. Cash flow projections for years six to ten have been projected based on operational and market specific assumptions. Cash flows beyond the ten-year period (the period in perpetuity) have been extrapolated using the estimated growth rates stated below.

The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and cash flow projections based on net loans and deposits growth (or gross written premium growth for the insurance business). Management determines cash flow projections based on past experience, actual performance, and expectations about market growth. The discounting of the cash flows relevant for the calculation is made on different country-specific equity capital cost rates, which are based on the capital asset pricing model. The individual components of the calculation (risk-free interest rate, market risk premium, country-specific risk and beta factor) are based on external sources of information. The growth rates are based on respective internal or external market growth forecasts and do not exceed the average long-term growth rate for the relevant markets.

The key assumptions used for the value-in-use calculations in 2014 and 2013 for Eurolife ERB General Insurance S.A., being the only CGU within the Group to which goodwill was allocated as at 31 December 2014, were as follows:

	Eurolife ERB General Insurance S.A.	
	2014	2013
Discount rate (pre-tax)	**22%**	19%
Terminal value growth rate	**3%**	3%
Gross written premium	**7.4%**	6.6%

Gross written premium is the main driver for the revenues and the costs of Eurolife ERB General Insurance S.A. in the value-in-use calculation. The weighted average annual volume growth rate for the initial 5-year period is presented in the above table.

(i) Wealth Management and Global and Capital Markets segments

For Eurolife ERB General Insurance S.A., no reasonably possible change in any of the above key assumptions would cause the carrying amount to exceed the recoverable amount, as the recoverable amount is substantially in excess of the respective carrying amount.

During the year ended 31 December 2014, the Group recognized an impairment loss of € 4 million against the goodwill initially recognised upon the acquisition of Herald Greece 1 and Herald Greece 2, based on revised estimates of the expected yields from the respective real estate investments. As a result, the goodwill recognised for Herald Greece 1 and Herald Greece 2 was reduced to nil and the carrying amount of both entities was written down to their recoverable amount. The pre-tax discount rate used to estimate the recoverable amount of the two real estate companies was 17% . Furthermore, an impairment loss of € 2 million was recognised against the goodwill allocated to Eurobank Equities S.A. from the acquisition of Accentis S.A, as goodwill was no longer supported by the cash flow analysis of the specific business.

During the year ended 31 December 2013, no impairment losses of the CGUs of the Wealth Management and Global and Capital Markets segments to which goodwill has been allocated were identified.

(ii) International segment

During the year ended 31 December 2014, the Group recognized an impairment loss of € 92 million against the goodwill allocated to Bulgaria. As a result, the goodwill for Bulgaria was reduced to nil and the carrying amount of the CGU was reduced to its recoverable amount, being € 415 million. The pre-tax discount rate used to estimate the recoverable amount for Bulgaria was 13% (2013: 11%).

The impairment loss resulted from revised estimates reflecting the current economic conditions and more conservative growth assumptions about the Group's operations in the country.

The total goodwill impairment loss, amounting to € 98 million has been recognised in the separate line 'Impairment losses on intangible assets' in the Consolidated Income Statement.

During the year ended 31 December 2013, the Group recognized an impairment loss of € 142 million in relation to the CGUs of the International segment to which goodwill has been allocated. In particular, an impairment loss of € 97 million was identified against the goodwill recognised for Bulgaria, € 35 million against the goodwill recognised for Serbia, and € 10 million against the goodwill recognised for Romania.

33. Other assets

	2014 € million	2013 € million
Receivable from Deposit Guarantee and Investment Fund	**668**	657
Repossessed properties and relative prepayments	**526**	558
Pledged amount for a Greek sovereign risk financial guarantee	**257**	250
Income tax receivable	**243**	223
Prepaid expenses and accrued income	**57**	67
Investments in associated undertakings and joint ventures (see below)	**6**	6
Other assets	**386**	480
	2,143	2,241

As at 31 December 2014, other assets amounting to € 386 million (31 December 2013: € 480 million) mainly consist of receivables from a) settlement balances with customers, b) guarantees, c) public entities, d) fraudulent and legal cases, net of provisions and e) insurance and brokerage activity.

With regards to the Group's associated undertakings and joint ventures, none of them is considered individually material for the Group, based on their size or activities.

The following table presents the Group's joint ventures as at 31 December 2014:

Name	Country of incorporation	Line of business	Percentage Holding
Femion Ltd	Cyprus	Special purpose investment vehicle	66.45
Cardlink S.A.	Greece	POS administration	50.00
Tefin S.A. (1)	Greece	Motor vehicle sales financing	50.00
Sinda Enterprises Company Ltd	Cyprus	Special purpose investment vehicle	48.00
Unitfinance S.A. (1)	Greece	Financing company	40.00
Rosequeens Properties Ltd	Cyprus	Special purpose investment vehicle	33.33
Rosequeens Properties SRL	Romania	Real estate company	33.33

(1) In December 2013, the Extraordinary General Meeting of shareholders of the companies decided their liquidation.
Note: Filoxenia S.A. is a dormant and under liquidation associated undertaking not consolidated due to immateriality.

Femion Ltd. is accounted for as a joint venture of the Group based on the substance and the purpose of the arrangement and the terms of the shareholder's agreement which require the unanimous consent of the shareholders for significant decisions and establish shared control through the equal representation of the shareholders in the management bodies of the company.

The carrying amount, in aggregate, of Group's joint ventures as at 31 December 2014 amounted to € 6 million (31 December 2013: € 6 million). The Group's share of profit and loss and total comprehensive income of the above entities was immaterial (31 December 2013: losses € 2 million).

The Group's only associated undertaking is Odyssey GP S.a.r.l. As at 31 December 2014 and 2013, the Group's share of profit or loss and total comprehensive income of the above mentioned entity was immaterial.

The Group has not recognised losses in relation to its interest in its joint ventures, as its share of losses exceeded its interest in them and no incurred obligations exist or any payments were performed on behalf of them. For the year ended 31 December 2014, the unrecognised share of losses for the Group's joint ventures amounted to € 5.4 million, (31 December 2013: € 1.4 million). The cumulative amount of unrecognised share of losses for the joint ventures amounted to € 6.8 million.

The Group has no contingent liabilities regarding its participation in associated undertakings or joint ventures nor any unrecognized commitments in relation to its participation in joint ventures which could result to a future outflow of cash or other resources.

No significant restrictions exist (e.g. resulting from loan agreements, regulatory requirements or other contractual arrangements) on the ability of associated undertakings or joint ventures to transfer funds to the Group either as dividends or to repay loans that have been financed by the Group.

Post balance sheet event

In January 2015, the Group disposed its participation interest of 50% in Cardlink S.A. The total number of shares of Cardlink S.A. which were held by the Group, were disposed to a company of the group "Quest Holdings S.A.", for a total consideration amount of € 7.5 million.

34. Due to central banks

	2014 € million	2013 € million
Secured borrowing from ECB and BoG	**12,610**	16,887
Secured borrowing from other central banks	**-**	20
	12,610	16,907

As at 31 December 2014, the Bank has lowered its dependency on Eurosystem financing facilities to € 12.6 bn as a result of the successful completion of the Bank's share capital increase (note 40) and assets deleveraging.

35. Due to other banks

	2014 € million	2013 € million
Secured borrowing from other banks	**9,695**	9,359
Secured borrowing from international financial institutions	**290**	293
Other borrowing from international financial institutions	**108**	225
Interbank takings	**80**	287
Current accounts and settlement balances with banks	**83**	28
	10,256	10,192

As at 31 December 2014, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals EFSF bonds (note 27).

36. Due to customers

	2014 € million	2013 € million
Term deposits	**24,505**	25,850
Savings and current accounts	**15,258**	13,678
Repurchase agreements	**515**	1,408
Unit linked products	**494**	479
Other term products	**106**	120
	40,878	41,535

As at 31 December 2014, the carrying amount of structured deposits and liabilities of unit linked products designated at fair-value-through-profit-or-loss was € 526 million (2013: € 495 million) and their cumulative fair value change was € 76 million loss (2013: € 90 million loss), which is attributable to changes in market conditions.

The fair value change of structured deposits and liabilities of unit linked products is offset in the income statement against changes in the fair value of structured derivatives and assets designated at fair-value-through-profit-or-loss, respectively.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured deposits was € 3 million (2013: € 2 million).

37. Debt issued and other borrowed funds

	2014 € million	2013 € million
Medium-term notes (EMTN)	**409**	288
Subordinated	**218**	206
Securitised	**131**	295
Government guaranteed bonds	**53**	0
	811	789

As at 31 December 2014, the carrying amount of structured notes designated at fair-value-through-profit-or-loss amounted to € 37 million (2013: € 34 million) and their cumulative fair value change to € 0.3 million loss (2013: € 2 million gain). The fair value of the structured notes takes into account the credit risk of the Group. As at 31 December 2014 the cumulative change in fair value of these instruments attributable to changes in credit risk amounted to € 4 million gain (2013: € 7 million gain). The fair value change of the structured notes due to market risk, other than the Group's credit risk, is offset in the income statement against change in the fair value of structured derivatives.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured notes was € 4 million (2013: € 8 million).

The Group's funding consists of notes under Euro Medium Term Note (EMTN) program, securitisations of various classes of loans, covered bonds and government guaranteed bonds:

Medium-term notes (EMTN)

In June 2014, the Group proceeded with the issue of medium term notes under its EMTN Program of face value of € 500 million. The notes have a four year maturity and pay fixed annual coupon of 4.25%. As at 31 December 2014, medium term notes of face value of € 140 million of the above issue were retained by the Bank and its subsidiaries.

As at 31 December 2014, the EMTNs held by Group's customers, amounted to € 58 million (2013: € 59 million) were included in "Due to customers" (note 36).

During the year, medium term notes of face value of € 247 million, issued under the EMTN Program through the Group's special purpose entities, matured.

Subordinated (Lower Tier-II)

In June 2007, the Group issued unsecured subordinated floating rate notes, through its subsidiary ERB Hellas Plc. In February 2012, ERB Hellas (Cayman Islands) Ltd substituted ERB Hellas PLC as issuer of Lower Tier-II unsecured subordinated notes. The above mentioned entities are the Group's special purpose entities. The notes have a ten year maturity with a call provision after five years.

The notes pay floating rate interest quarterly based on a coupon of three month Euribor plus 160 basis points. The notes qualify as Lower Tier II capital for the Group and are listed on the Luxembourg Stock Exchange. As at 31 December 2014, the liability amounted to € 218 million (2013: € 206 million).

In March 2014, the Board of Directors of the Bank decided the substitution of the issuer ERB Hellas (Cayman Islands) LTD with the Bank in relation to the Lower Tier II unsecured subordinated notes.

As at 31 December 2014, the notes held by Group's customers, amounted to € 49 million (2013: € 61 million), were included in 'Due to customers' (note 36).

Asset Backed Securities

In June 2004, the Group issued residential mortgage backed securities at an average funding cost of three month Euribor plus 47 basis points. As of December 2011, the Issuer has the option to call the issue at par at each interest payment date (clean-up call option). As at 31 December 2014, the liability amounted to € 10 million (2013: € 15 million).

In June 2005, the Group issued residential mortgage backed securities at an average funding cost of three month Euribor plus 44 basis points. As of July 2012, the Issuer has the option to call the issue at par at each interest payment date (step-up call option). As at 31 December 2014, the liability amounted to € 27 million (2013: € 41 million).

In June 2006, the Group issued residential mortgage backed securities at an average funding cost of three month Euribor plus 21 basis points. The securities' initially expected average life was seven years. As at 31 December 2014, the liability amounted to € 44 million (2013: € 56 million).

In June 2007, the Group issued residential mortgage backed securities at an average funding cost of three month Euribor plus 37 basis points. As of August 2012, the Issuer has the option to call the issue at par at each interest payment date (step-up call option). As at 31 December 2014, the liability amounted to € 50 million (2013: € 157 million).

During the year, the Group proceeded with the repurchase of residential mortgage backed securities amounting to € 104 million, issued through the Group's special purpose entities.

During the year, the Group proceeded with the redemption of securitized notes of face value of € 26 million acquired from NHPB, at their carrying amount.

Government guaranteed bonds and Covered bonds

As at 31 December 2014, the government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 4), as well as the covered bonds, of face value of € 13,717 million and € 3,150 million respectively, were retained by the Bank and its subsidiaries, with the exception of face value of € 50 million government guaranteed bonds which were held by third parties.

In March 2014, the Group proceeded with the redemption of covered bonds amounting to € 250 million. Furthermore, in October 2014 the Group proceeded with the redemption of covered bonds of face value of € 400 million.

In May 2014, government guaranteed bonds of face value of € 332 million matured. Furthermore, in June, September and October 2014 the Group proceeded with the cancellation of government guaranteed bonds of face value of € 1,910 million, € 550 million and € 1,300 million, respectively.

In December 2014, the Group issued new government guaranteed bonds of face value of € 3,877 million.

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website.

Post Balance sheet event

In January 2015, the Bank issued government guaranteed bonds of face value of € 2,736 million which were fully retained by the Bank.

38. Other liabilities

	2014 € million	2013 € million
Insurance reserves	**1,267**	1,189
Other provisions	**97**	202
Deferred income and accrued expenses	**88**	79
Income taxes payable	**17**	59
Sovereign risk financial guarantee	**52**	55
Standard legal staff retirement indemnity obligations	**41**	27
Settlement balances with customers [1]	**48**	72
Deferred tax liabilities (note 17)	**22**	8
Other liabilities	**388**	391
	2,020	2,082

[1] *Including balances from brokerage activities*

As at 31 December 2014, other liabilities amounting to € 388 million mainly consist of payables relating with a) suppliers and creditors, b) bank checks and remittances, c) contributions to insurance organizations, d) duties and other taxes, e) credit card transactions under settlement and f) liabilities from insurance activity.

As at 31 December 2014, other provisions amounting to € 97 million consist of amounts for a) outstanding litigations and claims in dispute of € 60 million, and b) other provisions for operational risk events of € 15 million, untaken vacation indemnity of € 11 million and other of € 11 million.

The movement of the Group's other provisions, is presented in the following table:

	31 December 2014		
	Litigations and claims in dispute € million	Other € million	Total € million
Balance at 1 January	**153**	**49**	**202**
Amounts charged during the year	**13**	**15**	**28**
Amounts used during the year	**(1)**	**(3)**	**(4)**
Amounts reversed during the year (note 46)	**(105)**	**(3)**	**(108)**
Foreign exchange and other movements	**0**	**(21)**	**(21)**
Balance at 31 December	**60**	**37**	**97**

As at 31 December 2014, other provisions include an amount of € 41 million (31 December 2013: € 38 million) for outstanding litigations with DEMCO S.A. Following the judgment issued by the Athens Court of Appeals in October 2014, the Group has increased its provision by € 3 million, which corresponds to the additional interest on the adjudicated amount by 31 December 2014.

Insurance reserves

	2014 € million	2013 € million
Mathematical life insurance reserves	**1,103**	1,031
Outstanding life insurance claims reserves	**53**	53
Unearned premiums and other life insurance reserves	**18**	16
Property and casualty insurance reserves	**93**	89
	1,267	1,189

The movement of life insurance reserves is as follows:

	31 December 2014		
	Mathematical life insurance reserves € million	Outstanding life insurance claims reserves € million	Unearned premiums and other life insurance reserves € million
Balance at 1 January	**1,031**	**53**	**16**
New production, renewals	**216**	**-**	**4**
Paid claims, maturities and surrenders	**(146)**	**(13)**	**(2)**
Other movements	**2**	**13**	**0**
Balance at 31 December	**1,103**	**53**	**18**

	31 December 2013		
	Mathematical life insurance reserves € million	Outstanding life insurance claims reserves € million	Unearned premiums and other life insurance reserves € million
Balance at 1 January	1,019	53	11
New production, renewals	184	-	2
Paid claims, maturities and surrenders	(177)	(13)	(2)
Other movements	5	13	5
Balance at 31 December	1,031	53	16

39. Standard legal staff retirement indemnity obligations

The Group provides for staff retirement indemnity obligation for its employees in Greece and abroad, who are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age, in accordance with the local labour legislation. The above retirement indemnity obligations typically expose the Group to actuarial risks such as interest rate risk and salary risk. Therefore, a decrease in the discount rate used to calculate the present value of the estimated future cash outflows or an increase in future salaries will increase the staff retirement indemnity obligations of the Group.

The movement of the liability for standard legal staff retirement indemnity obligations is as follows:

	2014 € million	2013 € million
Balance at 1 January	**27**	33
Current service cost	**2**	3
Interest cost	**1**	2
Past service cost and (gains)/losses on settlements	**12**	86
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**10**	8
Actuarial (gains)/losses arising from experience adjustments	**(1)**	2
Benefits paid	**(10)**	(108)
Exchange adjustments	**0**	(0)
Arising from acquisitions	**-**	1
Balance at 31 December	**41**	27

In 2013, the Group implemented a Voluntary Exit Scheme (VES), in the context of which the benefits paid amounted to € 97.3 million. The provision for staff retirement obligations, participated on the above scheme, amounted to € 13.3 million.

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	2014 %	2013 %
Discount rate	**2.7**	3.9
Future salary increases	**1.9**	1.8

As at 31 December 2014, the average duration of the standard legal staff retirement indemnity obligation was 19 years (2013: 19 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2014 is as follows:

An increase/(decrease) of the discount rate assumed, by 50 bps/(50 bps), would result in a (decrease)/increase of the standard legal staff retirement obligations by (€ 2.9 million)/ € 3.2 million.

An increase/(decrease) of the future salary growth assumed, by 0.5%/(0.5%) would result in an increase/(decrease) of the standard legal staff retirement obligations by € 4.6 million/(€ 4.1 million).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and assumptions used in preparing the above sensitivity analysis were consistent with those used to estimate the retirement benefit obligation and did not change compared to the previous year.

40. Ordinary share capital, share premium and treasury shares

The par value of the Bank's shares is € 0.30 per share (2013: € 0.30). All shares are fully paid. The movement of ordinary share capital, share premium and treasury shares is as follows:

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
Balance at 1 January 2013	1,228	(6)	1,222	1,448	3	1,451
Share capital decrease by reducing the ordinary shares' par value	(1,211)	-	(1,211)	-	-	-
Share capital increase following recapitalisation, net of expenses	1,136	-	1,136	4,537	-	4,537
Share capital increase following LME, net of expenses	62	-	62	254	-	254
Share capital increase following acquisition of NHPB, net of expenses	426	-	426	430	-	430
Purchase of treasury shares	-	0	0	-	0	0
Sale of treasury shares	-	6	6	-	(3)	(3)
Balance at 31 December 2013	1,641	-	1,641	6,669	-	6,669
Balance at 1 January 2014	**1,641**	**-**	**1,641**	**6,669**	**-**	**6,669**
Share capital increase, net of expenses	2,771	-	**2,771**	13	-	**13**
Purchase of treasury shares	-	(2)	**(2)**	-	(0)	**(0)**
Sale of treasury shares	-	2	**2**	-	0	**0**
Balance at 31 December 2014	**4,412**	**(0)**	**4,412**	**6,682**	**0**	**6,682**

The following is an analysis of the movement in the number of shares issued by the Bank:

	Number of shares		
	Issued ordinary shares	Treasury shares	Net
Balance at 1 January 2013	552,948,427	(2,587,872)	550,360,555
Share capital decrease through reverse split (10 old shares for each 1 new share)	(497,653,584)	-	(497,653,584)
Share capital increase following recapitalisation	3,789,317,358	-	3,789,317,358
Share capital increase following LME	205,804,664	-	205,804,664
Share capital increase following acquisition of NHPB	1,418,750,000	-	1,418,750,000
Purchase of treasury shares	-	(300,639)	(300,639)
Sale of treasury shares	-	2,714,911	2,714,911
Balance at 31 December 2013	5,469,166,865	(173,600)	5,468,993,265
Balance at 1 January 2014	**5,469,166,865**	**(173,600)**	**5,468,993,265**
Share capital increase	9,238,709,677	-	**9,238,709,677**
Purchase of treasury shares	-	(7,310,106)	**(7,310,106)**
Sale of treasury shares	-	6,242,077	**6,242,077**
Balance at 31 December 2014	**14,707,876,542**	**(1,241,629)**	**14,706,634,913**

On 12 April 2014, the Extraordinary Shareholders General Meeting:

(a) approved the increase of the share capital of the Bank up to its capital requirements, as these had been specified from the BoG, namely up to € 2,864 million, through payment in cash or/and contribution in kind, the cancellation of the pre-emption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new common shares, of a nominal value of € 0.30 each, at an offer price of not less than the nominal value and the minimum price that the General Council of the HFSF would specify in accordance with Law 3864/2010;

(b) approved the New Shares to be offered via a private placement outside of Greece (the 'International Offering') and through a public offer to the public in Greece (the 'Public Offering');

(c) authorized the BoD to determine the offer price, the amount of the nominal increase and the number of new shares, to further specify and finalize the structure and the terms of the increase and the offering of the new shares, to adjust, by its resolution for the certification of the share capital Increase, articles 5 and 6 of the Bank's articles of association, and generally, to carry out at its discretion any act or action which is needed, necessary or appropriate to implement the resolutions of the EGM and completion of the increase.

Pursuant to the aforementioned resolutions of the EGM as well as the 29 April and 6 May 2014 Board resolutions:
(i) the share capital of the Bank increased by € 2,771.6 million by issuing 9,238,709,677 new shares, of which 8,314,838,710 were allocated to investors participating in the International Offering and 923,870,967 to investors participating in the Public Offering, with a nominal value of € 0.30 each; and
(ii) The share premium increased by € 92 million.

Incremental costs directly attributable to the aforementioned capital increase of € 2,864 million amounted to € 79 million, net of tax.

Treasury shares

Under Law 3756/2009, banks participating in the Government's Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

In the ordinary course of business, subsidiaries of the Group may acquire and dispose of treasury shares.

41. Preference shares

	Preference Shares		
	Number of shares	2014 € million	2013 € million
Balance at 31 December	**345,500,000**	**950**	950

On 12 January 2009 the Extraordinary General Meeting of the Bank approved the issue of 345,500,000 non-voting, non-listed, non-transferable, tax deductible, non-cumulative 10% preference shares, with nominal value € 2.75 each, under Law 3723/2008 "Greek Economy Liquidity Support Program", to be fully subscribed to and paid by the Greek State with bonds of equivalent value. The proceeds of the issue total € 940 million, net of expenses, and the transaction was completed on 21 May 2009. In accordance with the current legal and regulatory framework, the issued shares have been classified as Common Equity Tier I capital.

The preference shares pay a non-cumulative coupon of 10%, subject to meeting minimum capital adequacy requirements, set by Bank of Greece, availability of distributable reserves in accordance with article 44a of Company Law 2190/1920 and the approval of the Annual General Meeting. According to Law 3723/2008, as in force, five years after the issue of the preference shares or earlier subject to the approval of the Bank of Greece, the Bank may redeem the preference shares at their nominal value. In case of non redemption at the expiration of the five year period, the coupon is increased by 2% each year.

Based on the 2014 results and Law 3723/2008 in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted.

42. Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier I capital for the Group (Tier I Series A). In December 2014, an amount of € 126.8 million that was retained by the Bank was cancelled. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year Euro swap rate plus a spread of 0.125% capped at 8% thereafter. The rate of preferred dividends for the Tier I Issue series A has been determined at 1.909% for the period 18 March 2014 to 17 March 2015. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier I capital for the Group (Tier I Series B). In December 2014, an amount of € 248.6 million that was retained by the Bank was cancelled. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.57% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividend must be declared and paid if the Bank declares dividend. The preferred securities are listed on the London Stock Exchange.

On 9 November 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 150 million preferred securities which represent Lower Tier I capital for the Group (Tier I Series C). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 6% per annum. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 21 December 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 50 million preferred securities which are consolidated and form a single series with the existing € 150 million preferred securities issued on 9 November 2005. In December 2014, an amount of € 42.6 million that was retained by the Bank was cancelled.

On 29 July 2009, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 300 million preferred securities which represent Tier I capital for the Group (Tier I Series D). This is in accordance with the decision of the Annual General Meeting on 30 June 2009 which allows the Bank to issue in tranches up to € 500 million of such securities. In December 2014, an amount of € 279 million that was retained by the Bank was cancelled. The preferred securities have no fixed redemption date and give the issuer the right to call the issue after five years from the issue date and annually thereafter. In addition the securities, subject to certain conditions, are convertible at the option of the bondholder and the issuer after October 2014 into Eurobank ordinary shares at the lower of an exchange ratio based on a) a 12% discount to the share market price during the period preceding the exchange or b) the nominal value of Bank's ordinary share. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 8.25% per annum. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the London Stock Exchange.

On 30 November 2009, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 100 million preferred securities which represent Tier I capital for the Group (Tier I Series E). In December 2014, the full amount of this series that was retained by the Bank was cancelled.

The outstanding amount of preferred securities issued by the Group through its Special Purpose Entity, ERB Hellas Funding Limited, as at 31 December 2014 is as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 31 December 2014	**2**	**5**	**49**	**21**	**77**

On 23 December 2013, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series A, Series C and Series D, which otherwise would have been paid on 18 March 2014, 9 January 2014 and 29 January 2014, respectively.

On 26 March 2014, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series C and Series D, which otherwise would have been paid on 9 April 2014 and 29 April 2014, respectively.

On 23 June 2014, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series C and Series D, which otherwise would have been paid on 9 July 2014 and 29 July 2014, respectively.

On 22 September 2014, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series B, Series C and Series D, which otherwise would have been paid on 2 November 2014, 9 October 2014 and 29 October 2014, respectively.

On 30 December 2014, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series A, Series C and Series D, which otherwise would have been paid on 18 March 2015, 9 January 2015 and 29 January 2015, respectively.

43. Share based payments

The Group grants share options to executive directors, management and employees. All options are equity-settled and may be exercised wholly or partly and converted into shares, at their owners' option provided that the vesting requirements are met.

In April 2006, the Annual General Meeting approved the establishment of an umbrella share options program allowing the Board of Directors (through the Board's Remuneration Committee) to issue share options within the next 5 years totaling up to 3% of the Bank's shares within the defined framework similar to the share options issued in the past. The umbrella program to issue share options expired within 2011. The Repeat Extraordinary General Shareholders' Meeting on 21 November 2007 amended the terms of the program so that throughout its implementation the vesting and exercise periods of the share options may be determined at the discretion of the Board following recommendation by the Remuneration Committee. The Share options program expired at 31 December 2014.

The movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31 December 2014		31 December 2013	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
Balance at 1 January	**9.90**	**906,896**	11.38	3,015,066
Expired and/or cancelled	**9.90**	**(906,896)**	12.02	(2,108,170)
Balance at 31 December and average exercise price per share	**-**	**-**	9.90	906,896

In 2014, the Group's subsidiary GRIVALIA PROPERTIES R.E.I.C. granted GRIVALIA's equity settled share based payments to Group's key management personnel. As at 31 December 2014, the recognized cost of these benefits amounted to € 0.8 m. The said cost is determined based on the fair value of the instruments as of the date they are granted and recognized as an expense in the period, starting from the date they are granted until the maturity date of the relevant rights with an equal parallel increase in equity.

44. Special reserves

	31 December 2013				
	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January	433	1,269	(175)	(315)	1,212
Share capital decrease by reducing the ordinary shares' par value	-	-	-	1,211	1,211
Acquisition of subsidiaries	1	-	-	910	911
Transfers between reserves	3	(72)	-	302	233
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	60	-	60
- Acquired AFS reserve (NHPB and NPB) net of tax	-	-	2	-	2
- transfer to net profit, net of tax	-	-	(4)	-	(4)
Cash flow hedges					
- net changes in fair value, net of tax	-	-	19	-	19
- transfer to net profit, net of tax	-	-	52	-	52
Currency translation differences, net of hedging	-	-	-	(22)	(22)
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(8)	(8)
Value of employee services	-	-	-	(8)	(8)
Balance at 31 December	437	1,197	(46)	2,070	3,658

	31 December 2014				
	Statutory reserves € million	**Non-taxed reserves € million**	**IAS 39 reserves € million**	**Other reserves € million**	**Total € million**
Balance at 1 January	**437**	**1,197**	**(46)**	**2,070**	**3,658**
Transfers between reserves	8	(237)	-	1	**(228)**
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	(31)	-	**(31)**
- transfer to net profit, net of tax	-	-	(55)	-	**(55)**
Cash flow hedges					
- net changes in fair value, net of tax	-	-	(28)	-	**(28)**
- transfer to net profit, net of tax	-	-	18	-	**18**
Currency translation differences, net of hedging	-	-	-	(34)	**(34)**
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(7)	**(7)**
Value of employee services	-	-	-	(0)	**(0)**
Balance at 31 December	**445**	**960**	**(142)**	**2,030**	**3,293**

Non-taxed reserves are taxed when distributed. The Bank's non-taxed reserves were reduced by € 235 million as a result of their offset against the Bank's tax losses as required by the Greek tax law and the outcome of the court appeal regarding the one-off taxation imposed by Law 3513/2006.

Included in IAS 39 reserves as at 31 December 2014 is € 107 million loss (2013: € 97 million loss) relating to cash flow hedging reserve.

Statutory reserves and IAS 39 reserves are not distributable. In addition, as at 31 December 2014 included in other reserves a) non distributable Bank's reserves amounting to € 1,788 million (2013: € 1,788 million) and b) € 271 million loss (2013: € 236 million loss) relating to currency translation reserve, net of hedging.

45. Transfers of financial assets

The Group enters into transactions by which it transfers recognised financial assets directly to third parties or to SPEs.

(a) The Group sells, in exchange for cash, securities under an agreement to repurchase them ('repos') and assumes a liability to repay to the counterparty the cash received. In addition, the Group pledges, in exchange for cash, securities and loans and receivables and assumes a liability to repay to the counterparty the cash received. The Group has determined that it retains substantially all the risks, including associated credit and interest rate risks, and rewards of these financial assets and therefore has not derecognised them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of the transaction. The related liability is recognised in Due to banks (notes 34 and 35) and Due to customers (note 36), as appropriate.

The Group enters into securitizations of various classes of loans (mortgage, bond loans, credit cards and consumer loans), under which it assumes an obligation to pass on the cash flows from the loans to the holders of the notes. The Group has determined that it retains substantially all risks, including associated credit and interest rate risks, and rewards of these loans and therefore has not derecognised them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of their retention by the SPE. Moreover, the note holders' recourse is limited to the transferred loans. The related liability is recognised in Debt issued and other borrowed funds (note 37).

The table below sets out the details of Group's financial assets that have been sold or otherwise transferred, but which do not qualify for derecognition:

	Carrying amount	
	2014	2013
	€ million	€ million
Financial instruments at fair value through profit or loss	**6**	18
Loans and advances to customers	**11,037**	12,782
-securitized loans	***2,447***	*2,798*
-pledged loans under covered bond program	***4,066***	*4,380*
-pledged loans with central banks	***4,281***	*5,388*
-other pledged loans	***243***	*216*
Investment securities	**11,633**	14,910
	22,676	27,710

(b) As at 31 December 2014, the Group, under the second stream of Greek Economy Liquidity Support Program (note 4), had issued Government guaranteed bonds of total face value of € 13,717 million. Of the aforementioned issues, which were retained by the Group with the exception of face value of € 50 million, € 10,966 million (cash value € 9,249 million) were pledged to central banks and international financial institutions (2013: face value € 13,932 million and cash value € 8,650 million).

(c) In addition, the Group may sell or re-pledge any securities borrowed or obtained through reverse repos and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognised by the Group. As at 31 December 2014, the Group had borrowed or obtained through reverse repos, securities with fair value of € 180 million (2013: € 121 million), the majority of which had been pledged to central banks. Furthermore, under the third stream of Greek Economy Liquidity Support Program, the Group as at 31 December 2014 had borrowed special Greek Government bonds of face value of € 1,918 million (cash value € 1,456 million), which were pledged to central banks.

As at 31 December 2014, the cash value of the assets transferred or borrowed by the Group through securities lending, reverse repo and other agreements (points a, b and c) amounted to € 24,169 million, while the associated liability from the above transactions amounted to € 23,241 million (notes 34, 35, 36 and 37) (2013: cash value € 29,922 million and liability € 28,262 million).

In addition, the Group's financial assets pledged as collaterals for repos, derivatives, securitizations and other transactions other than the financial assets presented in the table above, are provided in notes 22 and 33.

46. Contingent liabilities and other commitments

	2014	2013
	€ million	€ million
Guarantees and standby letters of credit	**605**	679
Other guarantees and commitments to extend credit	**880**	1,007
Documentary credits	**88**	62
Capital expenditure	**9**	8
	1,582	1,756

Legal Proceedings

As at 31 December 2014 there were a number of legal proceedings outstanding against the Group for which a provision of € 60 million was recorded (31 December 2013: € 154 million). As at 31 March 2014, the Group proceeded with the release of the provision of € 103 million, recognized in 2013 based on the management's estimates of the final amount of the consideration to be received for the disposal of Polish operations (note 18).

47. Operating leases

Leases as lessee - Non-cancellable operating lease rentals are payable as follows:

	31 December 2014		31 December 2013	
	Land and buildings	**Furniture, equipment, vehicles**	Land and buildings	Furniture, equipment, vehicles
	€ million	**€ million**	€ million	€ million
Not later than one year	**22**	**0**	23	-
Later than one year and no later than five years	**17**	**1**	13	-
Later than five years	**8**	**-**	3	1
	47	**1**	39	1

There are no material future minimum sublease payments to be received under non cancellable subleases.

Leases as lessor - Non-cancellable operating lease rentals are receivable as follows:

	31 December 2014		31 December 2013	
	Land and buildings	**Furniture, equipment, vehicles**	Land and buildings	Furniture, equipment, vehicles
	€ million	**€ million**	€ million	€ million
Not later than one year	**35**	**1**	11	1
Later than one year and no later than five years	**110**	**0**	23	0
Later than five years	**200**	**-**	-	-
	345	**1**	34	1

48. Segment information

Management has determined the operating segments based on the internal reports reviewed by the Executive Board that are used to allocate resources and to assess their performance in order to make strategic decisions. The Executive Board considers the business both from a business unit and geographic perspective. Geographically, management considers the performance of its business in Greece and other countries in Europe (International). Greece is further segregated into retail, wholesale, wealth management, global and capital markets. During the first quarter of 2014, certain NHPB's key functions have already been integrated with those of Eurobank and therefore as of that period, NHPB's operating results, assets and liabilities have been incorporated into and presented within the other Group segments in Greece. International is monitored and reviewed on a country basis. The Group aggregates segments when they exhibit similar economic characteristics and profile and are expected to have similar long-term economic development.

The Group is organized in the following reportable segments:

- Retail: incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate: incorporating direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities.
- Wealth Management: incorporating private banking services, including total wealth management, to medium and high net worth individuals, insurance, mutual fund and investment savings products, and institutional asset management.
- Global and Capital Markets: incorporating investment banking services including corporate finance, merger and acquisitions advice, custody, equity brokerage, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialised financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- International: incorporating operations in Romania, Bulgaria, Serbia, Cyprus, Ukraine and Luxembourg.

Other operations of the Group comprise mainly investing activities, including property management and investment and the management of unallocated capital.

The Group's management reporting is based on International Financial Reporting Standards (IFRS). The accounting policies of the Group's operating segments are the same with those described in the principal accounting policies.

Revenues from transactions between business segments are allocated on a mutually agreed basis at rates that approximate market prices.

48.1 Operating segments

	31 December 2014						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Net interest income	544	336	44	197	409	(15)	1,515
Net commission income	29	57	30	(4)	89	(1)	200
Other net revenue	2	5	81	(8)	30	64	174
Total external revenue	575	398	155	185	528	48	1,889
Inter-segment revenue	73	21	(53)	(19)	(1)	(21)	-
Total revenue	648	419	102	166	527	27	1,889
Operating expenses	(493)	(98)	(58)	(91)	(282)	(33)	(1,055)
Impairment losses on loans and advances	(1,172)	(683)	(16)	0	(393)	-	(2,264)
Other impairment losses	(1)	(84)	(8)	(31)	(51)	(30)	(205)
Profit/(loss) before tax from continuing operations before non recurring income/(expenses)	(1,018)	(446)	20	44	(199)	(36)	(1,635)
Non recurring income/(expenses) [(4)] (notes 15 and 32)	(10)	(7)	(1)	(3)	(18)	(4)	(43)
Profit/(loss) before tax from continuing operations[(1)]	(1,028)	(453)	19	41	(217)	(40)	(1,678)
Profit/(loss) before tax from discontinued operations	-	-	-	-	(189)	(69)	(258)
Non controlling interests	-	-	0	-	(1)	(25)	(26)
Profit/(loss) before tax attributable to shareholders	(1,028)	(453)	19	41	(407)	(134)	(1,962)
Segment assets	24,107	12,367	2,166	13,019	13,106	10,753	75,518
Segment liabilities	23,508	2,903	4,240	26,277	11,667	619	69,214

The International segment is further analysed as follows:

	31 December 2014						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	Total € million
Net interest income	129	128	74	61	-	17	409
Net commission income	23	31	13	17	-	5	89
Other net revenue	24	5	1	0	-	0	30
Total external revenue	176	164	88	78	-	22	528
Inter-segment revenue	0	0	0	0	-	(1)	(1)
Total revenue	176	164	88	78	-	21	527
Operating expenses	(113)	(81)	(51)	(25)	-	(12)	(282)
Impairment losses on loans and advances	(208)	(119)	(48)	(18)	-	0	(393)
Other impairment losses	(30)	(21)	0	0	-	0	(51)
Profit/(loss) before tax from continuing operations before non recurring income/(expenses)	(175)	(57)	(11)	35	-	9	(199)
Non recurring income/(expenses)	(10)	(6)	(2)	0	-	0	(18)
Profit/(loss) before tax from continuing operations[1]	(185)	(63)	(13)	35	-	9	(217)
Profit/(loss) before tax from discontinuing operations	-	-	-	-	(189)	-	(189)
Non controlling interests	(1)	0	0	0	-	0	(1)
Profit/(loss) before tax attributable to shareholders	(186)	(63)	(13)	35	(189)	9	(407)

	31 December 2014						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	International € million
Segment assets[2]	3,257	2,998	1,355	3,915	270	1,458	13,106
Segment liabilities[2]	2,986	2,677	975	3,487	305	1,229	11,667

	31 December 2013							
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	NHPB group € million	International € million	Other and Elimination center € million	Total € million
Net interest income	499	373	55	(64)	43	398	(34)	1,270
Net commission income	26	59	26	(2)	1	91	(2)	199
Other net revenue	1	6	73	(13)	2	23	(3)	89
External revenue	526	438	154	(79)	46	512	(39)	1,558
Inter-segment revenue	78	23	(55)	(34)	0	1	(13)	-
Total revenue	604	461	99	(113)	46	513	(52)	1,558
Operating expenses	(427)	(100)	(55)	(83)	(51)	(304)	(17)	(1,037)
Impairment losses on loans and advances	(990)	(646)	(15)	0	(0)	(249)	0	(1,900)
Other impairment losses [3]	0	(42)	(8)	71	0	(61)	(74)	(114)
Profit/(loss) before tax from continuing operations before non recurring income/(expenses)	(813)	(327)	21	(125)	(5)	(101)	(143)	(1,493)
Non recurring income/(expenses) [4] (notes 15 and 32)	(73)	(11)	(3)	(38)	(1)	(5)	(275)	(406)
Profit/(loss) before tax from continuing operations[1]	(886)	(338)	18	(163)	(6)	(106)	(420)	(1,901)
Profit/(loss) before tax from discontinued operations	-	-	-	-	-	(25)	(17)	(42)
Non controlling interests	-	-	0	-	(0)	0	1	1
Profit/(loss) before tax attributable to shareholders	(886)	(338)	18	(163)	(6)	(131)	(436)	(1,942)
Segment assets	19,923	12,776	1,494	8,523	6,575	12,987	15,308	77,586
Segment liabilities	14,437	2,795	4,336	29,306	10,390	11,152	647	73,063

	31 December 2013						
	Romania	Bulgaria	Serbia	Cyprus	Ukraine	Luxembourg	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net interest income	158	123	47	50	-	20	398
Net commission income	29	29	12	17	-	4	91
Other net revenue	13	0	2	0	-	8	23
Total external revenue	200	152	61	67	-	32	512
Inter-segment revenue	0	0	0	0	-	1	1
Total revenue	200	152	61	67	-	33	513
Operating expenses	(132)	(87)	(50)	(23)	-	(12)	(304)
Impairment losses on losses and advances	(124)	(76)	(30)	(17)	-	(2)	(249)
Other impairment losses	(25)	(36)	0	0	-	0	(61)
Profit/(loss) before tax from continuing operations before other non recurring income/(expenses)	(81)	(47)	(19)	27	-	19	(101)
Non recurring income/(expenses)	(5)	0	0	0	-	0	(5)
Profit/(loss) before tax from continuing operations[(1)]	(86)	(47)	(19)	27	-	19	(106)
Profit/(loss) before tax from discontinuing operations	-	-	-	-	(25)	-	(25)
Non controlling interests	0	0	0	0	0	-	0
Profit/(loss) before tax attributable to shareholders	(86)	(47)	(19)	27	(25)	19	(131)

	31 December 2013						
	Romania	Bulgaria	Serbia	Cyprus	Ukraine	Luxembourg	International
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets[(2)]	3,853	3,068	1,591	2,955	665	1,106	12,987
Segment liabilities[(2)]	3,425	2,688	1,178	2,556	671	884	11,152

[(1)] *Income/(loss) from associated undertakings and joint ventures is included.*

[(2)] *Intercompany balances among the Countries have been excluded from the reported assets and liabilities of International segment.*

[(3)] *Other impairment losses include the reversal of an impairment loss of € 75 million for a non PSI exchanged GGB (note 15).*

[(4)] *Non recurring income/expenses include impairment on intangible assets.*

48.2 Entity wide disclosures

Breakdown of the Group's revenue from continuing operations for each group of similar products and services is as follows:

	2014	2013
	€ million	€ million
Lending related activities	**2,218**	2,376
Deposits, network and asset management activities	**(590)**	(727)
Capital markets	**170**	(152)
Insurance related activities	**36**	36
Non banking and other services	**55**	25
	1,889	1,558

49. Acquisition of subsidiaries

Acquisition of Herald Greece 1 and Herald Greece 2

In September 2014, the Group acquired for a € 1 cash consideration, 100% of the shares and voting rights of the real estate companies Herald Greece Real Estate Development and Services Company 1 (Herald Greece 1) and Herald Greece Real Estate Development and Services Company 2 (Herald Greece 2). The acquisitions took place in the course of the Group's lending activities, following an agreement with the previous shareholders for the transfer of their shares after the conversion of their debt into equity. Herald Greece 1 runs 'Escape' shopping centre in Ilion, Athens while Herald Greece 2 owns 'Veso Mare' shopping centre in Patras.

Both acquisitions have been accounted for as business combinations using the purchase method of accounting. The fair value measurement of the assets and liabilities acquired has not been finalised due to the short time period between the closing of the transactions and the publication of these financial statements. As at 31 December 2014, the provisional values of the total assets of both companies amounted to € 28 million (of which € 21 million refers to the aforementioned investment properties), while the provisional values of total liabilities amounted to € 32 million (of which € 29 million refers to intercompany balances with Eurobank). The gross amount of the lease receivables acquired was € 5 million for both companies and a provision of € 0.7 million has been recognised against those assets. The determination of the fair value of the acquired receivables in accordance with the relevant policies of the Group has not been finalised as at 31 December 2014.

Based on the provisional values stated above, a goodwill asset of € 4 million was recognised upon acquisition, which was subsequently tested for impairment. As a result of the impairment test, the amount of goodwill has been fully impaired. Details on the impairment testing of goodwill are provided in note 32.

50. Post balance sheet events

Details of significant post balance sheet events are provided in the following notes:

Note 4 – Greek Economy Liquidity Support Program
Note 7.2.3 – Liquidity risk
Note 28 – Shares in subsidiary undertakings
Note 33 – Other assets
Note 37 – Debt issued and other borrowed funds
Note 52 – Board of Directors

51. Related parties

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

On 12 July 2013, Eurobank signed with HFSF, a relationship framework agreement (RFA) that determined covenants governing the relationship between the Bank and the HFSF and the matters related with, amongst others, the corporate governance of the Bank and the development and approval of the Restructuring Plan. On 26 August 2013, the RFA was approved by the Extraordinary General Meeting in accordance with Law 2190/1920 article 23a.

Following the completion of the Bank's share capital increase (note 40), fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Bank's General Assemblies have been switched to restricted ones (note 6). Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Group, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalisation, are not regarded as such.

For the period for which HFSF was the controlling shareholder of the Bank, the transactions between the Group and Greek Banks significantly influenced by HFSF, were not significant.

In addition, in the context of the amended HFSF Law, HFSF undertook (a) to enter into a new relationship framework agreement with Eurobank and (b) not to sell any shares that it holds in Eurobank for a period of 6 months after the offering. Following the completion of the Bank's share capital increase, on 28 August 2014 HFSF entered into a new relationship framework agreement with Eurobank, similar to that of the other systemic banks.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.

The outstanding balances of the said related party transactions and the relating income and expenses are as follows:

	31 December 2014			31 December 2013		
	Key management personnel (KMP)(1) € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million	Key management personnel (KMP)(1) € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million
Loans and advances to customers net of provision	**6**	**4**	**0**	3	16	0
Other assets (2)	**0**	**-**	**3**	0	-	2
Due to customers	**5**	**9**	**0**	7	8	0
Other liabilities (2)	**0**	**-**	**9**	1	-	-
Net interest income	**(0)**	**(1)**	**0**	(0)	0	(0)
Net banking fee and commission income	**0**	**-**	**-**	0	-	-
Impairment losses on loans and advances	**-**	**(8)**	**-**	-	(9)	-
Other operating income/(expense)	**(0)**	**(0)**	**1**	(0)	(0)	-
Guarantees received	**0**	**-**	**-**	0	-	-

(1)Key management personnel includes directors and key management personnel of the Group and HFSF (until early May 2014) and their close family members. For the period until early May 2014, the amounts of income and expenses in relation with transactions with directors and key management personnel of HFSF and their close family members were immaterial.

(2)Receivable from/payable to HFSF pursuant to the terms of the relevant binding agreement for the acquisition of NHPB.

Note: In addition, at 31 December 2014 the loans, net of provisions, granted to non consolidated entities controlled by the Group pursuant to the terms of the relevant share pledge agreements (note 28) amounted to € 3 million.

During the year ended 31 December 2014, an impairment loss of € 8.3 million (31 December 2013: € 8.5 million) has been recorded against loan balances with a Group's joint venture increasing the respective impairment allowance to € 16.8 million (31 December 2013: € 8.5 million).

Key management compensation (directors and other key management personnel of the Group)

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 6.19 million (2013: € 6.7 million) and long-term employee benefits (excluding share-based payments) of € 0.67 million (2013: € 0.6 million). Additionally, the Group has recognized a) € 0.1 million income relating with forfeited share options (2013: € 3.7 million) and b) € 0.8 million expense relating with equity settled share based payments (note 43).

52. Board of Directors

The Board of Directors was elected by the Annual General Meeting held on 27 June 2013 for a three years term of office, expiring at the Annual General Meeting that will take place in 2016. On 28 June 2014, the General meeting elected seven new Board members; on the same date, at their wish, four Board members' term of office was terminated. On 1 February 2015, following the resignation of the Chairman Mr. Panayotis-Aristidis Thomopoulos and of the Chief Executive Officer, Mr. Christos I. Megalou, the Board appointed Mr. Nikolaos V. Karamouzis as new Board member and Chairman of the Board and Mr. Fokion C. Karavias as Chief Executive Officer, who already held the position of Executive Director as of that date. The term of office of the new Board members expires concurrently with the term of office of the other members, i.e. at the Annual General Meeting that will take place in 2016.
Finally, following the resignation of Mr. Dimitrios Georgoutsos from the position of the Greek State's representative, the Minister of Finance appointed Mrs. Christina G. Andreou as representative of the Greek State to Eurobank's Board of Directors, whose term commenced on 6 March 2015 and shall expire at the end of Eurobank's participation in the provisions of L.3723/2008. The Board of Directors of Eurobank at its meeting on 10 March 2015 appointed and integrated into the Board Mrs. C. Andreou as an additional non-executive member, according to the provisions of L.3723/2008.

N. Karamouzis	Chairman, Non-Executive (nominated as of 1 February 2015)
P.A. Thomopoulos	Chairman, Non-Executive (until 1 February 2015)
G. David	Chairman, Non-Executive (until 28 June 2014)
G. Gondicas	Honorary Chairman, Non-Executive (until 28 June 2014)
S. Lorentziadis	Vice Chairman, Non-Executive Independent (nominated as Vice Chairman on 28 June 2014)
E. G. Arapoglou	Vice Chairman, Non-Executive Independent (until 28 June 2014)
C. Megalou	Chief Executive Officer (until 1 February 2015)
F. Karavias	Chief Executive Officer (nominated as CEO on 1 February 2015. Previously, from 28 June 2014 up to 1 February 2015 held the position of Executive Board Member)
W. S. Burton	Non-Executive (appointed as of 28 June 2014)
G. Chryssikos	Non-Executive (appointed as of 28 June 2014)
J. S. Haick	Non-Executive Independent (appointed as of 28 June 2014)
B. P. Martin	Non-Executive Independent (appointed as of 28 June 2014)
J. Seegopaul	Non-Executive Independent (appointed as of 28 June 2014)
D. Papalexopoulos	Non-Executive Independent (until 28 June 2014)
C. Andreou	Non-Executive (Greek State representative under Law 3723/2008 – appointed as of 6 March 2015)
D. Georgoutsos	Non-Executive (Greek State representative under Law 3723/2008 – until 6 March 2015)
K. H. Prince – Wright	Non-Executive (HFSF representative under Law 3864/2010)

53. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting.

Under Law 3756/2009, as amended by Law 3844/2010, and supplemented by Laws 3965/2011, 4063/2012, 4144/2013 and 4261/2014, any distribution of profits to ordinary shareholders of the banks participating in the first stream of the Greek Economy Liquidity Support Program for the financial years 2008 to 2013 could only take place in the form of ordinary shares, other than treasury shares. Based on the 2014 results and in accordance with the article 1, par.3 of Law 3723/2008 (as in force) in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted (note 41).

Athens, 10 March 2015

Nikolaos V. Karamouzis	**Fokion C. Karavias**	**Harris V. Kokologiannis**
I.D. No AB – 336562	I.D. No AI - 677962	I.D. No AK-021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	GENERAL MANAGER GROUP FINANCE & CONTROL (CHIEF FINANCIAL OFFICER)

IV. *Solo Financial Statements for the 2014 Financial Year (Auditor's Report included)*

EUROBANK ERGASIAS S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

8 Othonos Street, Athens 105 57, Greece

www.eurobank.gr, Tel.: (+30) 210 333 7000

Company Registration No: 000223001000

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Independent Auditor's Report

To the Shareholders of "Eurobank Ergasias S.A."

Report on the Financial Statements

We have audited the accompanying financial statements of Eurobank Ergasias S.A. (the "Bank"), which comprise the balance sheet as of 31 December 2014 and the income statement and 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 Bank as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the disclosures made in note 2.1 to 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 and in particular its liquidity. These material uncertainties may cast significant doubt on the Bank's ability to continue as a going concern.

Reference on Other Legal and Regulatory Matters

a) Included in the Board of Directors' Report is the corporate governance statement that contains the information that is required by paragraph 3d of article 43a of Codified Law 2190/1920.

b) We verified the conformity and consistency of the information given in the Board of Directors' report with the accompanying financial statements in accordance with the requirements of articles 43a and 37 of Codified Law 2190/1920.

Athens, 31 March 2015

The Certified Auditor

PricewaterhouseCoopers S.A.
Certified Auditors
268 Kifissias Avenue
152 32 Halandri
SOEL reg. no 113

Despina Marinou
SOEL Reg. No. 17681

Balance Sheet

	Note	31 December 2014 € million	31 December 2013 € million
ASSETS			
Cash and balances with central banks	16	**801**	651
Loans and advances to banks	18	**5,892**	8,098
Financial instruments at fair value through profit or loss	19	**73**	62
Derivative financial instruments	20	**2,121**	1,260
Loans and advances to customers	21	**35,076**	37,468
Investment securities	23	**14,959**	15,008
Shares in subsidiary undertakings	24	**2,570**	2,907
Property, plant and equipment	25	**282**	314
Investment property	26	**64**	57
Intangible assets	27	**60**	71
Deferred tax assets	14	**3,871**	3,024
Other assets	28	**1,725**	1,749
Total assets		**67,494**	70,669
LIABILITIES			
Due to central banks	29	**12,610**	16,887
Due to other banks	30	**13,408**	12,196
Derivative financial instruments	20	**2,470**	1,554
Due to customers	31	**31,985**	33,952
Debt issued and other borrowed funds	32	**1,287**	1,461
Other liabilities	33	**477**	617
Total liabilities		**62,237**	66,667
EQUITY			
Ordinary share capital	35	**4,412**	1,641
Share premium	35	**6,682**	6,669
Reserves and retained earnings		**(7,185)**	(5,656)
Preference shares	36	**950**	950
Total equity attributable to shareholders of the Bank		**4,859**	3,604
Hybrid Capital	37	**398**	398
Total equity		**5,257**	4,002
Total equity and liabilities		**67,494**	70,669

Notes on pages 8 to 102 form an integral part of these financial statements

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Income Statement

	Note	Year ended 31 December 2014 € million	2013 € million
Interest income	8	**2,292**	2,119
Interest expense	8	**(1,293)**	(1,396)
Net interest income		**999**	723
Banking fee and commission income		**198**	215
Banking fee and commission expense		**(124)**	(130)
Net banking fee and commission income		**74**	85
Income from non banking services		**6**	7
Dividend income		**60**	3
Net trading income	9	**(15)**	(1)
Gains less losses from investment securities	9	**33**	18
Net other operating income		**3**	(39)
Operating income		**1,160**	796
Operating expenses	10	**(699)**	(674)
Profit from operations before impairments and non recurring income/(expenses)		**461**	122
Impairment losses on loans and advances	22	**(1,901)**	(1,587)
Impairment losses on shares in subsidiary undertakings and joint ventures	24,28	**(604)**	(196)
Other impairment losses	12	**(134)**	1
Restructuring costs and other non recurring income/(expenses)	12	**75**	(256)
Profit/(loss) before tax		**(2,103)**	(1,916)
Income tax	13	**527**	463
Non recurring tax adjustments	13	**244**	445
Net Profit/(loss) from continuing operations		**(1,332)**	(1,008)
Net Profit/(loss) from discontinued operations	15	**(51)**	1
Net profit/(loss) attributable to shareholders		**(1,383)**	(1,007)

The income statement for the year ended 31 December 2014 includes the results of New TT Hellenic Postbank and New Proton Bank, which are incorporated in the Bank's financial statements from 1 September 2013, prospectively

Notes on pages 8 to 102 form an integral part of these financial statements

Statement of Comprehensive Income

	Year ended 31 December			
		2014		2013
		€ million		€ million
Net Profit/(loss)		**(1,383)**		(1,007)
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Cash flow hedges				
- net changes in fair value, net of tax	**(32)**		21	
- transfer to net profit, net of tax	**18**	**(14)**	52	73
Available for sale securities				
- net changes in fair value, net of tax	**(113)**		26	
- transfer to net profit, net of tax (note 23)	**(17)**	**(130)**	(7)	19
		(144)		92
Items that will not be reclassified to profit or loss:				
- Actuarial gains/(losses) on post employment benefit obligations, net of tax		**(6)**		(4)
Other comprehensive income		**(150)**		88
Total comprehensive income attributable to shareholders:				
- from continuing operations	**(1,482)**		(920)	
- from discontinued operations	**(51)**	**(1,533)**	1	(919)

Notes on pages 8 to 102 form an integral part of these financial statements

Statement of Changes in Equity

	Total equity attributable to shareholders of the Bank						
	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Hybrid Capital € million	Total € million
Balance at 1 January 2013	1,228	1,448	990	(6,601)	950	688	(1,297)
Net Profit/(loss)	-	-	-	(1,007)	-		(1,007)
Other comprehensive income	-	-	88		-	-	88
Total comprehensive income for the year ended 31 December 2013	-	-	88	(1,007)	-	-	(919)
Share capital decrease by reducing the ordinary shares' par value	(1,211)	-	1,211	-	-	-	-
Share capital increase following recapitalisation, net of expenses	1,136	4,537	-	-	-	-	5,673
Share capital increase following LME, net of expenses	62	254	-	-	-	-	316
Share capital increase following acquisition of NHPB, net of expenses	426	430	-	-	-	-	856
Acquisition of NHPB group and NPB	-	-	912	(1,174)	-	-	(262)
(Purchase)/sale of hybrid capital, net of tax	-	-	-	(17)	-	(290)	(307)
Hybrid capital's dividend paid, net of tax	-	-	-	(16)	-	-	(16)
Share-based payment:							-
- Value of employee services	-	-	(8)	-	-	-	(8)
Deferred tax release on losses from sale of treasury shares	-	-	-	(34)	-	-	(34)
Transfers between reserves	-	-	264	(264)			-
	413	5,221	2,379	(1,505)	-	(290)	6,218
Balance at 31 December 2013	1,641	6,669	3,457	(9,113)	950	398	4,002
Balance at 1 January 2014	**1,641**	**6,669**	**3,457**	**(9,113)**	**950**	**398**	**4,002**
Net Profit/(loss)	-	-	-	(1,383)	-	-	**(1,383)**
Other comprehensive income	-	-	(150)	-	-	-	**(150)**
Total comprehensive income for the year ended 31 December 2014	**-**	**-**	**(150)**	**(1,383)**	**-**	**-**	**(1,533)**
Share capital increase, net of expenses	2,771	13	-	(6)	-	-	**2,778**
Deferred Tax on treasury shares and Hybrid capital	-	-	-	11	-	-	**11**
Share-based payment:							
- Value of employee services	-	-	(1)	-	-	-	**(1)**
Transfers between reserves	-	-	(234)	234	-	-	
	2,771	**13**	**(235)**	**239**	**-**	**-**	**2,788**
Balance at 31 December 2014	**4,412**	**6,682**	**3,072**	**(10,257)**	**950**	**398**	**5,257**
	Note 35	Note 35	Note 39		Note 36	Note 37	

Notes on pages 8 to 102 form an integral part of these financial statements

Cash flow Statement

	Note	Year ended 31 December 2014 € million	2013 € million
Cash flows from operating activities			
Profit/(loss) before income tax		**(2,103)**	(1,916)
Adjustments for :			
Impairment losses on loans and advances		**1,901**	1,587
Other impairment losses and provisions		**607**	308
Depreciation and amortisation		**53**	48
Other (income)/losses on investment securities	17	**(106)**	(37)
(Income)/losses on debt issued		**11**	5
(Gain)/loss on sale of subsidiary undertakings, associates and joint ventures		**38**	26
Dividends from subsidiaries, associates and joint ventures		**(59)**	
Other adjustments		**1**	(8)
		343	13
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**(48)**	212
Net (increase)/decrease in financial instruments at fair value through profit or loss		**(11)**	28
Net (increase)/decrease in loans and advances to banks		**1,708**	5,192
Net (increase)/decrease in loans and advances to customers		**661**	1,582
Net (increase)/decrease in derivative financial instruments		**(38)**	(242)
Net (increase)/decrease in other assets		**28**	(195)
Net increase/(decrease) in due to banks		**(3,065)**	(6,571)
Net increase/(decrease) in due to customers		**(1,968)**	(738)
Net increase/(decrease) in other liabilities		**(106)**	33
		(2,839)	(699)
Net cash from/(used in) operating activities		**(2,496)**	(686)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(31)**	(22)
Proceeds from sale of property, plant and equipment and intangible assets		**6**	0
(Purchases)/sales and redemptions of investment securities		**(144)**	853
Acquisition of subsidiaries, associated undertakings, joint ventures and participations in capital increases		**(407)**	(82)
Disposal of holdings in subsidiaries		**140**	-
Merger with NHPB and NPB		**-**	165
Dividends from investment securities, subsidiaries, associated undertakings and joint ventures		**60**	3
Net cash from/(used in) investing activities		**(376)**	917
Cash flows from financing activities			
(Repayments)/proceeds from debt issued and other borrowed funds		**(183)**	(333)
Proceeds from share capital increase		**2,864**	316
Expenses paid for share capital increases		**(115)**	(74)
Purchase of preferred securities		**-**	(298)
Preferred securities' dividend paid		**-**	(22)
Net cash from/(used in) financing activities		**2,566**	(411)
Net increase/(decrease) in cash and cash equivalents		**(306)**	(180)
Cash and cash equivalents at beginning of year	17	**1,218**	1,398
Cash and cash equivalents at end of year	17	**912**	1,218

Notes on pages 8 to 102 form an integral part of these financial statements

1. General information

Eurobank Ergasias S.A. (the "Bank") is active in retail, corporate and private banking, asset management, treasury, capital markets and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Bank operates mainly in Greece and through its subsidiaries in Central, Eastern and Southeastern Europe.

These financial statements were approved by the Board of Directors on 10 March 2015

2. Principal accounting policies

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

2.1 Basis of preparation

The financial statements of the Bank 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 or issued and early adopted as at the time of preparing these statements.

Going concern considerations

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

Macroeconomic environment

- Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a programme agreed with the EU, the European Central Bank (ECB) and the International Monetary Fund (IMF) ("the Institutions"). This had led to primary fiscal surpluses in 2013 and 2014, but also to reform fatigue and social unrest. Following the recent parliamentary elections of 25 January, the new government negotiated a four-month extension of the Master Financial Assistance Facility Agreement (MFFA), the purpose of which is the successful completion of the review on the basis of the conditions in the current arrangement, making best use of the given flexibility which will be considered jointly with the Greek authorities and the Institutions. This extension would also serve to bridge the time for discussions on a possible follow-up arrangement between the Euro Group, the Institutions and Greece. On 23 February, the Greek government presented to the Institutions, a first list of reform measures to be further specified and agreed by the end of April 2015. Greece's access to the last instalment of the previous arrangement and/or to further Eurozone funding is conditional, inter alia, to the Institutions approving the conclusion of the review of the extended arrangement. Until such review is satisfactorily completed, any securities issued or guaranteed by the Hellenic Republic are deemed not eligible for ECB MRO (Main Refinancing Operations) funding. These conditions create material uncertainties on the Greek macroeconomic environment, with potentially significant adverse effects on the liquidity and solvency of the Greek banking sector.

Liquidity risk

- Liquidity, of the whole Greek banking sector, was negatively affected in the beginning of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of ECB to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by Hellenic Republic (i.e. Greek Government bonds and Pillar 2 & 3 of the Law 3723/2009). As a result Greek banks reverted to the fallback funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs. In this context, the Greek banking system and the Bank specifically, still maintain ample liquidity buffers to correspond to persevering adverse liquidity conditions and the Eurosystem has demonstrated its commitment to support Greek banks as long as Greece remains within the EU support program.
- The initial Agreement reached between Greece and its European partners at the Euro Group meeting held on 20 February 2015, as well as the letter of the Minister of Finance to the President of Euro Group, dated 23 February 2015, are positive steps for lifting uncertainties and is acting positively towards the improvement of the Greek banking sector liquidity.

- Specifically for the banking sector, it is re-affirmed that HFSF buffer funds continue to be available for the duration of MFFA extension and can only be used for bank recapitalization needs. In addition, Greek authorities expressed their strong commitment to a deeper structural reform process, ensuring stability and resilience of the financial sector.

Solvency risk

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

  (a) The further recapitalization of the Group with the successful completion, in April 2014, of a Share Capital Increase amounting to € 2,864 million (see note 6), which enhanced CET 1 ratio by 770 basis points.

  (b) The ECB Comprehensive Assessment results, as published in October 2014, which reaffirmed the solid capital position of the Group (see note 6), stating the lack of any capital shortfall, in both the base and the adverse scenarios.

  (c) The CET 1 ratio of the Group which, as of 31 December 2014 stood at 16.2% (15.2% pro forma with the regulatory treatment of deferred tax assets as deferred tax credits), comfortably above the minimum required in the "Prudential Requirements for Eurobank Ergasias S.A.", as notified to the Bank in the form of draft decision of ECB on 18 December 2014.
- Notwithstanding the economic and fiscal uncertainties described above, the new Greek government has re-affirmed its devotion to the implementation of necessary structural reforms and on Fiscal Budgets' primary surpluses. As a result, despite the possible short-term deceleration in asset quality and funding cost improvements and in loan growth, the macro-economic recovery trajectory and the return to profitability in the medium term, still constitute the base scenario for the Greek economy and the Group respectively.

Going concern assessment

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

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

New and amended standards adopted by the Bank

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

IAS 27, Amendment - Separate Financial Statements

The amendment is issued concurrently with IFRS 10 'Consolidated Financial Statements' and together they supersede IAS 27 'Consolidated and Separate Financial Statements'. The amendment prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

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

IAS 28, Amendment - Investments in Associates and Joint Ventures

The amendment replaces IAS 28 'Investments in Associates'. The objective of the amendment is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures following the publication of IFRS 11. An exemption from applying the equity method is provided, when the investment in associate or joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment –linked insurance funds. In this case, investments in those associates and joint ventures may be measured at fair value through profit or loss.

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

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities

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

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

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets

The amendment restricts the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed.

It also includes detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period.

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

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting

The amendment provides relief from discontinuing hedge accounting when, as a result of laws and regulations, a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty and specific criteria are met.

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

IFRS 10, Consolidated Financial Statements

IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC 12 'Consolidation-Special Purpose Entities'. Under IFRS 10, there is a new definition of control, providing a single basis for consolidation for all entities. This basis is built on the concept of power over the investee, variability of returns from the involvement with the investee and their linkage, replacing thus focus on legal control or exposure to risks and rewards, depending on the nature of the entity.

The adoption of IFRS 10 had no impact on the Bank's financial statements.

IFRS 11, Joint Arrangements

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities- Non – monetary Contributions by Ventures' and establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.

Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their classification is based on the parties' rights and obligations arising from the arrangement, rather than its legal form.

The equity method of accounting is now mandatory for joint ventures. The option to use the proportionate consolidation method to account for joint ventures, is no longer allowed. In joint operations, each party that has joint control of the arrangement recognizes in its financial statements, in relation to its involvement in the joint operation, its assets, liabilities and transactions, including its share in those arising jointly.

The adoption of IFRS 11 had no impact on the Bank's financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 specifies the disclosures required in annual financial statements to enable users of financial statements to evaluate the nature of and risks associated with the reporting entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Standard is not applicable to separate financial statements to which IAS 27 'Separate Financial Statements' apply, except when an entity, which prepares separate financial statements as its only financial statements, has interests in unconsolidated structured entities. In this case, the entity shall include the IFRS 12 disclosure requirements concerning unconsolidated structured entities in these financial statements.

The adoption of IFRS 12 had no impact on the Bank's financial statements.

IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, 11 and 12, requiring adjusted comparative information to be limited only to the preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied, is removed.

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

IFRS 10, 12 and IAS 27 Amendments - Investment Entities

The amendments require that 'investment entities', as defined below, account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. Under the amendments an 'Investment entity' is an entity that:

(a) obtains funds from one or more investors for the purpose of providing those investors with investment management services;

(b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

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

New standards and interpretations not yet adopted by the Bank

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

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

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

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

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016, not yet endorsed by EU)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

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

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.

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

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016, not yet endorsed by EU)

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method.

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

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

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

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

Classification and measurement

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

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

Impairment of financial assets

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

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

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

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

Hedge accounting

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

The Bank 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.

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

The adoption of the amendments will have no impact on the Bank's financial statements.

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by the IASB, not yet endorsed by EU)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary. In January 2015, the IASB tentatively decided to include necessary changes to IFRS 10 and IAS 28 within a forthcoming Exposure Draft and accordingly postponed the effective date of the amendments (previously 1 January 2016).

The adoption of the amendments will have no impact on the Bank's financial statements.

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016, not yet endorsed by EU)

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

The adoption of the amendment will have no impact on the Bank's financial statements.

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2017, not yet endorsed by EU)

IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognize, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition

The Bank is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Bank's 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 Bank's financial statements.

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

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

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

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

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

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

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

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

IFRIC 21, Levies (effective 1 January 2015)

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

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

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

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 Bank's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro has been rounded to the nearest million.

2.2 Investments in subsidiaries, associated undertakings and joint ventures

Investments in subsidiaries, associated undertakings and joint ventures, including investments acquired through common control transactions, are accounted at cost less any impairment losses. Cost is the fair value of the consideration given being the amount of cash or shares issued, or if that cannot be determined reliably, the consideration received together with any directly attributable costs.

As an exception to the above measurement basis, when the Bank transfers an existing Group entity to a newly formed subsidiary in a share for share exchange that does not have commercial substance, the Bank's investment in that newly formed subsidiary is recognised at the carrying amount of the transferred entity.

Legal mergers that involve the combination of the Bank with one or more of its subsidiaries are accounted in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" with reference to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework and comply with the IFRS general principles.

In such transactions, the Bank incorporates the acquired assets and liabilities of the merged subsidiary at their carrying amounts in the consolidated financial statements as of the date of the legal merger without any fair value adjustments. Any difference between the carrying amount of the investment in the merged subsidiary before the legal merger, and the carrying amount of net assets acquired is recognised in the Bank's equity.

A listing of Bank's associated undertakings and joint ventures is set out in note 28.

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 recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedge.

Non-monetary assets and liabilities have been translated into the functional currency at the exchange rates ruling at initial recognition, except for non-monetary items denominated in foreign currencies that are stated at fair value which have been translated using the rate of exchange at the date the fair value was determined. The exchange differences relating to these items are treated as part of the change in fair value and they are recognised in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

2.4 Derivative financial instruments and hedging

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps, and other derivative financial instruments, are initially recognised in the balance sheet at fair value on the date on which a derivative contract is entered into and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 2.11 and 7.3. Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as: (a) hedges of the exposure to changes in fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge); (b) hedges of the exposure to variability in cash flows of recognised assets or liabilities or highly probable forecasted transactions (cash flow hedge). Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 20.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Bank 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.

2.6 Income statement

(i) Interest income and expenses

Interest income and expenses are recognised in the income statement 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 Bank 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.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commissions

Fees and commissions are generally recognised on an accruals basis. Commissions and fees relating to foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised on the completion of the underlying transaction.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is recognised in the asset's carrying amount only when it is probable that future economic benefits will flow to the Bank and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognised in income statement as expenses as occurred.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment, to their residual values over their estimated useful life as follows:

- Land: No depreciation
- Freehold buildings: 40-50 years

- Leasehold improvements: over the lease term or the useful life of the asset if shorter
- Computer hardware and software: 4-10 years
- Other furniture and equipment: 4-20 years
- Motor vehicles: 5-7 years

Property, plant and equipment are periodically reviewed for impairment, with any impairment charge being recognised immediately in the income statement.

Property held for rental yields and/or capital appreciation that is not occupied by the Bank is classified as investment property. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses, therefore, the policy described above applies also to this category of assets.

2.8 Intangible assets

(i) Computer software

Costs associated with the maintenance of existing computer software programs are expensed as incurred. Development costs associated with the production of identifiable and unique products controlled by the Bank, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and are amortised using the straight-line method over 4 years, except for core systems whose useful life may extend up to 10 years.

(ii) Other intangible assets

Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortised over their estimated useful lives. These include intangible assets acquired in business combinations.

(iii) Impairment of non-financial assets

Intangible assets that have an indefinite useful life other than goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Bank classifies its financial assets in the following IAS 39 categories: financial assets at fair-value-through-profit-or-loss, loans and receivables, held-to-maturity investments, 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: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

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

(a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
(b) financial assets share the same risks with financial liabilities 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.

(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 Bank upon initial recognition designates as at fair-value-through-profit-or-loss and those that the Bank upon initial recognition designates as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) 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 recognised on trade date, which is the date the Bank commits to purchase or sell the asset. Loans originated by the Bank are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair-value-through-profit-or-loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments 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 income statement 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 income statement.

Dividends on equity instruments are recognised in the income statement when the entity's right to receive payment is established.

2.10 Financial liabilities

The Bank classifies its financial liabilities in the following categories: financial liabilities measured at amortised 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 Bank designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:

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

De-recognition of financial liabilities

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

The Bank 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 Bank repurchases its own debt instruments, it accounts for such transactions as an extinguishment of debt.

2.11 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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank 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 Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Bank 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 Bank 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 income statement. 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 7.3).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank recognises transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected.

2.12 Impairment of financial assets

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

Impairment indicators

For the Bank’s retail loan exposures, objective evidence that a loan or group of loans is impaired refers to observable data that comes to the attention of the Bank about the following loss events:

(a) significant financial difficulty of the borrower, a significant reduction of personal and/or family income or loss of job;
(b) a default or breach of contract;
(c) significant changes in the financial performance and behavior of the borrower (for example, a number of delayed contractual payments);
(d) measurable decrease in the estimated future cash flows of a group of loans through a negative payment pattern such as missed payments or a decrease in property prices;

(e) the Bank 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, such as a reduction of the borrower's monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
(f) it is becoming probable that the borrower will enter into bankruptcy status or other financial reorganisation; and
(g) loss events that could affect the ability of the borrower to repay contractual obligations within the agreed time, such as:

- serious illness or disability of the obligor or a family member;

- death of the borrower.

For all other financial assets including wholesale loan exposures, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence of impairment using the following criteria:

(a) significant financial difficulty of the issuer or borrower;
(b) a default of 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 loan covenants or other terms, or a partial write-off of the borrower's obligations due to economic or legal reasons relating to his financial status;
(e) significant changes in the value of the collateral supporting the obligation;
(f) the Bank 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, such as a reduction of the obligors monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;

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

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

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

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

(i) Assets carried at amortised cost

Impairment assessment

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If there is no objective evidence of impairment for a financial asset, the Bank includes it in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Impairment losses recognized for financial assets for which no objective evidence of impairment exists (incurred but not reported loss – IBNR), represent an interim step pending to the identification of impairment losses of individual assets in the group. As soon as information is available that specifically identifies losses on individually impaired assets in the group, those assets are removed from it.

Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

In determining whether a loan is individually significant for the purposes of assessing impairment, the Bank considers a number of factors, including the importance of the individual loan relationship and how it is managed, the size of the loan, and the product line. Consequently, loans to wholesale customers and financial institutions, as well as investment securities are generally considered as individually significant. Retail lending portfolios are generally assessed for impairment on a collective basis as they consist of large homogenous portfolios; exposures that are managed on an individual basis are assessed individually for impairment.

The Bank assesses at each reporting date whether there is objective evidence of impairment.

Impairment measurement

If there is objective evidence that an impairment loss on a financial asset 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. If a financial asset has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account for loans and advances or directly for all other financial assets, and the amount of the loss is recognised in the income statement. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For collective impairment purposes, the financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows of a group of financial assets that are collectively assessed for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Estimates of changes in the future cash flows for a group of financial assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). Historical loss experience is adjusted on the basis of current observable data to reflect the effects of conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating the future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Reversals of impairment

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

Write-off of loans and advances

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

The timing of write-off is mainly dependent on whether there are any underlying collaterals, their foreclosure processes, as well as the Bank's estimate of the amount collectible. Especially for collateralized exposures, the timing of write-off is mainly dependent on local jurisdictions and consequently maybe delayed due to various legal impediments. The number of days past due is considered by the Bank as an indicator, however it is not regarded as a determining factor.

Unpaid debt continues to be subject to enforcement activity even after it is written-off, except for limited cases where debt is forgiven by the Bank as an expression of its social responsibility.

Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses for loans and advances in the income statement.

Loan modifications

Modifications of loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors, as well as potential deterioration of the borrower's financial condition. Forbearance occurs in the cases where the contractual payment terms of a loan have been modified due to the deterioration of the borrower's financial position where the Bank has granted a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties. Other renegotiations, more of a business nature are not considered as forbearance measures.

Forbearance measures usually do not lead to de-recognition unless changes to the original contractual terms result in a substantially different loan. Modifications that may not result in de-recognition include:

- reduced or interest-only payments;
- payment holidays, grace period;
- extended payment periods under which the original term of the loan is extended;
- capitalization of arrears whereby arrears are added to the principal balance; and
- reduction in interest rates.

If the assessment of the forborne loan's modified terms do not result in de-recognition, the loan is assessed for impairment as the forbearance measures represent a concession that the Bank would not otherwise consider. The impairment loss is measured in accordance with the Bank's impairment policy for forborne loans (note 7.2.1.2 (d)).

De-recognition of financial assets

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

Furthermore, when a financial asset is modified, the Bank determines whether the modified asset should be derecognized and a new asset recognized, considering the extent of the changes to the original contractual terms. Modifications that may result in de-recognition include:

- when an uncollateralized loan becomes fully collateralized;
- debt consolidations, whereby existing loan balances of the borrower are combined in a single loan;
- the removal or addition of conversion features to the loan agreement;
- a change in currency of principal and/or interest denomination;
- a change in the ranking of the instrument; and
- any other changes that cause the terms under the new contract to be considered substantially different from the original loan's terms.

When the terms of the new contract are assessed to be substantially different from those under the original contract, the initial asset is derecognized and a new loan is recognized at fair value. Any difference between the carrying amount of the derecognized asset and the fair value of the new loan is recognized in the Bank's income statement.

The Bank may occasionally enter into debt-for-equity transactions. Similarly, the modified loan is derecognized while the equity instruments received in exchange are recognized at their fair value, with any resulting gain or loss recognized in the Bank's income statement.

(ii) Available-for-sale assets

In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also 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 recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2.13 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements ("repos") continue to be recorded in the Bank's Balance Sheet while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method.

(ii) Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.14 Leases

(i) Accounting for leases as lessee

Finance leases:

Leases of property, plant and equipment where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases:

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Accounting for leases as lessor

Finance leases:

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases:

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2.15 Income tax

(i) Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction is recognised as an expense in the period in which profits arise.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from impairment of financial assets, depreciation of fixed assets, pension and other retirement benefit obligations, and revaluation of certain financial assets and liabilities, including derivative instruments.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax related to changes in fair values of available-for-sale investments and cash flow hedges which are recognised to other comprehensive income is also recognised to other comprehensive income, and is subsequently recognised in the income statement together with the deferred gain or loss.

The deferred tax asset on income tax losses carried forward is recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

(iii) Uncertain tax positions

The Greek sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, are required to obtain an 'Annual Tax Certificate' following a tax audit by the same statutory auditor or audit firm that audits the annual financial statements (see note 13).

The Bank determines and assesses all material tax positions taken, including all, if any, significant uncertain positions, in all tax years that are still subject to assessment (or when the litigation is in progress) by relevant tax authorities.

In evaluating tax positions in various jurisdictions, the Bank examines all supporting evidence (Ministry of Finance circulars, individual rulings, case law, past administrative practices, ad hoc tax/legal opinions etc.) to the extent they are applicable to the facts and circumstances of the particular case/ transaction.

In addition, judgments concerning the recognition of a provision against the possibility of losing some of the tax positions are highly dependent on advice received from internal/ external legal counselors. For uncertain tax positions with a high level of uncertainty, the Bank recognizes, on a transaction by transaction basis using an expected value (probability-weighted average) a) a provision against tax receivable which has been booked for the amount of income tax already paid but further pursued in courts or b) a liability for the amount which is expected to be paid to the tax authorities.

2.16 Employee benefits

(i) Pension obligations

The Bank provides a number of defined contribution pension plans where annual contributions are invested and allocated to specific asset categories. Eligible employees are entitled to the overall performance of the investment. The Bank's contributions are recognised as employee benefit expense in the year in which they are paid.

(ii) Standard legal staff retirement indemnity obligations (SLSRI) and termination benefits

The Bank operates unfunded defined benefit plans in Greece under the regulatory framework. In accordance with the local labor legislation, the Bank provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Bank until normal retirement age. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of high rated European corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds at the end of the reporting period are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains and losses that arise in calculating the Bank's obligation in respect of the SLSRI obligations are recognised directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

Past service costs and interest expense are recognised immediately in the income statement. In calculating the standard legal staff retirement obligation, the Bank also considers potential separations before normal retirement based on the terms of previous voluntary separation schemes.

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the Bank recognises costs for a restructuring and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) Performance-based cash payments

The Bank's Management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are recognised as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognised as employee benefit expense in the accounting period that they are approved by the Bank's shareholders.

(iv) Performance-based share-based payments

The Bank's Management awards employees with bonuses in the form of shares and share options on a discretionary basis. Non-performance related shares vest in the period granted. Share based payments that are contingent upon the achievement of a performance and service condition, vest only if both conditions are satisfied.

The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

The fair value of the options granted is recognised as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

2.17 Repossessed properties

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in "Other Assets". Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realisable value. Any gains or losses on liquidation are included in "Other operating income".

2.18 Related party transactions

Related parties of the Bank include:

(a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;

(b) members of key management personnel of the Bank, their close family members and entities controlled or jointly controlled by the above mentioned persons;
(c) associates; and
(d) fellow subsidiaries

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

2.19 Provisions

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account risks and uncertainties surrounding the amount to be recognised as a provision.

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

2.20 Share capital

Ordinary shares and preference 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 recognised as a deduction in the Bank's equity when approved by the Bank's shareholders. Interim dividends are recognised as a deduction in the Bank's equity when approved by the Board of Directors.

Where the Bank purchases own shares (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.21 Hybrid Capital

Hybrid capital issued by the Bank, through its special purpose entity, is classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset. Incremental costs directly attributable to the issue of new hybrid capital are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on hybrid capital is recognised as a deduction in the Bank's equity on the date it is due.

Where hybrid capital, issued by the Bank, is repurchased, the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity. Where such securities are subsequently called or sold, any consideration received is included in shareholders' equity.

2.22 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the income statement.

2.23 Securitizations

The Bank securitizes financial assets, which generally results in the sale of the assets to special purpose entities, which, in turn issue debt securities to investors and in some instances to Bank's subsidiaries. These securitizations are all consolidated by the Bank as it is exposed to the majority of risks and rewards of ownership in the special purpose entities.

2.24 Non – current assets classified as held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For a non- current asset to be classified as held for sale, it is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets, and the sale is considered to be highly probable. In such cases, management is committed to the sale and actively markets the property for sale at a price that is reasonable in relation to the current fair value. The sale is also expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The Bank presents discontinued operations in a separate line in the income statement if an operation has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations; or

(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Profit or loss from discontinued operations includes the profit or loss before tax from discontinued operations, the gain or loss on disposal before tax or measurement to fair value less costs to sell and discontinued operations tax expense. Upon classification of a Bank entity as a discontinued operation, the Bank restates prior periods in the income statement.

2.25 Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than those that meet the definition of loans and receivables may be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables, out of the held-for-trading or available-for-sale categories, if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2.26 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank drafts.

2.27 Fiduciary activities

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Bank making allocation, purchase and sale decisions in relation to a wide range of financial instruments. The Bank receives fee income for providing these services. Those assets that are held in a fiduciary capacity are not assets of the Bank and are not recognized in the financial statements. In addition, the Bank does not guarantee these investments and as a result it is not exposed to any credit risk in relation to them.

3. Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Bank’s accounting policies, the Bank’s Management makes 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 are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess whether there is objective evidence of impairment on an ongoing basis. This assessment is performed individually for loans and advances that are individually significant and collectively for loans and advances that are not individually significant. Management is required to exercise judgment in making assumptions and estimates when calculating the present value of the cash flows expected to be received on both, individually and collectively assessed loans and advances.

Individual impairment assessment

For loans assessed on an individual basis, mainly the Bank’s wholesale lending portfolio, management uses its best estimate to determine the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the borrower’s financial position and the net realizable value of any underlying collaterals. Expected recoveries from real estate collaterals may be affected from the decreasing trend in the properties’ market value. A 10% decline in the estimated recovery rates used for the measurement of the impairment allowance of the Bank’s wholesale lending portfolio, would give rise to an additional impairment loss in 2014 of approximately € 65 million.

Each individually assessed loan for impairment is assessed on a case-by-case basis (by cooperation between Credit Risk Management function and the business units) and subsequently it is independently approved by the Credit Risk Management function.

Collective impairment assessment

Collective impairment allowance is established for (a) groups of non-impaired or impaired retail homogenous loans that are not considered individually significant and (b) groups of corporate or retail loans that are individually significant but that were not found to be individually impaired.

In determining whether an impairment loss should be recorded in the income statement, management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a loan portfolio before the decrease can be identified on an individual loan basis in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

In assessing the need for collective impairment, management considers factors such as credit quality, portfolio size, concentrations and economic factors. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics to those in the loan portfolio under assessment when scheduling its future cash flows. Management applies significant judgment to assess whether current economic and credit conditions are such that the actual level of impairment loss is likely to be greater or lower than that suggested by historical experience.

In normal circumstances, historical experience provides objective and relevant information in order to assess the loss within each portfolio. In other circumstances, historical loss experience provides less relevant information, for example when recent trends in risk factors are not fully reflected in the historical information. Where changes in economic, regulatory and behavioral conditions result in most recent trends in portfolio risk factors not being fully reflected in the impairment calculation model used, the Bank adjusts the impairment allowance derived from historical loss experience accordingly.

The estimation of impairment loss is subject to uncertainty, which has increased in the current economic environment, and is sensitive to factors such as the level of economic activity, bankruptcy rates, geographical concentrations, changes in laws and regulations, property prices and level of interest rates.

For the Bank’s mortgage portfolios, recovery rates are calculated based on management’s best estimate regarding the net realizable value of residential properties held as collateral as well as the timing foreclosure is expected to occur, which in turn is impacted by the local legal framework. Both the amount and timing of expected cash flows have been affected by the reduction in the level of activity in the real estate market and the changes in the local tax and legal environment such as the temporary suspension of foreclosures in Greece. A 3% decline in the estimated recovery rates used for the measurement of the impairment allowance of the Bank’s mortgage portfolio, would give rise to an additional impairment loss in 2014 of approximately € 106 million (2013: € 65 million).

For the rest of retail portfolios, statistical analysis of historical losses experience is the primary tool used in order to determine future customer behavior and payment patterns. Due to the stressed macroeconomic environment during the last years, depending on the portfolio under examination, there is a level of uncertainty in terms of the level of future cash flows as well as the time that these cash flows will come. With regards to unsecured consumer and small business exposures, management exercises judgment to determine the applicable recovery rates which are affected by the existing economic conditions. A 5% decrease in the estimated recovery rates used for the measurement of the impairment allowance of the Bank’s unsecured consumer portfolio would give rise to an additional impairment loss in 2014 of approximately € 40 million (2013: € 30 million), while the same decrease in the small business lending portfolio’s recovery rates would give rise to an additional impairment loss of approximately € 39 million (2013: € 35 million).

3.2 Fair value of financial instruments

The fair value 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 mainly to value over-the-counter derivatives and securities measured at fair value.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel 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 own and counterparty), volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available. However, in most cases there will be some historical data on which to base a fair value measurement and consequently even when unobservable inputs are used, fair values will use some market observable inputs.

Valuation techniques used to calculate fair values are discussed in note 7.3.

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.

3.3 Impairment of available-for-sale equity investments

For available-for-sale investments, a significant or prolonged decline in the fair value of equity investments below their cost, is an objective evidence of impairment. In order to determine what is significant or prolonged, the Bank's management exercises judgment. In assessing what is significant, the decline in the fair value is compared against the cost price, whereas a decline in the fair value is considered to be prolonged based on the period in which the quoted market price has been below its cost price. In this respect, the Bank regards a decline to be "significant" when the fair value is below the cost for more than 30% to 40% depending on the equity index, and a period of twelve months decline to be "prolonged". The Bank also evaluates among other factors, the historic volatility in the share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash-flows.

3.4 Income taxes

The Bank is subject to income taxes in various jurisdictions and estimates are required in determining the provision for income taxes. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In addition, the Bank recognizes deferred tax assets to the extent that it is probable that sufficient taxable profit will be available against which unused tax losses and deductible temporary differences can be utilized. In order to determine the amount of deferred tax assets that can be recognized, significant management judgments are required regarding the likely timing and level of future taxable profits. In making this evaluation, the Bank has considered all available evidence, including historical levels of profitability, management's projections of future taxable income and the tax legislation in each jurisdiction.

The most significant judgment relates to the Bank's assessment on the recoverability of the portion of the deferred tax assets relating to unused tax losses. As at 31 December 2014, amount of € 258 million has been recognised in respect to unused tax losses using the Bank's best estimation and judgment as described above. The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date are described in note 14.

3.5 Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

The key assumptions used in determining the net cost for the pension obligations include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Bank determines the appropriate discount rate that should be used to calculate the present value of the estimated retirement obligations, at the end of each year. In determining the appropriate discount rate the Bank uses interest rates of high rated European corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds at the end of the reporting period are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term to maturity of the retirement benefit obligations. The assumed rate of salary increase is determined by reviewing the Bank's salary increases each year.

Other assumptions for pension obligations, such as the inflation rate, are based in part on current market conditions.

For a sensitivity analysis of the retirement benefit obligation to reasonably possible, at the time of preparation of these financial statements, changes in the above mentioned key actuarial assumptions, refer to note 34.

4. Greek Economy Liquidity Support Program

The Bank participates in the Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008, as amended by Laws 3844/2010, 3845/2010, 3872/2010, 3965/2011, 4021/2011 and 4093/2012 and extended by relevant Ministerial decisions issued on 3 July 2014 and 14 January 2015 respectively, as follows:

(a) First stream - preference shares

345,500,000 non-voting, non-listed, non-transferable, redeemable tax deductible, non-cumulative 10% preference shares, with nominal value of € 950 million, were subscribed to by the Hellenic Republic on 21 May 2009 (note 36).

(b) Second stream - bonds guaranteed by the Hellenic Republic

As at 31 December 2014, the government guaranteed bonds, of face value of € 13,717 million, were retained by the Bank and its subsidiaries, with the exception of face value of € 50 million which were held by third parties. In May 2014, government guaranteed bonds of face value of € 332 million matured. Furthermore, the Bank in December issued new government guaranteed bonds of face value of € 3,877 million and in June, September and October 2014 proceeded with the cancellation of government guaranteed bonds of face value of € 1,910 million, € 550 million and 1,300 million respectively (note 32).

In January 2015, the Bank issued government guaranteed bonds of face value of € 2,736 million which were fully retained by the Bank.

(c) Third stream - lending of Greek Government bonds

Liquidity obtained under this stream must be used to fund mortgages and loans to small and medium-size enterprises. As at 31 December 2014, the Bank had borrowed special Greek Government bonds of face value of € 1,918 million.

Under Law 3723/2008, for the period the Bank participates in the program through the preference shares or the guaranteed bonds (streams (a) and (b) above) the Hellenic Republic is entitled to appoint its representative to the Board of Directors with the right to veto resolutions of strategic character or resolutions which materially alter the legal or financial position of the Bank and require the General Assembly's approval or resolutions related to the dividends' distribution and the remuneration policy concerning the Board members and the General Managers and their deputies, pursuant to a relevant decision of the Minister of Finance or in the event such representative considers that the resolution may jeopardize the interests of the depositors or materially affect the solvency and the orderly operation of the Bank.

In addition, under Law 3756/2009, as amended by Law 3844/2010 and supplemented by Laws 3965/2011, 4063/2012, 4144/2013 and 4261/2014, any distribution of profits to ordinary shareholders of the banks participating in the first stream of the Greek Economy Liquidity Support Program for the financial years 2008 to 2013 could only take place in the form of ordinary shares, other than treasury shares. In addition, under Law 3756/2009, banks participating in the Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

5. Credit exposure to Greek sovereign debt

As at 31 December 2014, the total carrying value of Greek sovereign major exposures amounted to € 5,251 million (31 December 2013: € 5,878 million). This includes a) Treasury Bills of € 2,003 million (31 December 2013: € 2,574 million), b) GGBs of € 1,518 million (31 December 2013: € 868 million), c) derivatives with the Greek State of € 1,102 million (31 December 2013: € 634 million), d) exposure of € 204 million relating with Greek Sovereign risk financial guarantee (31 December 2013: € 195 million), e) loans guaranteed by the Greek State of € 198 million (31 December 2013: € 238 million), f) loans to Greek local authorities and public organizations of € 99 million (31 December 2013: € 132 million), g) other receivables of € 20 million (31 December 2013: € 40 million) and h) reverse repo agreements of € 107 million. The GGBs issued for the Greek State's subscription to the Preference Shares, under Law 3723/2008 “Greek Economy Liquidity Support Program”, matured in May 2014 (31 December 2013: € 1,197 million).

6. Capital Management

Eurobank's share capital increase

In accordance with the Memorandum of Economic and Financial Policies (MEFP) of the Second Adjustment Program for Greece published in July 2013, the Hellenic Republic undertook to place a substantial part of the equity stake in Eurobank held by Hellenic Financial Stability Fund (HFSF) to a privately owned strategic international investor by end of March 2014. In this context, a number of intermediary milestones were also provided.

The capital needs of the Group were assessed by the Bank of Greece (BoG) based on the credit loss projections from BlackRock’s 2013 diagnostic review and the estimated future ability of internal capital generation for the period June 2013-December 2016, based on a conservative adjustment of the Bank’s restructuring plan submitted in November 2013. For this exercise, BlackRock assessed highly granular data for the banks’ domestic loan portfolios, and also provided an evaluation of the loan books of the major foreign subsidiaries of Greek banks. The methodology used for the capital needs assessment was conservative and the capital needs were estimated using a minimum Core Tier I threshold of 8% for the baseline scenario and 5.5% for the adverse scenario, while the regulatory value of the deferred tax assets was limited to 20% of Core Tier I. On 8 April 2014, the BoG following (a) the assessment of Eurobank’s capital needs amounting to € 2,945 million under the baseline scenario, concluded on 6 March 2014 and (b) the capital enhancement plan submitted by the Bank on 24 March 2014, whereby the Bank: (i) revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and proposed to adjust the restructuring plan accordingly and (ii) stated that it intends to cover the remaining capital needs through a share capital increase, notified the Bank that its Core Tier I capital should increase by € 2,864 million.

On 30 March 2014, the Greek Parliament under the Law 4254/2014 that amended Law 3864/2010, reformed the framework for the recapitalization of credit institutions operating in Greece. The most significant amendments made pursuant to Law 4254/2014 are set out below:

(a) The disposal of shares held by the HFSF may be conducted by selling shares of the credit institutions to the public or specific investors or group of investors;

(b) The HFSF may reduce its participation in the credit institutions through a share capital increase, by waiving its preemption rights or by selling them;

(c) The HFSF may determine the offer price and the minimum price of the share capital increase based on two valuation reports issued by two independent financial advisors of international standing and experience in similar matters and in particular valuations of credit institutions. The aforementioned specified prices may be lower than the acquisition price by the HFSF or the current market price of the shares;

(d) The HFSF will have restricted voting rights in the Bank’s General Assembly in case the private participation in the first capital increase to take place after the publication of Law 4254/2014 is at least equal to the 50% threshold set by this Law. Under this framework, the HFSF will cast its votes in the General Assembly only for decisions concerning the amendment of the Bank’s Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring increased majority as provided for in the company Law 2190/1920.

Following the assessment of Bank's capital needs by BoG and according to the new recapitalization framework, on 12 April 2014 the Bank's Extraordinary Shareholders' General Meeting approved the increase of the share capital of the Bank up to € 2,864 million through payment in cash or/and contribution in kind, the cancellation of the preemption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new ordinary registered shares, of a nominal value of € 0.30 each.

On 29 April 2014, the Bank announced that both the public offering of new ordinary registered shares to the public in Greece and the private placement of new ordinary registered shares to investors outside Greece were oversubscribed and the offer price set at € 0.31 per offered new ordinary registered share. As a result, the share capital of the Bank increased by € 2,771.6 million and an aggregate of 9,238,709,677 new ordinary registered shares were issued, which have been listed on the main market of the Athens Exchange and their trading commenced on 9 May 2014. The proceeds were used to increase the Tier I Capital according to 8 April 2014 resolution of the BoG. The successful completion of the Bank's capital increase constitutes a step towards further strengthening its capital position and enhances its ability to support the Greek economy.

Capital position

	Pro-forma[(1)] 31 December 2014 € million	31 December 2014 € million	31 December 2013 € million
Total equity attributable to shareholders of the Bank	**4,859**	**4,859**	3,604
Less: Other regulatory adjustments	**(39)**	**(39)**	(129)
Common Equity Tier I capital/Core Tier I capital for 2013	**4,820**	**4,820**	3,475
Add: Hybrid Capital	**318**	**318**	398
Less: Other regulatory adjustments	**(78)**	**(78)**	-
Total Tier I capital	**5,060**	**5,060**	3,873
Tier II capital-subordinated debt	**141**	**141**	290
Other regulatory adjustments	**22**	**22**	13
Total Regulatory Capital	**5,223**	**5,223**	4,176
Risk Weighted Assets	**33,261**	**30,421**	32,315
Ratios:	%	%	%
Common Equity Tier I/Core Tier I for 2013	**14.5**	**15.8**	10.8
Tier I	**15.2**	**16.6**	12.0
Capital Adequacy Ratio	**15.7**	**17.2**	12.9

(1) pro-forma with the regulatory treatment of Deferred Tax Assets (DTAs) as Deferred Tax Credits (DTCs) (note 14).

The Bank has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the European Union and the Bank of Greece in supervising the Bank. As of 1 January 2014 the capital adequacy calculation is based on Basel III (CRDIV) rules. Main differences of the new framework compared to Basel II concern the treatment of deferred tax assets, non-controlling interests and participation in insurance companies.

During the last years the Bank apart from the share capital increase mentioned above, focused on the organic strengthening of its capital position by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans as well as by proceeding to several strategic initiatives to internally generate capital.

Finally, the Bank is examining a number of additional initiatives for enhancing its capital base, associated with the restructuring, transformation or optimisation of operations, in Greece and abroad, that will generate or release further capital and/or reduce Risk Weighted Assets.

Restructuring plan

On 29 April 2014, the European Commission approved the Bank's restructuring plan, as it was submitted through the Greek Ministry of Finance on 16 April 2014. The Hellenic Republic has committed that the Bank will implement in particular specific measures and actions and will achieve objectives which are integral part of said restructuring plan.

Principal commitments to be implemented by the end of 2018 relate to (a) the reduction of the total costs and the net loan to deposit ratio for the Group's Greek activities, (b) the reduction of the Bank's cost of deposits, (c) the reduction of the Group's foreign assets, (d) the decrease of the shareholding in specific non banking subsidiaries, (e) the securities portfolio deleveraging, and (f) restrictions on the capital injection to the Bank's foreign subsidiaries unless the regulatory framework of each relevant jurisdiction requires otherwise, the purchase of non-investment grade securities, the staff remuneration, the credit policy to be adopted and other strategic decisions.

European Central Bank's Comprehensive Assessment

On 26 October 2014, the European Central Bank (ECB) and the European Banking Authority (EBA) announced the results of the Comprehensive Assessment (CA) of the European Union's (EU) systemically important banks, which was conducted in cooperation with National Competent Authorities (NCAs) and the EBA. The CA was undertaken prior to the transfer of full responsibility for banking supervision from national authorities to the ECB in November 2014 under the Single Supervisory Mechanism (SSM).

The CA assessed the resilience of each bank, using a common methodology and applying it consistently across all participating banks. The results have been derived taking into account the combined effect of the following two main pillars:

(a) An Asset Quality Review (AQR) – to enhance the transparency of bank balance sheets, by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions;
(b) A Stress Test (ST) – performed in cooperation with the EBA to examine the resilience of banks' balance sheets to two stress test scenarios: baseline and adverse.

Capital adequacy was assessed over a three-year time period (2014-2016) against a Common Equity Tier I (CET 1) ratio benchmark of 8.0% and 5.5% in the baseline and adverse scenario, respectively. Furthermore, the CA was carried out on both the Static and Dynamic balance sheet assumptions. According to the Static balance sheet assumption, the actual balance sheet as of 31 December 2013 was used as reference, thus not taking into account any subsequent capital action and/or executed capital raising as well as structural operating performance improvement. According to the Dynamic balance sheet assumption, the effect of measures announced and committed in the Restructuring Plan (RP) approved by the European Commission for the 2014-2016 period, have been incorporated. These were then stress-tested under the baseline and adverse scenario.

The CA represents an unprecedented exercise, given the wide, rigorous and detailed review of 130 banks and a key milestone in the harmonization and strengthening of the European financial system. This exercise also contributes to the enhancement of the financial stability of the EU banking system and provides confidence in the resilience of all tested banks. In particular, in the case of Eurobank, under the AQR, 84% of the Bank's total loan portfolio was reviewed. Specifically regarding the Greek corporate portfolio, credit file reviews and collateral valuation on € 9.9 bn loans were performed, representing 64% of the relevant portfolio.

CA results for Eurobank

The following tables summarize the CA results for Eurobank under the Static and Dynamic baseline and adverse scenario, excluding the impact of the new regulatory treatment of the deferred tax assets:

AQR Results

	€ million	Ratio %
2013 CET 1	4,049	10.6
AQR impact	(1,070)	(2.8)
AQR adjusted CET 1	2,979	7.8
AQR adjusted CET 1 post € 2.9 bn share capital increase	**5,843**	**15.3**

CA Results

	Static		Dynamic	
	Baseline	Adverse	Baseline	Adverse
AQR & ST adjusted CET 1, %	2.0	(6.4)	**15.1**	**5.5**
Surplus/(Shortfall), € million	(2,282)	(4,628)	**2,403**	**(18)**
Surplus/(Shortfall) post € 2.9 bn share capital increase, € million	582	(1,764)	**2,403**	**(18)**

Eurobank's assessment of the CA results

Taking into account the € 2.9 bn raised pursuant to the share capital increase completed in May 2014, the results determine that Eurobank meets the capital benchmark set out for the purpose of the AQR, resulting in a CET1 ratio of 15.3% post AQR impact, compared to an 8% benchmark. It is noted that, the capital shortfall under the Static adverse scenario is associated with the 2013 reference point, which was a year in which the Group's operating performance was adversely affected due to systemic and idiosyncratic reasons.

The ECB stated that the Dynamic scenario will be taken into consideration for assessing the Group's capital position and has also stated that Eurobank has "practically no shortfall". As a result, the Group meets the CA benchmarks in both baseline and adverse scenario and no capital shortfall arises from such extensive exercise.

Furthermore, the following factors create a capital buffer of € 1.4 bn, increasing the stressed CET 1 ratio under the Dynamic adverse scenario from 5.5% to 9.5%:

(a) Positive impact of € 315 million deriving from the difference in the 9 months ended 30 September 2014 pre provision income (profit from operations before impairments and non-recurring income/(expenses)) versus the pre provision income assumed in the Dynamic adverse scenario, resulting in an increase in the CET 1 ratio under the Dynamic adverse scenario of 90 basis points;
(b) In addition, the regulatory treatment of the deferred tax asset as per recent legislative action, following the approval of opt-in to the scheme by the Extraordinary General Meeting on7 November 2014, has a positive impact in the Dynamic adverse scenario of € 1.1 bn, or 318 basis points (note 14).

Moreover, the Group has filed for approval the transition of the mortgage portfolio acquired from New Hellenic Postbank (€ 4.9 bn) to the Internal Ratings-Based (IRB) approach, which is expected to further improve its capital position.

The AQR is a prudential exercise using a uniform standardized approach set by the ECB. The impact of € 1,070 million net of tax, as disclosed above, relates mainly to provisions adjustments for loans and advances to customers and was determined according to the ECB methodology. The methodology was specifically developed for the purpose of the CA in order to ensure consistency across banks without introducing greater prescription into the accounting rules outside of the supervisory mechanisms.

The results of the AQR had no effect on the accounting policies, related with the recognition of impairment losses on loans and advances to customers, applied by the Bank for the period ended 31 December 2014, which are described in note 2. Furthermore, the AQR impact has been already captured in 2014 to the appropriate extent through the application of the Bank's existing impairment accounting policies, which incorporate the constant evaluation and calibration of estimates and judgments based on the latest available information (note 22).

Monitoring Trustee

The Memorandum of Economic and Financial Policies (MEFP) of the Second Adjustment Program for Greece between the Hellenic Republic, the European Commission, the International Monetary Fund (IMF) and the European Central Bank (ECB) provides for the appointment of a monitoring trustee in all banks under State Aid.

On 22 February 2013, the Bank appointed Grant Thornton as its Monitoring Trustee (MT). The MT monitors compliance with commitments on corporate governance and commercial operational practices, and the implementation of the restructuring plan and reports to the European Commission.

Regulatory disclosures regarding capital adequacy and risk management, based on (EU) Regulation No 575/2013 of the European Parliament and the Council of the European Union (Basel III, Pillar 3), are available at the Bank's website.

7. Financial risk management and fair value

7.1 Use of financial instruments

By their nature the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Bank also trades in financial instruments where it takes positions in traded and over the counter instruments, including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates.

7.2 Financial risk factors

Due to its activities, the Bank is exposed to a number of financial risks, such as credit risk, market risk (including currency and interest rate risk), liquidity and operational risks. The Bank's overall risk management strategy seeks to minimise any potential adverse effects on its financial performance, financial position and cash flows.

Risk Management Organization

The Group's risk management strategy is formulated by the Board Risk Committee (BRC) and the Group Chief Risk Officer (GCRO), as well as the Troubled Assets Committee (TAC). Both committees report to the Bank's Board of Directors. The Bank's structure, internal procedures and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision.

The main risk management competences that have been delegated to BRC relate to the risk appetite, the classification of risks, the assets-liabilities management and the institution of risk management mechanisms. The BRC consists of five directors (three non -executives one of whom is - the representative of the HFSF, and two independent non-executives), meets at least monthly and reports to the Board of Directors on a quarterly basis.

The Group's Risk Management Division, which is headed by the GCRO, is independent from the business units and comprises of the Credit Sector, the International Credit Division, the Group Market & Counterparty Risk Sector (GMCRS), the Group Credit Control Sector (GCCS), the Capital Adequacy Control & Regulatory Framework Sector (credit risk) and the Operational Risk Sector.

Following the publication of the Bank of Greece Executive Committee's Act No. 47/9.2.2015, that details the supervisory directives for the administration of exposures in arrears and non-performing loans, the Bank has responsibly proceeded with a number of initiatives to adopt the regulatory requirements and empower the management of troubled assets. In particular, the Bank transformed its troubled assets operating model into a vertical organizational structure through the establishment of the Troubled Assets Committee (TAC) and Troubled Assets Group General Division (TAG).

The TAC, headed by the Troubled Assets Group's General Manager, oversees and monitors the Group's troubled assets. In particular, the main competencies that have been delegated to TAC relate to the monitoring of loans in arrears and non performing loans' management, the determination and implementation of troubled assets' management strategy, as well as approving and assessing the sustainability of the forbearance and closure procedure measures. The establishment of an independent body ensures transparency, management flexibility and accountability, and safeguards the wise, and in line with the Bank's risks appetite, troubled assets management.

7.2.1 Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to fulfill its payment obligations, when due.

Credit risk includes country, sector and settlement risk.

Country risk is the risk of losses arising from economic difficulties or political unrest in a country, including the risk of losses following nationalization, expropriation and debt restructuring.

Sector risk is the risk of losses arising from economic difficulties as a result of events that affect a particular sector or industry.

Settlement risk is the risk of loss due to the failure of counterparty to satisfy its contractual obligations to deliver cash, securities or other assets when payments on financial instruments are settled, including derivatives and currency transactions. Settlement risk arises when the Bank remits payments before it can ascertain that the counterparties' payments have been received.

The Bank's credit risk mainly arises from its wholesale and retail lending activities, which include any credit enhancements provided, such as financial guarantees and letters of credit, as well as from other activities, such as investments in debt securities, trading, capital markets and settlement activities. Since, the credit risk is the primary risk that the Bank is exposed to, it is carefully and actively managed and monitored by centralized risk units that report to the GCRO.

(a) Credit Risk Management

The credit approval and credit review processes are centralized on a country level. The appropriate level of segregation of duties ensures independence among those responsible for the customer's relationship, the approval process and the loan's disbursement, as well as the monitoring of the loan during its lifecycle.

Credit Committees

The Bank has established various credit committees with escalating credit approval levels in order to manage the credit risk that arises from wholesale lending activities, including:

- Credit Committees which approve new limits, renewals or amendments to existing limits according to their approval authority level, depending on the customer's total exposure its risk category (high, medium, low), as well as the value and type of collaterals;
- Regional Credit Committee, being Head Office committees, which approve limits for International Operations in excess of each country's approval authority, depending also on customer's risk category; and
- Special Handling Credit Committees which decide on credit issues and actions to be taken for specific cases of problematic loans.

Other specialized committees are established to monitor certain portfolios (e.g. forborne non-performing loans, staff loans).

The credit committees meet on a weekly basis or more frequently, if needed.

Credit Sector

The main responsibilities of the Credit Sector are:

- to independently review the credit proposals for large and medium size corporate entities;
- to prepare an assessment (credit opinion) prior to their submission to the appropriate Credit Committee, in which it participates with a voting right; and
- to approve credits for retail customers (small business lending and household lending) in case their total exposure exceeds a predefined threshold.

International Credit Division

The International Credit Division was established in April 2008, in order to ensure full harmonization with the Group's standards and in the light of the increased credit risk management demands for wholesale lending activities in International Operations. Its main responsibilities are:

- to review the credit proposals for large and medium size corporate entities in excess of each country's approval authority and submit them for approval to the Regional Credit Committees', together with a credit opinion, as required;
- to prepare and revise, as needed, the management acts relating to the credit approval processes, as well as the credit approval levels;
- to maintain a uniform credit policy for international subsidiaries, in accordance with the Group's credit policies; and
- to monitor high-risk corporate credits.

The approval process for loans to small businesses (turnover up to € 2.5 million) is centralised, following specific guidelines for eligible collaterals. The assessment is based on the analysis of the borrower's financial position, as well as the use of statistical scorecards.

The approval process for household lending is centralised. It is supported by specialised credit scoring models and the application of credit criteria based on the payment behaviour, the type and quality of collateral, the existence of real estate property, and other factors. The ongoing monitoring of portfolio quality and performance leads to adjustments of the credit policy and procedures, when deemed necessary.

Group Market and Counterparty Risk Sector

The Group Market and Counterparty Risk Sector (GMCRS) is responsible for the measurement, monitoring and reporting of the Group's exposure to counterparty risk, which is the risk of loss due to the customer's failure to meet its contractual obligations in the context of treasury activities, such as securities, derivatives, repos reverse repos and interbank placings.

The Group has set limits on the level of counterparty risk that may be undertaken based mainly on the counterparty's credit rating, as provided by international rating agencies, and the product type (e.g. control limits on net open derivative positions by both amount and term, on sovereign bonds exposure, on asset backed securities). The utilization of the abovementioned limits, any excess of them, as well as the aggregate exposure per Group's entity, counterparty and product type are monitored by GMCRS on a daily basis. Risk mitigation contracts are taken into account for the calculation of the final exposure.

In case of uncollaterised derivative transactions, the Group measures the current exposure along with the potential future exposure (PFE) using financial models. The combined exposure is used for the monitoring of limit utilization.

The GMCRS's exposure measurement and reporting tool is also available to the Bank's subsidiaries treasury divisions, thus providing them with the ability to monitor the exposure and the limit availability of each counterparty.

(b) Credit risk monitoring

The Group Credit Control Sector (GCCS) monitors and assesses the quality of all of the Group's loan portfolios and operates independently from the business units of the Bank. The GCCS reports directly to the GCRO.

The main responsibilities of the GCCS are:

- to monitor and review the performance of all of the Group's loan portfolios;
- to conduct field reviews and prepare written reports to the Management on the quality of loan portfolios for all of the Group's lending units;
- to supervise and control the foreign subsidiaries' credit risk management units;
- to participate in the development, approval and implementation of credit risk models, designed according to the characteristics of each loan portfolio;
- to supervise, support and maintain the Moody's Risk Advisor (MRA) used to assign ratings to wholesale lending customers;
- to create, oversee and support the Transactional Rating (TR) application, used to measure the overall risk of wholesale credit relationships, taking into account both the creditworthiness of the borrower and required collaterals;

- to monitor on a regular basis and report on a quarterly basis to the Board of Directors and the BRC of risk exposures, along with accompanying analyses;
- to formulate the provisioning policy and regularly monitor the adequacy of provisions of all of the Group's loan portfolios;
- to participate in the approval of new credit policies and new loan products;
- to participate in the Troubled Asset Committee; and
- to attend meetings of Credit Committees and Special Handling Committees, without voting right.

The Capital Adequacy Control & Regulatory Framework Sector (credit risk) develops and maintains the Internal Ratings Based (IRB) approach in accordance with the Basel framework and the Capital Adequacy Directive of the Group's loan portfolios, measures and monitors their capital requirements, and manages the credit risk regulatory related issues. The Sector reports to the GCRO.

The main responsibilities of the Capital Adequacy Control & Regulatory Framework Sector are:

- to manage external Asset Quality Reviews and stress tests;
- to develop, implement and validate IRB models for evaluating credit risk;
- to measure and monitor risk parameters and capital adequacy calculations (Pillar I) and preparation of relevant management and regulatory reports; and
- to prepare credit risk analyses for Internal Capital Adequacy Assessment and Pillar II purposes.

The Group's international subsidiaries in Bulgaria, Romania, Serbia, Cyprus and Ukraine apply the same credit risk management structure and control procedures as the Bank and report directly to the GCRO. Risk management policies and processes are approved and monitored by the credit risk divisions of the parent bank ensuring that group guidelines are in place and credit risk strategy is uniformly applied across the Group.

The Troubled Assets Group General Division (TAG) has the overall responsibility for the management of the Group's troubled assets portfolio and ensures a close monitoring, tight control and course adjustment, that acknowledges and takes into account the continuous developments in the macro environment, the regulatory and legal requirements, international best practices and new or evolved internal requirements.

The TAG cooperates with Group Risk Management to reach a mutual understanding and develop an appropriate methodology for the evaluation of the risks inherent in every type of modification and delinquency bucket, by lending portfolio. The TAG's recommendations and reports to the Board of Directors are also be submitted to the GCRO who expresses his opinion.

The key governing principles of the TAG are to:

- Preserve the clear demarcation line between business units and troubled assets management;
- Ensure direct top management involvement in troubled assets management and close monitoring of the respective portfolio;
- Ensure a consistent approach for managing troubled assets across portfolios;
- Prevent non-performing loans formation through early intervention and clear definition of primary financial objectives of troubled assets;
- Monitor the loan delinquency statistics, as well as define targeted risk mitigating actions to ensure portfolio risk reduction;
- Target maximization of borrowers who return to current status through modifications or collections;
- Monitor losses related to troubled assets; and
- Define criteria to assess the sustainability of proposed forbearance or resolution and closure measures and design decision trees.

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as agreed. Guarantees and standby letters of credit carry the same credit risk as loans since they represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to extend credit in the form of loans, guarantees or letters of credit for which the Bank usually receives a commitment fee. Such commitments are irrevocable over the life of the facility or revocable only in response to a material adverse effect.

(d) Concentration risk

The Bank structures the levels of credit risk it undertakes by placing exposure limits by borrower, or groups of borrowers, and by industry segments. The exposure to each borrower is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. Risk concentrations are monitored regularly and reported to the BRC. Such reports include the 20 largest exposures, major watchlist and problematic customers, industry analysis, analysis by rating/risk class, by delinquency bucket, and loan portfolios by country.

(e) Rating systems

Rating of large corporate and medium sized customers

The Bank has decided upon the differentiation of rating models for wholesale lending activities, in order to reflect appropriately the risks arising from customers with different characteristics. Hence, rating models are employed for a number of general as well as specific segments:

- traditional corporate lending: Moody’s Risk Advisor (MRA); Internal Credit Rating (ICR) for those customers that cannot be rated by MRA;
- specialized lending (shipping, real estate and project finance): slotting methodology.

The MRA aggregates quantitative and qualitative information of individual obligors in order to assess their creditworthiness and determine their credit rating. In particular, it takes into account the company's financial performance, its cash flows, industry sector trends, peers' performance, qualitative assessment of management, the company's status, market and industry structural factors. The MRA is used for the assessment of all legal entities with full accountancy tax books irrespective of their legal form, and is calibrated on the Greek corporate environment.

Certain types of entities cannot be analyzed with the MRA due to the special characteristics of their financial statements, such as insurance companies, state-owned organizations, brokerage firms, and start-ups. In such cases, the ICR is applied, which similarly to MRA, combines quantitative and qualitative assessment criteria, such as the entity’s size, years in business, credit history, industry sector.

In addition, the Bank performs an overall assessment of corporate customers, based both on their rating (MRA or ICR) and the collaterals and guarantees referred to their approved credit relationships, using a 14-grade rating scale. Credit exposures are subject to detailed reviews by the appropriate Credit Committee based on the respective transactional rating (TR). Low risk corporate customers are reviewed at least once a year, whereas higher risk customers are reviewed either on a semi-annual or quarterly basis. All high risk corporate customers with exposures over € 5 million are reviewed by the Special Handling Committee which takes place on a weekly basis.

For specialized lending portfolios, i.e. when the primary source of repayment of the obligation is the income generated by the asset(s), rather than the independent capacity of the commercial enterprise, the Bank utilizes the slotting method by adapting and refining the Capital Requirements Directive criteria to the Bank's risk practices. Customers falling in the specialized lending category (shipping, real estate and project finance) are classified into five categories: strong, good, satisfactory, weak and default.

The rating systems described above are an integral part of the corporate banking decision-making and risk management processes:

- the credit approval process, both at the origination and review process;
- the calculation of Economic Value Added (EVA) and risk-adjusted pricing; and
- the quality assessment of issuers of cheques prior to their pledge as collateral.

Rating of Retail Lending exposures

The Bank assigns credit scores to its retail customers using a number of statistically-based models both at origination and an ongoing basis through behavioral scorecards. These models have been developed to predict, on the basis of available information, the probability of default, loss given default and exposure at default. They cover the entire spectrum of retail products (credit cards, consumer lending, unsecured revolving credits, car loans, personal loans, mortgages and small business loans).

The models were developed based on the Bank's historical data and credit bureau data. Behavioral scorecards are calculated automatically on a monthly basis, thus ensuring that credit risk assessments are up to date.

The models are applied in the credit approval process, the credit limits management, as well as the collection process for the prioritization of the accounts in terms of handling. Furthermore, the models have been often used for the risk segmentation of the customers. They are also utilized for risk based pricing in particular segments or new products introduced.

The rating systems employed by the Bank meets the requirements of the Basel III –Internal Ratings Based (IRB) approach. The Bank is IRB certified since 2008 for the Greek portfolios, both corporate and retail (as detailed in Basel III, Pillar III disclosures available at the Bank's website).

The Group Capital Adequacy Control Sector independently monitors the capacity of rating models and scoring systems to classify customers according to risk, as well as to predict the probability of default and loss given default. The Bank's validation policy follows a procedure that complies with international best practices and regulatory requirements. The Bank verifies the validity of the rating models and scoring systems on an annual basis and the validation includes both quantitative and qualitative aspects. Validation procedures are documented and regularly reviewed and reported to the BRC. The Group's Internal Audit also independently reviews the validation process annually.

(f) Credit risk mitigation

A key component of the Bank's business strategy is to reduce risk by utilizing various risk mitigating techniques. The most important risk mitigating means are collaterals' pledges, guarantees and master netting arrangements.

Types of collateral commonly accepted by the bank

The Bank has internal policies in place which set out the following types of collateral that are usually accepted:

- residential real estate, commercial real estate (offices, shopping malls, etc.), industrial buildings and land;
- receivables (trade debtors) and post-dated cheques;
- securities including, listed shares and bonds;
- deposits;
- guarantees and letters of support;
- insurance policies; and
- equipment, mainly, vehicles and vessels.

A specific coverage ratio is pre-requisite upon approval and on ongoing basis for each collateral type, as specified in the Bank's credit policy.

For exposures, other than loans to customers (i.e. reverse repos, derivatives), the Bank accepts only cash or liquid bonds as collateral.

Valuation principles of collateral

In defining the maximum collateral ratio for loans, the Bank considers all relevant information available, including any collaterals' characteristics, if market participants would take those into account when pricing relevant assets. Valuation and hence eligibility is based on the following factors:

- the collateral's fair value, i.e. the exit price that would be received to sell the asset in an orderly transaction under current market conditions;
- the fair value reflects market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it;
- a reduction of the collateral value is considered if the type, location or condition (such as deterioration and obsolescence) of the asset indicate so;
- no collateral value is assigned if a pledge is not legally enforceable.

The real estate properties of all units are valued by Eurobank Property Services S.A., a subsidiary of the Bank, which reports to the GCRO. Eurobank Property Services is regulated by the Royal Institute of Chartered Surveyors and utilizes internal or external qualified appraisers based on predefined criteria (qualifications and expertise). All appraisals take into account factors such as the region, age and marketability of the property, and are further reviewed and countersigned by experienced staff. The valuation methodology employed is based on International Valuation Standards (IVS), while quality controls are in place such as reviewing mechanisms, independent sample reviews by independent well established valuation companies.

In 2006, the Bank initiated a project in collaboration with other major banks in Greece to develop a real estate property index for residential property. The methodology, which was developed by an independent specialized statistical company, has been approved by the Bank of Greece and its use enables a dynamic monitoring of residential property values and market trends, on an annual basis.

For commercial real estate, re-valuations are performed by qualified property valuers within two to three years. More frequent re-valuations either on site or desktop are performed for material exposures, borrowers downgraded to watchlist / high risk area and for borrowers active in the real estate sector.

To ensure the quality of the post-dated cheques accepted as collateral, the Bank has developed a pre-screening system, which takes into account a number of criteria and risk parameters, so as to evaluate their eligibility. Furthermore, post-dated cheques valuation is monitored weekly through the use of advanced statistical reports and on a monthly basis through the review of detailed information regarding the recoverability of cheques, referrals and bounced cheques, per issuer broken down..

Collateral policy and documentation

For loans, the Bank's instructions emphasize that practices and routines followed are timely and prudent, in order to ensure that collaterals are controlled by the Bank's subsidiaries and that the loan and pledge agreement, as well as the collaterals are legally enforceable. Thus, the Bank's subsidiaries hold the right to liquidate collateral in the event of the obligor's financial distress and can claim and control cash proceeds from the liquidation process.

The Bank uses to a large extent standard loan and pledge agreements, ensuring legal enforceability.

Guarantees

The guarantees used as credit risk mitigation by the Bank are largely issued by central and regional governments in the countries in which it operates. The Public Fund for very small businesses (TEMPME) and similar funds, banks and insurance companies are also important guarantors of credit risk.

Management of repossessed properties

The objective of the repossessed assets' management is to minimize the time cycle for an asset to be disposed and to maximize the recovery of the capital engaged.

To this purpose, the management of repossessed assets aims at improving rental and other income from the exploitation of such assets, and at the same time reducing the respective holding and maintenance costs.

The Bank is actively engaged in identifying suitable potential buyers for its portfolio of repossessed assets (including specialized funds involved in acquiring specific portfolios of properties repossessed), both in Greece and abroad, in order to reduce its stock of properties with a time horizon of 3-5 years.

Repossessed assets are closely monitored based on technical and legal due diligence reports, so that their market value is accurately reported and updated in accordance with market trends.

Counterparty risk

The Bank mitigates counterparty risk arising from treasury activities by entering into master netting arrangements and similar agreements, as well as collateral agreements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk is reduced through a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

In the case of derivatives, the Bank makes use of International Swaps and Derivatives Association (ISDA) contracts, which limit the exposure via the application of netting and Credit Support Annex (CSAs), which further reduce the total exposure with the counterparty. Under these agreements, the total exposure with the counterparty is calculated on a daily basis taking into account any netting arrangements and collaterals.

The same process is applied in the case of repo transactions where standard Global Master Repurchase Agreements (GMRAs) are used. The exposure (the net difference between repo cash and the market value of the securities) is calculated on a daily basis and collateral is transferred between the counterparties thus minimizing the exposure.

The Bank uses a comprehensive collateral management system for the monitoring of ISDA, CSAs and GMRAs, i.e. the daily valuation of the derivatives and the market value of the securities are used for the calculation of the each counterparty's exposure. The collateral which should be posted or requested by the relevant counterparty is calculated daily.

With this system, the Bank monitors and controls the collateral flow in case of derivatives and repos, independently of the counterparty. The effect of any market movement that increases the Bank's exposure is reported and the Bank proceeds to collateral call without delay.

7.2.1.1 Maximum exposure to credit risk before collateral held

	2014 **€ million**	2013 € million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	**5,892**	8,098
Financial instruments at fair value through profit or loss:		
- Debt securities	**66**	49
Derivative financial instruments	**2,121**	1,260
Loans and advances to customers:		
- Wholesale lending	**15,235**	15,071
- Mortgage lending	**16,620**	17,019
- Consumer lending	**5,269**	5,722
- Small business lending	**6,390**	6,377
Less: Impairment allowance	**(8,438)**	(6,721)
Investment securities:		
- Debt securities	**14,860**	14,791
Other assets	**1,376**	1,403
Credit risk exposures relating to off-balance sheet items (note 41)	**2,923**	3,509
	62,314	66,578

The above table represents the maximum credit risk exposure to the Bank at 31 December 2014 and 31 December 2013 respectively, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Bank's financial statements.

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. Off-balance sheet items mentioned above include letters of guarantee, standby letters of credit, commitments to extend credit and documentary credits.

7.2.1.2 Loans and advances to customers

The section below provides a detailed overview of the Bank's exposure to credit risk arising from its customer lending portfolios in line with the guidelines set by the Hellenic Capital Markets Commission and the Bank of Greece released on 30 September 2013.

During 2014, the breakdown of the wholesale portfolio to large corporate and SMEs has been based on the specific criteria for the number of employees, the annual turnover and/ or the total assets of the entity defined by the European Commission. This categorization differentiates with the one used in 2013, which was based on the Bank's internal structure and monitoring.

In addition, following the release of the European Banking Association Implementing Technical Standards (EBA ITS) guidelines in July 2014, with effect from 31 December 2014, the Bank initiated the implementation of a common forbearance definition for supervisory and financial reporting purposes, as described below in (d) ''Forbearance practices on lending activities''.

(a) Credit quality of loans and advances to customers

Loans and advances to customers are classified as "neither past due nor impaired", "past due but not impaired" and "impaired".

Loans reported as "Neither past due nor impaired "include loans with no contractual payments in arrears and no other indications of impairment.

"Past due but not impaired" category includes loans with contractual payments overdue by at least one day, but which are not impaired unless specific information indicates to the contrary. This is typically when loans are in arrears less than 90 days past due for consumer and small business exposures, less than 180 days past due for mortgage, while for wholesale exposures both the delinquency status and the internal rating, which reflects the borrower's overall financial condition and outlook, are assessed.

For loans in the above categories, although not considered impaired, the Bank recognize a collective impairment provision (as set out in note 2.12 ''Impairment of financial assets'').

"Impaired" loans that are individually assessed include all wholesale exposures as well as small business and mortgage loans, which carry an individual impairment allowance. The rest of retail exposures are considered impaired when they are in arrears for more than 90 days for consumer and small business exposures and 180 days for mortgage exposures and carry a collective impairment allowance. Furthermore, impaired loans under forbearance measures may include loans in arrears less than 90 days for consumer and small business exposures and less than 180 days for mortgage exposures, respectively.

The evidence considered by the Bank in determining whether there is objective evidence of impairment is set out in note 2.12.

The following tables present the total gross amount, representing the maximum exposure to credit risk gross of impairment allowance, of loans and advances that are classified as non-impaired (i.e. "neither past due nor impaired" and "past due but not impaired") and those classified as impaired. They also present the total impairment allowance recognized in respect of all loans and advances, analyzed into individually or collectively assessed, based on how the respective impairment allowance has been determined, the total net amount, as well as the value of collateral held as security to mitigate credit risk.

For credit risk management purposes, the Public Sector, which includes exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, is incorporated in wholesale lending.

In addition, the value of collateral presented in the tables below is capped to the respective gross loan amount.

	31 December 2014								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million	Total gross amount € million	Individually assessed € million	Collectively assessed € million	Total net amount € million	Value of collateral € million
Retail Lending	**13,542**	**3,917**	**2,580**	**8,240**	**28,279**	**(1,192)**	**(3,872)**	**23,215**	**18,468**
- Mortgage	*9,821*	*2,617*	*77*	*4,105*	*16,620*	*(27)*	*(1,354)*	*15,239*	*14,441*
- Consumer	*1,278*	*478*	-	*2,289*	*4,045*	-	*(1,777)*	*2,268*	*100*
- Credit card	*579*	*78*	-	*567*	*1,224*	-	*(366)*	*858*	*31*
- Small business	*1,864*	*744*	*2,503*	*1,279*	*6,390*	*(1,165)*	*(375)*	*4,850*	*3,896*
Wholesale Lending	**6,627**	**1,577**	**6,437**	**-**	**14,641**	**(3,113)**	**(255)**	**11,273**	**6,177**
- Large corporate	*5,348*	*1,208*	*4,748*	-	*11,304*	*(2,585)*	*(192)*	*8,527*	*4,333*
- SMEs	*1,279*	*369*	*1,689*	-	*3,337*	*(528)*	*(63)*	*2,746*	*1,844*
Public Sector	**223**	**371**	**0**	**-**	**594**	**(0)**	**(6)**	**588**	**116**
- Greece	*223*	*371*	*0*	-	*594*	*(0)*	*(6)*	*588*	*116*
- Other countries	-	-	-	-	-	-	-	-	-
Total	**20,392**	**5,865**	**9,017**	**8,240**	**43,514**	**(4,305)**	**(4,133)**	**35,076**	**24,761**

	31 December 2013								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million	Total gross amount € million	Individually assessed € million	Collectively assessed € million	Total net amount € million	Value of collateral € million
Retail Lending	14,219	5,848	2,372	6,679	29,118	(1,013)	(3,306)	24,799	19,107
- Mortgage	*10,154*	*3,808*	-	*3,057*	*17,019*	-	*(964)*	*16,055*	*15,227*
- Consumer	*1,528*	*747*	-	*2,125*	*4,400*	-	*(1,683)*	*2,717*	-
- Credit card	*634*	*93*	-	*595*	*1,322*	-	*(374)*	*948*	-
- Small business	*1,903*	*1,200*	*2,372*	*902*	*6,377*	*(1,013)*	*(285)*	*5,079*	*3,880*
Wholesale Lending	7,270	2,332	4,854	-	14,456	(2,220)	(172)	12,064	5,811
- Large corporate	*5,198*	*1,230*	*1,855*	-	*8,283*	*(1,062)*	*(144)*	*7,077*	*2,622*
- SMEs	*2,072*	*1,102*	*2,999*	-	*6,173*	*(1,158)*	*(28)*	*4,987*	*3,189*
Public Sector	599	3	13	-	615	(10)	-	605	57
- Greece	*599*	*3*	*13*	-	*615*	*(10)*	-	*605*	*57*
- Other countries	-	-	-	-	-	-	-	-	-
Total	22,088	8,183	7,239	6,679	44,189	(3,243)	(3,478)	37,468	24,975

Loans and advances neither past due nor impaired

The Bank's internal rating systems monitor individually significant exposures based on a variety of quantitative and qualitative factors. For exposures classified as neither past due nor impaired, loans to wholesale customers are segregated into strong, satisfactory and watch list categories, while small business and mortgage loans that are assessed individually are generally segregated into satisfactory and watch list. The rest of the retail exposures that are not assessed individually, the credit quality of which is not rated but is based on their delinquency status, are classified as satisfactory.

The following tables present the risk classification of loans and advances that are neither past due nor impaired:

	31 December 2014				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	**-**	**13,542**	**-**	**13,542**	**10,156**
- Mortgage	-	*9,821*	-	*9,821*	*8,924*
- Consumer	-	*1,278*	-	*1,278*	-
- Credit card	-	*579*	-	*579*	-
- Small business	-	*1,864*	-	*1,864*	*1,232*
Wholesale Lending	**4,431**	**1,993**	**203**	**6,627**	**2,457**
- Large corporate	*3,622*	*1,612*	*114*	*5,348*	*1,684*
- SMEs	*809*	*381*	*89*	*1,279*	*773*
Public Sector	**134**	**89**	**-**	**223**	**114**
- Greece	*134*	*89*	-	*223*	*114*
- Other countries	-	-	-	-	-
Total	**4,565**	**15,624**	**203**	**20,392**	**12,727**

	31 December 2013				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	-	14,200	19	14,219	10,699
- Mortgage	-	*10,154*	-	*10,154*	*9,406*
- Consumer	-	*1,528*	-	*1,528*	-
- Credit card	-	*634*	-	*634*	-
- Small business	-	*1,884*	*19*	*1,903*	*1,293*
Wholesale Lending	3,245	3,485	540	7,270	2,451
- Large corporate	*1,861*	*2,999*	*338*	*5,198*	*1,406*
- SMEs	*1,384*	*486*	*202*	*2,072*	*1,045*
Public Sector	3	596	-	599	48
- Greece	*3*	*596*	-	*599*	*48*
- Other	-	-	-	-	-
Total	3,248	18,281	559	22,088	13,198

Loans and advances past due but not impaired

The following tables present the ageing analysis of past due but not impaired loans and advances by product line at their gross amounts before any impairment allowance:

	31 December 2014							
	Retail lending				Wholesale lending		Public sector	Total
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	past due but not € million
up to 29 days	1,797	341	54	346	378	92	369	3,377
30 to 59 days	443	91	16	234	99	30	-	913
60 to 89 days	198	46	8	164	699	224	2	1,341
90 to 179 days	179	-	-	-	32	23	-	234
180 to 360 days	-	-	-	-	-	-	-	-
more than 360 days	-	-	-	-	-	-	-	-
Total	2,617	478	78	744	1,208	369	371	5,865
Value of collateral	2,266	-	-	476	639	210	2	3,593

	31 December 2013							
	Retail lending				Wholesale lending		Public sector	Total
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	past due but not € million
up to 29 days	2,607	567	62	754	519	429	3	4,941
30 to 59 days	552	133	21	272	100	48	-	1,126
60 to 89 days	263	47	10	174	606	586	-	1,686
90 to 179 days	386	-	-	-	5	39	-	430
180 to 360 days	-	-	-	-	-	-	-	-
more than 360 days	-	-	-	-	-	-	-	-
Total	3,808	747	93	1,200	1,230	1,102	3	8,183
Value of collateral	3,039	-	-	818	650	777	3	5,287

Impaired loans and advances

The following tables present the movement of impaired loans and advances by product line. In 2013, balances arising from the acquisition of NHPB and New Proton are presented in a separate line "Impairment exposures arising from acquisitions":

	31 December 2014							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
Balance at 31 December 2013	**3,057**	**2,125**	**595**	**3,274**	**1,855**	**2,999**	**13**	**13,918**
Transfers among product lines	**-**	**-**	**-**	**-**	**1,685**	**(1,685)**	**0**	**0**
Balance at 1 January	**3,057**	**2,125**	**595**	**3,274**	**3,540**	**1,314**	**13**	**13,918**
Impairment exposures for the period	**1,230**	**362**	**46**	**810**	**1,097**	**413**	**0**	**3,958**
Corporate bond loans transferred from AFS/acquired from subsidiaries (note 21)	**-**	**-**	**-**	**-**	**535**	**57**	**-**	**592**
Transferred to non-impaired	**(91)**	**(97)**	**(3)**	**(242)**	**(343)**	**(55)**	**(13)**	**(844)**
Repayments	**(24)**	**(25)**	**(15)**	**1**	**(43)**	**(35)**	**-**	**(141)**
Amounts written off	**(0)**	**(89)**	**(55)**	**(80)**	**(52)**	**(4)**	**-**	**(280)**
Disposals	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Foreign exchange differences and other movements	**10**	**13**	**(1)**	**19**	**14**	**0**	**-**	**55**
Balance at 31 December	**4,182**	**2,289**	**567**	**3,782**	**4,748**	**1,689**	**0**	**17,257**
Cumulative impairment allowance	**(1,277)**	**(1,707)**	**(359)**	**(1,506)**	**(2,627)**	**(528)**	**-**	**(8,004)**
Net balance at 31 December	**2,905**	**582**	**208**	**2,276**	**2,121**	**1,161**	**0**	**9,253**

	31 December 2013							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
Balance at 1 January	1,543	1,752	550	2,770	365	1,736	19	8,735
Impairment exposures for the period	794	267	61	708	513	976	-	3,319
Impairment exposures arising from acquisitions	787	189	6	45	999	384	6	2,416
Transferred to non-impaired	(54)	(105)	(8)	(255)	(1)	(17)	(12)	(452)
Repayments	(18)	(22)	(14)	5	(17)	(55)	-	(121)
Amounts written off	(0)	(0)	-	(1)	(0)	(26)	-	(27)
Disposals	-	-	-	-	-	-	-	-
Foreign exchange differences and other movements	5	44	-	2	(4)	1	-	48
Balance at 31 December	3,057	2,125	595	3,274	1,855	2,999	13	13,918
Cumulative impairment allowance	(851)	(1,594)	(371)	(1,239)	(1,062)	(1,158)	(10)	(6,285)
Net balance at 31 December	2,206	531	224	2,035	793	1,841	3	7,633

The following tables present the ageing analysis of impaired loans and advances by product line at their amounts net of any impairment allowance, as well as the value of collaterals held to mitigate credit exposure.

For legally denounced loans, the Bank ceases to monitor the delinquency status and therefore the respective balances have been included in the "over 360 days" time band, with the exception of consumer exposures which continue to be monitored up to 360 days past due.

	31 December 2014							
	Retail lending			Wholesale lending			Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
up to 29 days	358	54	-	341	370	210	-	1,333
30 to 59 days	56	7	-	50	30	11	-	154
60 to 89 days	33	4	-	47	432	42	-	558
90 to 179 days	102	30	7	151	86	55	-	431
180 to 360 days	387	30	7	124	140	195	0	883
more than 360 days	1,969	457	194	1,563	1,063	648	-	5,894
Total	**2,905**	**582**	**208**	**2,276**	**2,121**	**1,161**	**0**	**9,253**
Value of collateral	**3,251**	**100**	**31**	**2,188**	**2,010**	**861**	**-**	**8,441**

	31 December 2013							
	Retail lending			Wholesale lending			Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
up to 29 days	48	5	-	45	294	201	3	596
30 to 59 days	34	7	-	56	-	5	-	102
60 to 89 days	31	8	-	61	4	47	-	151
90 to 179 days	58	49	7	221	126	128	-	589
180 to 360 days	433	58	12	165	110	361	-	1,139
more than 360 days	1,602	404	205	1,487	259	1,099	-	5,056
Total	2,206	531	224	2,035	793	1,841	3	7,633
Value of collateral	2,782	-	-	1,769	566	1,367	6	6,490

(b) Collaterals and repossessed assets

Collaterals

The Loan-to-Value (LTV) ratio of mortgage lending reflects the gross mortgage loan exposure at the balance sheet date over the market value of the mortgaged property held as collateral.

The LTV ratio of mortgage portfolio is presented below:

	2014 € million	2013 € million
Mortgages		
Less than 50%	**4,066**	4,448
50%-70%	**2,817**	3,209
71%-80%	**1,392**	1,586
81%-90%	**1,292**	1,492
91%-100%	**1,242**	1,342
101%-120%	**2,070**	2,076
121%-150%	**1,881**	1,590
Greater than 150%	**1,860**	1,276
Total exposure	**16,620**	17,019
Average LTV	**84.32%**	77.35%

The breakdown of collateral and guarantees is presented below:

	31 December 2014				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	received
Retail Lending	**18,005**	**290**	**173**	**18,468**	**135**
Wholesale Lending	**3,496**	**383**	**2,298**	**6,177**	**191**
Public sector	**2**	**110**	**4**	**116**	**30**
Total	**21,503**	**783**	**2,475**	**24,761**	**356**

	31 December 2013				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	Received
Retail Lending	18,693	258	156	19,107	112
Wholesale Lending	3,580	457	1,774	5,811	-
Public sector	3	2	52	57	-
Total	22,276	717	1,982	24,975	112

Repossessed assets

The Bank recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Bank repossesses against repayment or reduction of the outstanding loan is real estate which is recognized within repossessed assets carried at the lower of cost or net realizable value (see also notes 2.17 and 28). In cases where the Bank makes use of repossessed properties as part of its operations, they are classified as own-used or investment properties as appropriate (see notes 2.7, 25 and 26).

The following tables present a summary of collaterals that the Bank took possession and were recognized as repossessed assets as well as the net gains/ (losses) arising from the sale of such assets in the year:

	31 December 2014						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/ (loss) on sale € million
Real estate auction items	**378**	**48**	**(52)**	**(20)**	**326**	**1**	***(0)***
- Residential	*265*	*28*	*(33)*	*(11)*	*232*	*1*	*(0)*
- Commercial	*113*	*20*	*(19)*	*(9)*	*94*	*0*	*(0)*

	31 December 2013						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/ (loss) on sale € million
Real estate auction items	338	56	(37)	(10)	301	6	***0***
- Residential	*242*	*40*	*(25)*	*(8)*	*217*	6	*0*
- Commercial	*96*	*16*	*(12)*	*(2)*	*84*	-	*(0)*

There are no properties classified as investment property or own used, as a result of repossession or transfer from repossessed properties categories in 2013 and 2014.

(c) Geographical and industry concentrations of loans and advances to customers

As described above in note 7.2.1, the Bank holds diversified portfolios across markets and countries and implements limits on concentrations arising from the geographical location or the activity of groups of borrowers that could be similarly affected by changes in economic or other conditions, in order to mitigate credit risk.

The following tables break down the Bank's exposure into loans and advances to customers at their gross amounts, impaired loans and advances and impairment allowance by product line, industry and geographical region:

	31 December 2014								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	**28,273**	**10,814**	**(5,058)**	**6**	**6**	**(6)**	**-**	**-**	**-**
-Mortgage	*16,620*	*4,182*	*(1,381)*	-	-	-	-	-	-
-Consumer	*4,045*	*2,289*	*(1,777)*	-	-	-	-	-	-
-Credit card	*1,224*	*567*	*(366)*	-	-	-	-	-	-
-Small business	*6,384*	*3,776*	*(1,534)*	*6*	*6*	*(6)*	-	-	-
Wholesale Lending	**13,135**	**5,747**	**(2,740)**	**729**	**532**	**(512)**	**777**	**158**	**(116)**
-Commerce and services	*6,326*	*2,542*	*(1,221)*	*187*	*78*	*(67)*	*171*	*60*	*(53)*
-Manufacturing	*2,684*	*991*	*(464)*	*1*	*1*	*(0)*	-	-	-
-Shipping	*66*	*19*	*(3)*	*78*	*46*	*(29)*	*544*	*37*	*(18)*
-Construction	*1,769*	*948*	*(381)*	*46*	*34*	*(9)*	*3*	*3*	*(0)*
-Tourism	*1,150*	*503*	*(122)*	-	-	-	-	-	-
-Energy	*290*	*14*	*(13)*	-	-	-	-	-	-
-Other	*850*	*730*	*(536)*	*417*	*373*	*(407)*	*59*	*58*	*(45)*
Public Sector	**594**	**0**	**(6)**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**42,002**	**16,561**	**(7,804)**	**735**	**538**	**(518)**	**777**	**158**	**(116)**

	31 December 2013								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	29,013	9,051	(4,319)	89	-	-	16	-	-
-Mortgage	*16,922*	*3,057*	*(964)*	*81*	-	-	*16*	-	-
-Consumer	*4,400*	*2,125*	*(1,683)*	-	-	-	*0*	-	-
-Credit card	*1,322*	*595*	*(374)*	-	-	-	-	-	-
-Small business	*6,369*	*3,274*	*(1,298)*	*8*	-	-	-	-	-
Wholesale Lending	13,800	4,330	(2,016)	546	424	(308)	111	100	(69)
-Commerce and services	*6,372*	*1,644*	*(822)*	*232*	*192*	*(180)*	*52*	*45*	*(44)*
-Manufacturing	*2,864*	*1,063*	*(538)*	*21*	*14*	*(18)*	-	-	-
-Shipping	*700*	*64*	*(24)*	*54*	*52*	*(33)*	*39*	*35*	*(24)*
-Construction	*1,660*	*785*	*(254)*	*160*	*117*	*(50)*	*19*	*19*	*(1)*
-Tourism	*1,122*	*279*	*(74)*	*16*	*1*	-	*1*	*1*	*(0)*
-Energy	*197*	*6*	*(4)*	*4*	*4*	*(4)*	-	-	-
-Other	*885*	*489*	*(300)*	*59*	*44*	*(23)*	-	-	-
Public Sector	615	13	(10)	-	-	-	-	-	-
Total	43,428	13,394	(6,345)	635	424	(308)	127	100	(69)

(d) Forbearance practices on lending activities

Modifications of loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors as well as due to potential deterioration of the borrower's financial condition. As a consequence of the current financial and economic crisis, the Bank has employed a range of forbearance options in order to enhance the management of customer relationships and effectiveness of collection efforts, improve the recoverability of cash flows and minimize losses for both retail and wholesale portfolios.

Forbearance practices' classification

Following the release of the European Banking Authority Final Draft Implementing Technical Standards (EBA ITS) guidelines in the third quarter of 2014, the Bank initiated implementation of a common forbearance definition for supervisory and financial reporting purposes. Accordingly, (a) the Bank proceeded with the reassessment of all loans that were modified and categorized as forborne as at 31 December 2014 and redefined the perimeter of the existing forborne loans and (b) from 1 January 2015, the Bank will monitor prospectively all forbearance practices based on the EBA ITS guidelines. Hence, considering that the EBA ITS guidelines were applied prospectively and that it is impracticable to proceed with a retrospective application for financial reporting purposes, the Bank did not proceed with the restatement of the 2013 comparative information on forbearance practices.

Accordingly, forbearance practices as monitored and reported by the Bank occur only in the cases where the contractual payment terms of a loan have been modified as the borrower is considered unable to comply with the existing loan's terms due to apparent financial difficulties and the Bank has made a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties.

All other types of modifications granted by the Bank, where there is no apparent financial difficulty of the borrower and may be driven by factors of, a business nature, are not classified as forbearance measures.

Forborne loans are classified as impaired by assessing their delinquency status both at the reporting date and the date when forbearance measures were granted, and specifically for wholesale exposures the borrower's rating is considered as well. On the other hand, non-impaired forborne retail loans are classified as either neither past due nor impaired or past due but not impaired based on their delinquency status at the reporting date while for wholesale exposures' classification both the borrower's rating as well as the delinquency status at the reporting date are assessed.

Impaired forborne loans enter initially a probation period of twelve months where the payment performance is closely monitored. If borrowers comply with the terms of the program over the one-year probation period, loans are then reported as non-impaired forborne. In addition, non-impaired forborne loans, including those that were previously classified as impaired and complied with the terms of the program, are monitored over a period of two years in order to exit the forborne status.

Furthermore, forborne loans that fail to perform under the new modified terms and are subsequently denounced cease to be monitored as part of the Bank's forbearance activities and are reported in the denounced impaired loans consistently with the Bank's management and monitoring of all denounced loans.

Forbearance programs

Forbearance options provide borrowers with more favorable terms than those set in the initial contracts; they are granted following an assessment of the customer's ability and willingness to repay and can be of a temporary or longer term nature. The objective is to assist financially stressed borrowers by decreasing their monthly installment or rearranging their repayment cash outflows, and at the same time, protect the Bank from suffering credit losses.

The nature and type of forbearance options may include but is not necessarily limited to, one or more of the following:

- debt consolidations, whereby existing loan balances of the borrower are combined in a single loan;
- reduced or interest-only payments;
- payment holidays, grace period;
- extended payment periods under which the original term of the loan is extended;
- capitalization of arrears whereby arrears are added to the principal balance;
- reduction in interest rates;
- adjustment or non-enforcement of covenants;

- partial write off of the borrower's debt, such as write off part of accrued interest and/ or write off of part of the capital.

Specifically for unsecured consumer loans (including credit cards), forbearance programs are effected mainly through debt consolidation whereby all existing consumer balances are derecognised, as described below. This practice allows the more effective management of debt by both the borrower and the bank. Through debt consolidation, a decrease of the monthly installment is achieved, relieving the borrower from part of the monthly financial obligations he has to meet. Furthermore, debt consolidation is widely used as means of converting unsecured exposures to secured lending under a mortgage prenotation, which significantly improves the Bank's collection opportunities and portfolio quality.

In the case of mortgage loans, a decrease of installment may be achieved through various types of modifications of the existing loan such as extended payment periods, capitalization of arrears and reduced or interest-only payments.

Wholesale exposures are subject to forbearance when there are indications of distress of the borrower, evidenced by a combination of factors including the deterioration of financials, credit rating downgrade, payment delays and other.

Forborne impaired loans are separately monitored by management through Special Remedial Management Committees which evaluate the effectiveness of forbearance programs continuously, monitor borrower compliance with the revised terms and default rates and perform quality reviews of the portfolios' performance to identify key risk drivers. A basic factor of the remedial management is the increase of collaterals, mainly with real estate properties which increase recoverability prospects. In addition, in retail lending borrowers subject to forbearance measures are usually required to repay at least one installment at the beginning of the new arrangement.

Impairment assessment

Where forbearance measures are extended, the Bank performs an assessment of the borrower's financial circumstances and ability to repay, under the Bank's impairment policies described in notes 2.12 and 7.2.1. Specifically, retail loans are segregated from other loan portfolios and the collective impairment assessment reflects the risk of higher losses, resulting in higher provision charges/coverage relative to non-modified loans. The impairment assessment of the wholesale exposures is performed on an individual basis taking into consideration various risk aspects (such as borrower's rating, financial position, adherence to the forbearance program and level of collaterals) and the respective impairment charge is calculated.

Debt for equity swaps

In wholesale portfolios, the Bank on occasion participates in debt for equity transactions as part of the businesses support process, as described in note 2.12. In 2014, as part of a debt for equity forbearance measures the Bank acquired a minority shareholding of 12.8% of NGP Plastic, amounting to €1.3 million. Similarly, in 2013, the Bank acquired a minority shareholding of 10.3% of SATO S.A., a company listed on the ASE, amounting to € 4 million.

Loan derecognition

An existing loan whose terms have been modified may be derecognized and the forborne loan recognized as a new loan, when changes to the original contractual terms result in the forborne loan, being considered, as a whole, a substantially different financial asset. Examples of circumstances that will likely lead to de-recognition are described in note 2.12. Upon de-recognition, any difference between the old loan and the fair value of the new loan is recognised in the income statement. Impaired loans that are de-recognized as a result of forbearance measures continue to be classified as impaired until there is a sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

The following table presents a summary of the types of the Bank's forborne activities as at 31 December 2014:

	2014 € million
Forbearance measures:	
Interest only schedule	100
Reduced payment schedule	1,593
Payment moratorium/Holidays	766
Term extension	465
Arrears capitalisation	817
Partial debt write-off	21
Hybrid (i.e. combination of more than one type)	447
Other	100
Total net amount	4,309

The following table presents a summary of the credit quality of forborne loans and advances to customers:

	31 December 2014		
	Total loans & advances € million	Forborne loans & advances € million	% of forborne loans & advances
Neither past due nor impaired	20,392	1,676	8.2
Past due but not impaired	5,865	748	12.8
Impaired	17,257	2,572	14.9
Total Gross Amount	43,514	4,996	11.5
Individual impairment allowance	(4,305)	(250)	5.8
Collective impairment allowance	(4,133)	(437)	10.6
Total Net amount	35,076	4,309	12.3
Collateral received	24,761	3,610	

The following table presents the Bank's exposure to forborne loans and advances by product line:

	2014 € million
Retail Lending	3,390
- Mortgage	*2,540*
- Consumer	*126*
- Credit card	*0*
- Small business	*724*
Wholesale Lending	919
-Large corporate	*555*
-SMEs	*364*
Total net amount	4,309

The following table presents the Bank's exposure to forborne loans and advances by geographical region:

	2014 € million
Greece	4,288
Rest of Europe	21
Total net amount	4,309

7.2.1.3 Debt Securities

The following table presents an analysis of debt securities by rating agency designation at 31 December 2014 and 2013, based on Moody's ratings or their equivalent:

	31 December 2014				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	**-**	**101**	**-**	**45**	**146**
Aa1 to Aa3	**-**	**-**	**10,089**	**69**	**10,158**
A1 to A3	**0**	**30**	**117**	**89**	**236**
Lower than A3	**58**	**2,676**	**1,305**	**143**	**4,182**
Unrated	**8**	**7**	**189**	**-**	**204**
Total	**66**	**2,814**	**11,700**	**346**	**14,926**

	31 December 2013				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	-	100	-	76	176
Aa1 to Aa3	-	6	10,080	51	10,137
A1 to A3	0	34	135	47	216
Lower than A3	40	675	3,038	240	3,993
Unrated	9	187	122	-	318
Total	49	1,002	13,375	414	14,840

Securities rated lower than A3 include: € 3,521 million related to Greek sovereign debt (2013: € 3,110 million), € 100 million related to Eurozone members sovereign debt, i.e. Italy, (2013: € 99 million), € 61 million related to Ukraine sovereign debt (2013: € 79 million) and € 204 million related to sovereign debt issued mainly by European Union members and candidate members (2013: € 228 million).

The following tables present the Bank's exposure in debt securities, as categorized by counterparty's geographical region and industry sector:

	31 December 2014			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	**3,521**	**10,668**	**-**	**14,189**
Banks	**2**	**28**	**0**	**30**
Corporate	**410**	**287**	**10**	**707**
Total	**3,933**	**10,983**	**10**	**14,926**

	31 December 2013			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	3,110	10,728	-	13,838
Banks	216	55	0	271
Corporate	308	387	36	731
Total	3,634	11,170	36	14,840

7.2.1.4 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

a) are offset in the Bank's balance sheet according to IAS 32 criteria; or

b) are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in balance sheet.

Regarding the former, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ("the offset criteria"), as also set out in Bank's accounting policy 2.5.

Regarding the latter, the International Swaps and Derivatives Association (ISDA) and similar master netting arrangements do not meet the criteria for offsetting in the balance sheet, as they create a right of set - off that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties may not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Similar agreements to ISDA include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, repos and reverse repos agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not subject to this disclosure unless they are offset in the balance sheet.

The Bank has not offset any financial assets and liabilities as at 31 December 2014 and 2013, as the offset criteria mentioned above are not satisfied; thus, gross amounts of recognised financial assets and liabilities equal respective net amounts in the tables below.

Amounts that are not set off in the balance sheet, as presented below are subject to enforceable master netting arrangements and similar agreements and mainly relate to derivatives, repos and reverse repos.

In respect of these transactions, the Bank receives and provides collateral in the form of marketable securities and cash that are included in the tables below under columns "financial instruments" and "cash collateral" at their fair value.

	31 December 2014					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Derivative financial instruments	2,091	-	2,091	(1,982)	(38)	71
Reverse repos with banks	6	-	6	(6)	-	-
Total	**2,097**	**-**	**2,097**	**(1,988)**	**(38)**	**71**

	31 December 2014					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabiltiies € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilties presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	2,453	-	2,453	(882)	(1,522)	49
Repurchase agreements with banks	11,379	-	11,379	(11,092)	(206)	81
Repurchase agreements with customers	53	-	53	(53)	-	0
Total	**13,885**	**-**	**13,885**	**(12,027)**	**(1,728)**	**130**

	31 December 2013					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Derivative financial instruments	1,199	-	1,199	(524)	(7)	668
Reverse repos with banks	3	-	3	(3)	-	-
Total	1,202	-	1,202	(527)	(7)	668

	31 December 2013					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabiltiies € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilties presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	1,542	-	1,542	(524)	(1,015)	3
Repurchase agreements with banks	10,170	-	10,170	(10,135)	-	35
Repurchase agreements with customers	38	-	38	(37)	-	1
Total	11,750	-	11,750	(10,696)	(1,015)	39

Financial assets and financial liabilities are disclosed in the above tables at their recognized amounts, either at fair value (derivative assets and liabilities) or amortized cost (all other financial instruments), depending on the type of financial instrument.

7.2.2 Market risk

The Bank takes on exposure to market risks. Market risks arise from exposure on interest rate, currency and equity products or combination of them, all of which are exposed to general and specific market movements. Specifically, the market risks the Bank is exposed to, are the following:

(a) Interest rate risk

The Bank 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. The Board's Risk Committee sets limits on the level of interest rate risk that may be undertaken and exposures are monitored daily.

(b) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board's Risk Committee sets limits on the level of exposures which are monitored daily.

(c) Equity risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Bank undertakes, arises mainly from the investment portfolio. The Board's Risk Committee sets limits on the level of the exposures which are monitored daily.

Market risk is managed and monitored using Value at Risk (VaR) methodology.

(i) VaR summary for 2014 and 2013

VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Bank measures is an estimate based upon a 99% confidence level and a holding period of 1 day and the methodology used for the calculation is Monte Carlo simulation (full repricing).

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to certain limitations. Given this, actual outcomes are monitored regularly, via back testing process, to test the validity of the assumptions and the parameters used in the VaR calculation.

Since VaR constitutes an integral part of the Bank's market risk control regime, VaR limits have been established for all (trading and investment portfolios) operations and actual exposure is reviewed daily by management. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

Average VaR by risk type (Trading and Investment portfolios [(1)]) - Greece

	2014 **€ million**	2013 € million
Interest Rate Risk	**10**	9
Foreign Exchange Risk	**0**	0
Equities Risk	**2**	3
Total VaR	**11**	10

[(1)] *Interest rate volatility applied to all portfolios. Credit spread volatility applied to Trading and Available-for-sale positions.*

The aggregate VaR of the interest rate, foreign exchange and equities VaR benefits from diversification effects.

Interest Rate VaR takes into account the changes to the fair valuation of all the Bank's items that are attributable to movements in the Interest Rates. This includes loans and deposits (customers and interbank), Eurosystem funding and debt issued, as well as securities and derivatives held by the Bank. Despite the large relative size of the loan and deposit portfolio, Eurosystem funding and debt issued, its timing and amount matching, combined with the current level of interest rates, mean that the incremental contribution of these items to the Interest Rate VaR is not material. The largest portion of the Bank's Interest rate VaR figures is attributable to the risk associated with interest rate sensitive securities and derivatives. Interest rate exposure for the Bank's securities and derivatives portfolio can be analyzed into time bands as shown in the following tables:

	31 December 2014				
	less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	**6**	**1**	**3**	**2**	**(1)**
Fixed coupon bonds	6	1	3	2	(1)
Variable coupon bonds	-	-	0	-	-
Investment securities	**732**	**1,274**	**10,729**	**937**	**823**
Fixed coupon bonds	599	807	728	937	823
Variable coupon bonds	133	467	10,001	-	-
Derivatives[(1)]	**1,122**	**(1,223)**	**1,355**	**(547)**	**(690)**

	31 December 2013				
	less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	1	1	2	25	18
Fixed coupon bonds	1	1	2	25	18
Variable coupon bonds	0	-	0	-	-
Investment securities	699	528	11,833	577	709
Fixed coupon bonds	458	105	526	577	709
Variable coupon bonds	241	423	11,307	-	-
Derivatives[(1)]	351	(1,253)	2,440	(998)	(540)

[(1)] For linear interest rate derivatives, notional amounts are shown in the appropriate time band, aggregated across all currencies. For non-linear interest rate derivatives, delta equivalent notional amounts are shown in the appropriate time band, aggregated across all currencies.

(ii) Foreign exchange risk concentration

The following table presents the Bank's exposure to foreign currency exchange risk as at 31 December 2014 and 2013:

	31 December 2014							
	USD € million	CHF € million	RON € million	RSD € million	BGN € million	OTHER € million	EUR € million	Total € million
ASSETS								
Cash and balances with central banks	7	-	-	-	-	37	757	801
Loans and advances to banks	585	183	75	-	1	90	4,958	5,892
Financial instruments at fair value through profit or loss	8	-	-	-	-	-	65	73
Derivative financial instruments	37	-	-	-	-	1	2,083	2,121
Loans and advances to customers	930	4,357	-	-	-	60	29,729	35,076
Investment securities	269	-	5	-	-	26	14,659	14,959
Other assets(1)	5	1	291	221	80	37	7,937	8,572
Total Assets	1,841	4,541	371	221	81	251	60,188	67,494
LIABILITIES								
Due to central and other banks	1,018	11	-	-	-	60	24,929	26,018
Derivative financial instruments	59	-	335	-	375	1	1,700	2,470
Due to Customers	1,937	22	3	-	-	251	29,772	31,985
Debt issued and other borrowed funds	7	-	-	-	-	-	1,280	1,287
Other Liabilities	4	-	-	-	-	1	472	477
Total Liabilities	3,025	33	338	-	375	313	58,153	62,237
Net on balance sheet position	(1,184)	4,508	33	221	(294)	(62)	2,034	5,256
Derivative forward foreign exchange position	1,181	(4,522)	(72)	-	-	102	3,343	32
Total Foreign Exchange Position	(3)	(14)	(39)	221	(294)	40	5,377	5,288

	31 December 2013							
	USD € million	CHF € million	RON € million	RSD € million	BGN € million	OTHER € million	EUR € million	Total € million
ASSETS								
Cash and balances with central banks	6	1	-	-	-	47	597	651
Loans and advances to banks	622	225	87	-	1	123	7,040	8,098
Financial instruments at fair value through profit or loss	15	-	-	-	-	-	47	62
Derivative financial instruments	43	-	-	-	-	1	1,216	1,260
Loans and advances to customers	840	4,423	-	-	-	65	32,140	37,468
Investment securities	271	7	7	-	4	61	14,658	15,008
Other assets(1)	-	4	363	262	80	29	7,384	8,122
Total Assets	1,797	4,660	457	262	85	326	63,082	70,669
LIABILITIES								
Due to central and other banks	827	5	1	-	-	190	28,060	29,083
Derivative financial instruments	72	-	285	-	375	6	816	1,554
Due to Customers	2,231	21	5	-	3	143	31,549	33,952
Debt issued and other borrowed funds	2	-	-	-	-	-	1,459	1,461
Other Liabilities	2	0	-	-	-	-	615	617
Total Liabilities	3,134	26	291	-	378	339	62,499	66,667
Net on balance sheet position	(1,337)	4,634	166	262	(293)	(13)	583	4,002
Derivative forward foreign exchange position	1,348	(4,639)	(80)	-	-	20	4,600	1,249
Total Foreign Exchange Position	11	(5)	86	262	(293)	7	5,183	5,251

(1)*Other assets include Property, plant & equipment, Investment property, Intangible assets, Deferred tax asset & Other assets.*

7.2.3 Liquidity risk

The Bank is exposed to daily calls on its available cash resources due to deposits withdrawals, maturity of medium or long term notes, maturity of secured or unsecured funding (interbank repos and money market takings), loan draw-downs and forfeiture of guarantees. Furthermore, margin calls on secured funding transactions (with ECB and the market) and on risk mitigation contracts (CSAs, GMRAs) result in liquidity exposure. The Bank maintains cash resources to meet all of these needs. The Board Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such contingencies.

Past experience shows that liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment. This is also the case with credit commitments where the outstanding contractual amount to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank.

Liquidity Risk Management Framework

The Bank's Liquidity Risk Management Policy defines the following supervisory and control structure:

- Board Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk.
- Group Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Bank's risk appetite, and to review at least monthly the overall liquidity position of the Bank.
- Group Treasury is responsible for the implementation of the Bank's liquidity strategy, the daily management of the Bank's liquidity and for the preparation and monitoring of the Bank's liquidity budget.
- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Bank.

The following list summarises the reports which are produced on a periodic basis:

(a) The regulatory liquidity gap report along with the regulatory liquidity ratios;

(b) Stress test scenarios. These scenarios evaluate the impact of a number of systemic stress events on the Bank's liquidity position;

(c) Liquidity warning indicators report and market sensitivities affecting liquidity report;

(d) Liquidity coverage ratios (LCR) estimation (Basel III new regulatory ratio).

Maturity analysis of assets and assets held for managing liquidity risk

The following tables present maturity analysis of Bank assets as at 31 December 2014 and 2013, based on their carrying values. Loans without contractual maturities are presented in the "less than 1 month" time bucket. The Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Bank has already posted collateral, which is not presented in the below tables. For derivative assets not covered by ISDA/CSA agreements the positive valuation is presented at fair value in the "over 1 year" time bucket.

	31 December 2014				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	801	-	-	-	801
- Loans and advances to banks	1,552	301	311	2,121	4,285
- Loans and advances to customers	7,567	221	1,243	26,045	35,076
- Debt Securities	607	875	820	12,624	14,926
- Equity Securities	-	-	-	106	106
- Derivative financial instruments	-	-	-	1,305	1,305
- Other assets[1]	10	15	66	8,481	8,572
	10,537	1,412	2,440	50,682	65,071

	31 December 2013				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	651	-	-	-	651
- Loans and advances to banks	1,889	2,218	1,173	1,542	6,822
- Loans and advances to customers	7,583	1,042	2,115	26,728	37,468
- Debt Securities	458	106	1760	12,516	14,840
- Equity Securities	-	-	-	230	230
- Derivative financial instruments	-	-	-	823	823
- Other assets[1]	6	11	51	8,054	8,122
	10,587	3,377	5,099	49,893	68,956

[1] Other assets include Property, plant & equipment, Investment property, Intangible assets, Deferred Tax Asset & Other assets.

The Bank holds a diversified portfolio of cash and high liquid assets to support payment obligations and contingent deposit withdrawals in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

(a) Cash and balances with central banks;

(b) Eligible bonds and other financial assets for collateral purposes;

(c) Interbank placings maturing within one month.

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2014 and 2013. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket. The Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Bank has already posted collateral which covers the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the "less than 1 month" time bucket.

It should be noted that this table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected (all term deposits are withdrawn at their contractual maturity). The recent experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

	31 December 2014				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to banks	18,009	5,855	221	2,005	26,090
- Due to customers	18,725	5,357	7,144	910	32,136
- EMTNs	0	27	83	661	771
- Securitizations (redemptions and coupons)[1]	71	141	632	94	938
- Other liabilities	56	94	327	-	477
	36,861	11,474	8,407	3,670	60,412
Derivative financial instruments:	47	-	-	-	47

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	**2,400**	**523**
Capital expenditure	**6**	**-**
Operating lease commitments	**25**	**117**
	2,431	**640**

	31 December 2013				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to banks	26,497	2,042	177	412	29,128
- Due to customers	19,020	7,158	7,388	629	34,195
- EMTNs	-	79	10	354	443
- Securitizations (redemptions and coupons)[(1)]	61	66	296	705	1,128
- Other liabilities	62	125	440	-	627
	45,640	9,470	8,311	2,100	65,521
Derivative financial instruments:	33	-	-	-	33

[(1)]*Outflow from securitizations is fully covered by respective inflows from mortgage loans with matched maturity repayments.*

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	2,847	662
Capital expenditure	4	-
Operating lease commitments	27	92
	2,878	754

Due to the Greek sovereign debt crisis, Greek banks obtained part of their funding through the European Central Bank (ECB) and the Bank of Greece (BoG). As at 31 December 2014, the Group's net funding from these sources totaled € 12.5 bn (2013: € 16.9 bn).The main reasons for the decrease of ECB/BOG funding were the completion of the Bank's share capital increase (note 35) and the assets deleveraging. During 2014, the Bank eliminated its secured funding from BOG (emergency liquidity assistance - ELA) (2013: € 5.6 bn).

As from early December 2014, the developments in Greece had an adverse effect on the liquidity position of the Greek banking system, mainly due to deposits withdrawals, which were fully substituted by Eurosystem's secured funding. In addition, the matured interbank secured funding transactions (repos) have been replaced with Eurosystem funding, since the collaterals previously posted to market counterparties were eligible either for ECB (the largest part) or ELA funding.

Moreover, ECB decided on the 4th of February to treat GTBs, GGBs and Greek Government guaranteed bonds as non-eligible collateral for refinancing operations, leading the Greek banks to substantially increase their funding from ELA. The initial agreement reached between Greece and its European partners at the Euro Group meeting held on 20 February 2015 was acting positively towards the improvement of the Greek banking sector liquidity. Some early confirming signs have already been observed in the sense that deposits' balances have been stabilized since then. At 27 February 2015, the Group's net funding from ECB and ELA stood at € 9.5 bn and € 19.5 bn, respectively, while the Group maintained unutilized highly liquid assets (cash value) of around € 14.7 bn.

7.3 Fair value of financial assets and liabilities

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

Financial instruments carried at fair value

Trading assets, derivatives and other transactions undertaken for trading purposes, as well as available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques. See also note 3.2.

These financial instruments carried at fair value are categorised into the three levels of the fair value hierarchy as at 31 December 2014 based on whether the inputs to the fair values are observable or unobservable, as follows:

a) Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds and unit-linked products that have regularly and frequently published quotes.

b) Level 2 – Financial instruments measured using valuation techniques with the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.

c) 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). Level 3 financial instruments include unquoted equities and certain OTC derivatives.

The fair value hierarchy categorisation of the Bank's financial assets and liabilities carried at fair value at 31 December 2014 and 2013 respectively is presented in the following table:

	31 December 2014			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	32	40	0	72
Derivative financial instruments	-	2,119	2	2,121
Available-for-sale investment securities	2,868	1	43	2,912
Total financial assets	**2,900**	**2,160**	**45**	**5,105**
Financial liabilities measured at fair value:				
Derivative financial instruments	1	2,469	-	2,470
Due to customers:	-	-	-	
- Structured deposits	-	149	-	149
Trading liabilities	9	-	-	9
Total financial liabilities	**10**	**2,618**	**-**	**2,628**

	31 December 2013			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	25	37	0	62
Derivative financial instruments	0	1,260	-	1,260
Available-for-sale investment securities	962	7	250	1,219
Total financial assets	987	1,304	250	2,541
Financial liabilities measured at fair value:	1	1,553	-	1,554
Derivative financial instruments				
Due to customers:	-	152	-	152
- Structured deposits	0	-	-	0
Total financial liabilities	1	1,705	-	1,706

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

Following the management's review of the fair value hierarchy categorization, the Bank transferred during the year ended 31 December 2014 derivative financial instruments of € 7 million from Level 2 to Level 3, which are valued using valuation techniques, where the CVA calculation is based on unobservable inputs that result in a CVA adjustment significant to the entire fair value of the derivative (2013: €40 million of unquoted available for sale equity instruments and € 117 million of available for sale bond loans were reclassified from Level 2 to Level 3 due to the significance of the unobservable inputs used in their fair value measurement).

Reconciliation of Level 3 fair value measurements

	31 December 2014 € million	31 December 2013 € million
Balance at 1 January	**250**	-
Transfers into Level 3	**7**	157
Transfers to loans and advances to customers (note 21)	**(150)**	-
Level 3 arising on acquisition	**-**	25
Additions, net of disposals and redemptions	**(25)**	82
Total gain/(loss) for the year included in profit or loss	**(39)**	(19)
Total gain/(loss) for the year included in other comprehensive income	**-**	5
Foreign exchange differences and other	**2**	-
Balance at 31 December	**45**	250

Of the total loss of € 39 million for the year ended 31 December 2014, € 38 million are presented in line 'Other impairment losses' and € 1 million in line 'Net trading income' in the Bank's income statement.

Bank's valuation processes

The Bank uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. 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, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel 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 the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty, where appropriate.

Global Market Counterparty Risk Sector establishes the processes and procedures governing the fair valuations, in line with the Bank's accounting policies. Some of the specific valuation controls include: verification of observable pricing, re-performance of model valuations, a review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

Valuation techniques

OTC derivative financial instruments are fair valued by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate. Bilateral credit risk adjustments consider the expected cash flows between the Bank and its counterparties under the relevant terms of the derivative instruments and the effect of the credit risk on the valuation of these cash flows. As appropriate in circumstances, the Bank considers also the effect of any credit risk mitigating arrangements, including collateral agreements and master netting agreements on the calculation of credit risk valuation adjustments (CVAs). CVA calculation uses probabilities of default (PDs) based on observable market data as credit default swaps (CDS) spreads, where appropriate, or based on internal rating models. The Bank applies similar methodology for the calculation of debit-value-adjustments (DVAs), when applicable. Where valuation techniques are based on internal rating models and the relevant CVA is significant to the entire fair value measurement, such derivative instruments are categorized as Level 3 in the fair value hierarchy. A reasonably possible change in the main unobservable input (i.e. the recovery rate), used in their valuation, would not have a significant effect on their fair value measurement.

The Bank determines fair values for debt securities held using quoted market prices in active markets for securities with similar credit risk, maturity and yield or by using discounted cash flows method.

For debt securities issued by the Bank and designated at FVTPL, fair values are determined by discounting the expected cash flows at a risk-adjusted rate, where the Bank's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Bank or other Greek issuers.

The fair values of unquoted available-for-sale equity instruments are estimated mainly (i) using third parties' valuation reports based on investees' net assets, where management does not perform any further significant adjustments, and (ii) net assets' valuations, adjusted where considered necessary.

The fair values of the unquoted available-for-sale bond loans that were reclassified to loans and advances to customers as at 30 September 2014 (note 21), were estimated by discounting the future cash flows, over the time period they were expected to be recovered, including the realisation of any collateral held. For the purpose of valuing these loans in 2013, the Bank made assumptions on expected recoverable amounts and timing of collateral realisation. The main unobservable input used in their valuation was the recovery rate which on average was 50% for the 2013. A reasonably possible change of 3% in the recovery rate used would not have a significant effect on their fair value measurement.

Financial instruments not carried at fair value

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

	31 December 2014				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	34,930	34,930	35,076
Investment securities					
- Debt securities lending portfolio	315	10,853	-	11,167	11,700
- Held to maturity securities	61	268	-	329	346
Total financial assets	**376**	**11,121**	**34,930**	**46,426**	**47,122**
Debt issued and other borrowed funds held by third party investors	-	326	-	326	402
Total financial liabilities	**-**	**326**	**-**	**326**	**402**

	31 December 2013				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	37,530	37,530	37,468
Investment securities					
- Debt securities lending portfolio	961	11,955	-	12,916	13,375
- Held to maturity securities	75	296	-	371	414
Total financial assets	1,036	12,251	37,530	50,817	51,257
Debt issued and other borrowed funds held by third party investors	-	237	-	237	295
Total financial liabilities	-	237	-	237	295

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are in line with those used to calculate the fair values for financial instruments carried at fair value and are as follows:

a) Loans and advances to customers: for loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Bank makes assumptions on expected prepayments, product spreads and timing of collateral realisation. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate.

b) Investment securities carried at amortised cost: the fair values of financial investments are determined using prices quoted in an active market when these are available. In other cases, fair values are determined using quoted market prices for securities with similar credit risk, maturity and yield or by using the discounted cash flows method.

c) Debt issued and other borrowed funds: the fair values of the debt issued and other borrowed funds are determined using quoted market prices, if available. If quoted prices are not available, 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 Bank's own credit risk is determined using inputs indirectly observable, i.e quoted prices of similar securities issued by the Bank or other Greek issuers.

For other financial instruments which are short term or re-price at frequent intervals (cash and balances with central banks, loans and advances to banks, due to central and other banks and due to customers), the carrying amounts represent reasonable approximations of fair values.

8. Net interest income

	2014	2013
	€ million	€ million
Interest income		
Customers	**1,641**	1,683
Banks	**111**	167
Securities	**224**	165
Derivatives	**316**	104
	2,292	2,119
Interest expense		
Customers	**(641)**	(743)
Banks	**(263)**	(496)
Debt issued and other borrowed funds	**(21)**	(21)
Derivatives	**(368)**	(136)
	(1,293)	(1,396)
Total	**999**	723

Interest Income recognised by quality of Loans and Advances and Product Line is further analysed below:

	31 December 2014		
	Interest Income on non-impaired loans and advances	**Interest Income on impaired loans and advances**	**Total**
	€ million	**€ million**	**€ million**
Retail lending	**820**	**200**	**1,020**
Wholesale lending[1]	**448**	**173**	**621**
Total interest income from customers	**1,268**	**373**	**1,641**

	31 December 2013		
	Interest Income on non-impaired loans and advances	Interest Income on Impaired loans and advances	Total
	€ million	€ million	€ million
Retail lending	825	187	1,012
Wholesale lending[1]	539	132	671
Total interest income from customers	1,364	319	1,683

[1] *Including interest income on loans and advances to the Public Sector.*

The unwinding of the discount of the impairment allowance (note 22) amounting to € 239 million (retail lending € 158 million, wholesale lending € 81 million) is included in interest income on impaired loans and advances to customers (2013: retail lending € 148 million, wholesale lending € 60 million).

9. Net trading income and gains less losses from investment securities

	2014 € million	2013 € million
Debt securities and other financial instruments	**15**	79
Equity securities and mutual funds	**33**	25
Gains/(losses) on derivative financial instruments	**(28)**	(101)
Revaluation on foreign exchange positions	**(2)**	14
Total	**18**	17

10. Operating expenses

	2014 € million	2013 € million
Staff costs (note 11)	**(396)**	(390)
Administrative expenses	**(204)**	(189)
Depreciation of property, plant and equipment	**(37)**	(33)
Amortisation of intangible assets	**(16)**	(15)
Operating lease rentals	**(46)**	(47)
Total	**(699)**	(674)

As at 31 December 2014, the administrative expenses include € 42 million, related to the Bank's annual contribution to the Resolution Scheme of the Hellenic Deposits and Investment Guarantee Fund.

The Bank has adopted since 2007 a Policy on External Auditors' Independence which provides amongst others, for the definition of the permitted and non-permitted services the Bank auditors may provide further to the statutory audit. For any such services to be assigned to the Bank's auditors, there are specific controlling mechanisms in order for the Bank's Audit Committee to ensure there is proper balance between audit and non-audit work. Finally, according to Bank's Policy, there is periodic tendering of the statutory auditors at least once every four years in order to ensure the External Auditors' Independence.

The fees charged by the Bank's independent auditor "PricewaterhouseCoopers" for audit and other services provided are analysed as follows:

	2014 € million	2013 € million
Statutory audit	**(1.3)**	(1.3)
Tax audit-article 65a, law 4174/2013	**(0.3)**	(0.3)
Other audit related assignments	**(0.1)**	(0.2)
Non audit assignments	**(1.0)**	(0.3)
Total	**(2.7)**	(2.1)

11. Staff costs

	2014 € million	2013 € million
Wages, salaries and performance remuneration	**(289)**	(275)
Social security costs	**(71)**	(73)
Additional pension and other post employment costs	**(12)**	(12)
Other	**(24)**	(30)
Total	**(396)**	(390)

The average number of employees of the Bank during the year was 8,971 (2013:9,912). As at 31 December 2014, the number of branches of the Bank amounted to 539.

12. Other impairment and non recurring income/(expenses)

	2014 € million	2013 € million
Impairment losses and valuation losses on investment property and repossessed properties	**(25)**	(25)
Impairment losses on bonds	**(79)**	(39)
Impairment losses on mutual funds and equities	**(23)**	(10)
Impairment losses on other receivables	**(5)**	-
Impairment losses on intangibles assets	**(2)**	-
Reversal of impairment on Greek sovereign exposure	**-**	75
Other impairment losses	**(134)**	1
Reversal of provision/(provision) for claims in dispute (note 41)	**103**	(103)
Integration costs relating with the operational merger/ acquisition costs of NHPB and New Proton	**(16)**	(14)
Restructuring costs	**(9)**	(6)
Other expenses	**(3)**	-
Voluntary Exit Scheme cost	**-**	(83)
Valuation losses on derivative financial instruments	**-**	(33)
Expenses relating with NBG Voluntary Tender Offer	**-**	(17)
Restructuring costs and other non recurring income/(expenses)	**75**	(256)
Total	**(59)**	(255)

As at 31 December 2014, the Bank has recognized impairment and valuation losses on investment and repossessed properties amounting to € 25 million, as a result of the effect of the macroeconomic conditions on the real economy and the persistent decline in the real estate market prices in Greece and after taking into consideration other asset-specific indicators of impairment based on technical and legal reports.

In the last quarter of 2014, the Bank recognized € 29 million impairment losses for the Ukrainian government bonds included in its held-to-maturity portfolio, due to the increasing uncertainty in the economic and political conditions in the country.

As at 31 December 2014, the Bank has recognized restructuring expenses amounting to € 9 million, mainly relating to the closing of branches in the framework of its network rationalization.

As at 31 December 2014, restructuring/integration costs included depreciation/write-offs of €3 million.

As at 31 December 2014, the Bank has recognized other expenses amounting to € 3 million relating to the 2013 Blackrock's diagnostic review of the Greek banks' domestic portfolio and the loan book of their major foreign subsidiaries. This exercise was performed in the context of the Greek banks' capital needs assessment conducted by the BoG.

In the first quarter of 2013, the Bank proceeded with the reversal of an impairment loss of € 75 million, which was initially recognized in 2011, for a non-PSI exchanged Greek Government bond, which is expected to be repaid in full.

As of 30 June 2013, the Bank has incorporated the overnight index swap curve for cash collateralised derivatives. As at the date of change, the valuation losses recognized amounted to € 23 million. In addition, in 2013 the Bank recognized credit valuation losses of € 10 million for the derivatives with the Greek State.

During 2013, a Voluntary Exit Scheme (VES) was designed and implemented for the Bank’s employees, having as a main objective to increase the operating efficiency. The total number of employees that opted for the scheme was 965 while the total cost for the VES was approximately € 82.9 million, net of provisions for retirement benefits. As a result of the scheme, the estimated annual saving amounts to € 55.6 million.

13. Income tax and non recurring tax adjustments

	2014 € million	2013 € million
Current tax	**(10)**	(8)
Deferred tax	**537**	471
Income tax	**527**	463
Change in nominal tax rates	**-**	591
Recognition of DTA for New Proton's loan impairment	**167**	-
Recognition of DTA following Circular 1143/15.05.2014	**34**	-
DTA release due to tax law 4172/2013	**-**	(89)
Non recurring deferred tax adjustments	**201**	502
Provision for tax litigations and witholding tax claims	**43**	(57)
Non recurring current tax adjustments	**43**	(57)
Total tax (charge)/income from continuing operations	**771**	908
Total tax (charge)/income from discontinued operations	**18**	-
Total	**789**	908

According to Law 4172/2013, the nominal Greek corporate tax rate is 26% for income generated in accounting years 2014 and onwards. In addition, dividends distributed, other than intragroup dividends which under certain preconditions are relieved from both income and withholding tax, are subject to 10% withholding tax. In May 2014, the Ministry of Finance with its Circular 1143/15.05.2014 provided clarifications for the application of tax Law 4172/2013. In particular, with the said Circular, it was clarified that the accumulated losses from shares and derivatives which had been recognised in accordance with the former tax Law 2238/1994 can be utilised for tax purposes (i.e. are added to carried forward tax losses). Hence, during the year ended 31 December 2014, the Bank recognised in income statement a one off tax income of € 34 million.

During the year ended 31 December 2014, following a favourable Supreme Court decision, the Bank recognised a non recurring tax income of € 43 million due to reversal of provisions in relation to withholding tax claims against the State. In addition, in the third quarter of 2014 the Bank recognized a deferred tax asset of € 167 million on loan impairment of New Proton's acquired, through merger, portfolio, following its assessment that these impairment losses can be utilized in future periods based on the Bank's business plan.

For the year ended 31 December 2011 and onwards, the Greek sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, are required to obtain an "Annual Tax Certificate" provided for in article 82 of Law 2238/1994 (article 65a of Law 4174/2013 applies for the years commencing from 1 January 2014), which is issued after a tax audit is performed by the same statutory auditor or audit firm that audits the annual financial statements. 18 months after the issuance of a tax unqualified certificate, provided that no tax issues have been identified from the tax authorities' potential re-audits, the tax audit is considered finalised. Further tax audits may be effected only in cases of tax offences that have been identified by the Ministry of Finance audits (i.e. breaches of the money laundering legislation, forged or fictitious invoices, transactions with non-existent companies or breaches of transfer pricing rules).

The Bank has been audited by tax authorities up to 2009, has not been audited for 2010 and has obtained by external auditors unqualified tax certificates for years 2011 – 2013, while tax audit from external auditors is in progress for 2014. In addition, New TT Hellenic Postbank and New Proton Bank, which were merged with the Bank in 2013, have obtained by external auditors unqualified tax certificate with a matter of emphasis for their unaudited by tax authorities periods/tax years 18/1-30/6/2013 and 9/10/2011- 31/12/2012, respectively, with regards to potential tax obligations resulting from their carve out. For both cases the Bank has formed adequate provisions. In accordance with the aforementioned tax legislation and considering related preconditions, tax audit of the year 2011 for the Bank is considered finalized.

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2014 € million	2013 € million
Profit/(loss) before tax from continuing operations	**(2,103)**	(1,916)
Tax at the applicable tax rates	**547**	498
Tax effect of:		
- income and expenses not subject to tax	**(11)**	(25)
- change in applicable tax rate	**-**	591
- provision for tax litigations and witholding tax claims	**43**	(57)
- other non recurring tax adjustments	**202**	(89)
- other	**(10)**	(10)
Total tax (charge)/income from continuing operations	**771**	908
Total tax (charge)/income from discontinued operations	**18**	-
Total	**789**	908

14. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method as well as for unused tax losses at the rate in effect at the time the reversal is expected to take place.

The movement on deferred income tax is as follows:

	2014 € million	2013 € million
Balance at 1 January	**3,024**	2,037
Income statement credit/(charge) from continued operations	**738**	973
Income statement credit/(charge) from discontinued operations	**18**	-
Available for sale investment securities	**44**	(5)
Cash flow hedges	**5**	(21)
Costs directly attributable to equity transactions	**30**	61
Other	**12**	(21)
Balance at 31 December	**3,871**	3,024

Deferred income tax asset is attributable to the following items:

	2014 € million	2013 € million
PSI+ tax related losses	**1,211**	1,256
Loan impairment	**1,993**	1,253
Unused tax losses	**258**	274
Valuations through the income statement	**250**	190
Costs directly attributable to equity transactions	**48**	48
Cash flow hedges	**35**	30
Valuations directly to available-for-sale revaluation reserve	**37**	(7)
Fixed assets	**(5)**	(12)
Defined benefit obligations	**8**	6
Other	**36**	(14)
Net deferred income tax	**3,871**	3,024

An increase in deferred tax assets on loan impairment of € 115 million is included above, which equals a decrease in deferred tax assets on changes in fair value through income statement, following a) the reclassification of certain corporate bond loans from available for sale portfolio to loans and advances to customers (note 21) and b) the acquisition of a corporate bond loan previously held by a Bank's subsidiary.

Deferred income tax (charge)/credit in the income statement is attributable to the following items:

	2014 € million	2013 € million
Loan impairment	**625**	250
Unused tax losses	**(53)**	269
Change in nominal tax rates	**-**	591
DTA release due to tax law 4172/2013	**-**	(89)
Tax deductible PSI+ losses	**(45)**	(45)
Change in fair value and other temporary differences	**229**	(3)
Deferred income tax (charge)/credit	**756**	973

As at 31 December 2014, the Bank recognized net deferred tax assets amounting to € 3.9 bn as follows:

(a) € 1,211 million refer to losses resulted from the Bank's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;

(b) € 1,993 million refer to temporary differences arising from loan impairment that can be utilized in future periods with no specified time limit and according to current tax legislation.;

(c) € 258 million refer to unused tax losses. The ability to utilize tax losses carried forward mainly expires in 2018;

(d) € 48 million mainly refer to costs directly attributable to Bank's share capital increases, subject to 10 years' amortization for tax purposes starting from the year they have been incurred;

(e) € 361 million refer to other temporary differences the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation.

The recognition of the above presented deferred tax assets is based on management's assessment that it is expected that the Bank will have sufficient taxable profits against which the unused tax losses and the deductible temporary differences can be utilized.

According to article 5 of Law 4303/2014 (a new article 27A was incorporated in the L. 4172/2013), which is applicable to Greek financial institutions, including leasing and factoring companies, deferred tax assets that have been or will be recognised due to losses from the Private Sector Involvement ('PSI') and the Greek State Debt Buyback Program, accumulated provisions and other general losses due to credit risk in relation to existing receivables as of 31 December 2014 (excluding any receivables raised for Group companies or connected parties), will be converted into directly enforceable claims (tax credit) against the Greek State, provided that the after tax accounting result for the period, is a loss. As at 31 December 2014, deferred tax assets eligible for conversion to tax credits amounted to € 3,204 million.

The total amount of the claim will be determined by multiplying the above eligible deferred tax assets with a ratio that represents the after tax accounting loss of the period as a percentage of total equity, excluding the after tax accounting loss of the period.

The claim will arise upon approval of the financial statements and will be offset against the relevant amount of income tax. When the amount of income tax is insufficient to offset the above claim, any remaining claim will give rise to a direct refund right against the Greek State. For this purpose, a special reserve equal to 110% of the above claim will be created exclusively for a share capital increase and the issuance of capital conversion rights (warrants) without consideration in favor of the Greek State. The above rights will be convertible into ordinary shares and will be freely transferable. Existing shareholders will have a call option within a reasonable period based on their participation in the share capital at the time of issuance of those rights.

On 7 November 2014, the Extraordinary General Meeting of the Shareholders of the Bank approved the Bank's participation in the above described mechanism which will be effective from the tax year 2015 onwards.

15. Discontinued operations

Disposal of Polish operations

Based on the terms of the Investment Agreement signed with Raiffeisen Bank International AG (RBI) in February 2011, the Bank recorded the disposal of its Polish operations as of 31 March 2011.

On 30 April 2012, the Bank transferred 70% of its Polish banking subsidiary (Polbank) to RBI after obtaining the relevant approvals from the Polish Financial Supervision Authority (KNF) and exercised its put option on its remaining 13% stake in Raiffeisen Polbank. As of 30 April 2012, Polbank and RBI Poland (RBI's Polish banking subsidiary) were combined. The consideration receivable was subject to (a) adjustments based on the Net Asset Value of Polbank at the closing of the transaction and (b) the credit performance of the disposed mortgage loan portfolio.

By the end of March 2014 the Bank had received € 814 million in cash, of which € 178 million in February 2014. In April 2014, an agreement was reached with RBI and the Bank received an additional amount of € 30 million in settlement of the remaining consideration receivable of € 100 million. Hence, as at 31 March 2014 the gain on the disposal of Polish operations was adjusted with € 70 million losses, before tax (€ 52 million losses, after tax), while the relating provision recognized in 2013 based on management's estimates of the final amount of the consideration to be received was released accordingly. In November 2014, the Bank proceeded with the reversal of € 1.5 million of provision for costs related with the disposal of its Polish operations, affecting accordingly the loss on disposal.

	Year ended 31 December	
	2014	2013
	€ million	€ million
Gain/(loss) on disposal before tax	**(69)**	1
Income tax	**18**	(0)
Net profit/(loss) for the year from discontinued operations attributable to shareholders	**(51)**	1

16. Cash and balances with central banks

	2014	2013
	€ million	€ million
Cash in hand	**373**	398
Balances with central banks	**428**	253
	801	651
of which:		
Mandatory and collateral deposits with central banks	**256**	207

Mandatory deposits with central banks include (a) deposits of € 222 million (2013: € 79 million) with the Bank of Greece which represent the minimum level of average monthly deposits which the bank is required to maintain; they can be withdrawn at any time provided the average monthly minimum deposits are maintained, (b) deposits of € 34 million (2013: € 68 million) with the Bank of England in accordance with UK regulatory requirements. (c) collateral deposits for Eurosystem's funding (2013: € 60 million)

17. Cash and cash equivalents and other information on cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	2014 € million	2013 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**545**	444
Loans and advances to banks	**366**	773
Financial instruments at fair value through profit or loss	**1**	1
	912	1,218

Other (income)/losses on investment securities presented in operating activities are analysed as follows:

	2014 € million	2013 € million
Amortisation of premiums/discounts and accrued interest	**(72)**	(13)
(Gains)/losses from sale	**(33)**	(21)
Dividends	**(1)**	(3)
	(106)	(37)

18. Loans and advances to banks

	2014 € million	2013 € million
Pledged deposits with banks	**4,917**	6,572
Placements and other receivables from banks	**724**	1,277
Current accounts and settlement balances with banks	**245**	246
Reverse repos with banks	**6**	3
	5,892	8,098

	2014 € million	2013 € million
Included in loans and advances to banks were unsubordinated amounts due from:		
-subsidiary undertakings	**3,158**	5,614
Included in loans and advances to banks were subordinated amounts due from:		
-subsidiary undertakings	**255**	350

The Bank's exposure in loans and advances to banks, as categorized by counterparty's geographical region, is presented in the following table:

	2014 € million	2013 € million
Greece	**-**	32
Other European countries	**5,491**	7,819
Other countries	**401**	247
Total	**5,892**	8,098

19. Financial instruments at fair value through profit or loss (including trading)

	2014 € million	2013 € million
Debt securities		
- Greek government bonds	**10**	9
- Greek government treasury bills	**9**	2
- Other issuers	**47**	38
	66	49
Equity securities	**7**	13
Total	**73**	62

20. Derivative financial instruments and hedge accounting

20.1 Derivative financial instruments

The Bank utilises the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organized financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk undertaken, the Bank assesses counterparties using the same techniques as for its lending activities and/or marks to market with bilateral collateralisation agreements over and above an agreed threshold.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Bank and a customer (OTC). The Bank is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

	31 December 2014			31 December 2013		
	Contract/ notional amount € million	Fair values Assets € million	Liabilities € million	Contract/ notional amount € million	Fair values Assets € million	Liabilities € million
Derivatives held for trading						
OTC currency derivatives						
- Currency forwards	333	3	17	347	8	1
- Currency swaps	3,441	16	5	3,603	6	9
- OTC currency options bought and sold	932	15	13	430	2	4
		34	35		16	14
OTC interest rate derivatives						
- Interest rate swaps	18,770	1,762	1,589	18,077	1,025	931
- Cross-currency interest rate swaps	2,732	101	100	3,522	72	69
- OTC interest rate options	6,133	119	162	5,430	87	92
		1,982	1,851		1,184	1,092
Exchange traded interest rate futures	206	-	1	326	0	1
		1,982	1,852		1,184	1,093
Other derivatives						
Warrants	2,381	17	0	3,195	38	-
Other derivative contracts (see below)	208	27	27	215	3	3
		44	27		41	3
Total derivative assets/liabilities held for trading		2,060	1,914		1,241	1,110
Derivatives designated as fair value hedges						
Interest rate swaps	1,131	0	363	1,293	0	284
		-	363		-	284
Derivatives designated as cash flow hedges						
Interest rate swaps	475	-	122	1,232	-	131
Cross-currency interest rate swaps	4,301	61	71	6,338	19	29
		61	193		19	160
Total derivative assets/liabilities held for hedging purposes		61	556		19	444
Total derivatives assets/liabilities		2,121	2,470		1,260	1,554

Other derivative contracts include, commodity swaps, forward rate agreements, exchange traded currency options, equity index options and forward currency options.

The Bank's exposure in derivative financial instruments, as categorized by counterparty's geographical region and industry sectors, is presented in the following tables:

	31 December 2014			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,198	0	0	1,198
Banks	27	438	383	848
Corporate	62	1	12	75
	1,287	439	395	2,121

	31 December 2013			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	669	-	-	669
Banks	-	342	177	519
Corporate	46	-	26	72
	715	342	203	1,260

20.2 Hedge accounting

The Bank uses derivatives for hedging purposes in order to reduce its exposure to market risks and non-derivative financial instruments to manage foreign currency risk. The hedging practices and accounting treatment are disclosed in note 2.4.

(a) Fair value hedges

The Bank hedges a proportion of its existing interest rate risk resulting from any potential decrease in the fair value of fixed rate financial assets denominated both in local and foreign currencies using interest rate and cross currency interest rate swaps. The net fair value of these swaps at 31 December 2014 was € 363 million liability (2013: € 284 million liability). The Bank recognized a loss of € 3 million (2013: € 8 million loss) from changes in the fair value of the hedged items attributable to the hedged risk, net of changes in the fair value of the hedging instruments.

(b) Cash flow hedges

The Bank hedges a proportion of its existing interest rate risk resulting from any cash flow variability associated with future interest rate changes on variable rate assets or liabilities or unrecognised highly probable forecast transactions using interest rate swaps. At 31 December 2014, interest rate swaps had a net fair value of € 132 million liability (2013: € 141 million liability). In 2014, the ineffectiveness recognised in income statement that arose from cash flow hedges was nil (2013: nil).

21. Loans and advances to customers

	31 December 2014 € million	Adjustment for reclassified/acquired loans € million	31 December 2014 (after adjustment for reclassified/acquired loans) € million	31 December 2013 € million
Wholesale lending	**14,793**	**442**	**15,235**	15,071
Mortgage lending	**16,620**	-	**16,620**	17,019
Consumer lending (1)	**5,269**	-	**5,269**	5,722
Small business lending	**6,390**	-	**6,390**	6,377
	43,072	**442**	**43,514**	44,189
Less: Impairment allowance (note 22)	**(7,996)**	**(442)**	**(8,438)**	(6,721)
	35,076	**-**	**35,076**	37,468

(1) *Credit cards balances are included*

As of 30 September 2014, in accordance with IAS 39, the Bank has elected to reclassify certain impaired corporate bond loans from the 'Available-for-sale' portfolio to 'Loans and advances to customers' portfolio that meet the definition of loans and receivables and the Bank has the intention and ability to hold them for the foreseeable future or until maturity. The reclassifications were made with effect from 30 September 2014 at the loans' fair value of € 150 million (gross amount of € 550 million less fair value adjustment of € 400 million), which became their amortized cost at the reclassification date.

Considering that the reclassified bond loans are impaired, the fair value adjustment of € 400 million represented incurred credit losses already recognised by the Bank as of the reclassification date. Accordingly, for the purpose of monitoring and reporting credit risk, the aforementioned reclassified loans were presented within Loans and advances to customers on a gross basis and therefore the gross balance of Loans and advances to customers and the impairment allowance reported in the notes to the financial statements have been increased by the fair value adjustment of € 400 million. As a result, the gross amount of corporate bond loans transferred to wholesale lending amounted to € 550 million of which € 528 million referred to loans past due more than 90 days. At the reclassification date, the effective interest rates of the reclassified bond loans was on average 2.6%, while the undiscounted expected recoverable cash flows amounted to € 161 million. For the year ended 31 December 2014, impairment losses on the reclassified financial assets of € 26 million (31 December 2013 € 21 million), were recognized in the income statement prior to the reclassification; there were no amounts recognized in OCI with respect of these loans. As at 31 December 2014, the carrying amount of these loans is € 120 million which approximates their fair value (during the fourth quarter of 2014, loans of € 6 million carrying amount were de-recognized as part of restructuring and impairment losses of € 24 million were recorded).

In addition, in December 2014 the Bank acquired a fully impaired bond loan of € 42 m, previously held by a subsidiary and guaranteed by the Bank itself. Similarly as above, for the purpose of monitoring and reporting credit risk, the said loan was presented within Loans and advances to customers on a gross basis and therefore the gross balance of Loans and advances to customers and the impairment allowance reported in the notes to the financial statements have increased by the fair value adjustment of € 42 m (note 22).

Loans and advances to customers include finance lease receivables, as detailed below:

	2014 € million	2013 € million
Gross investment in finance leases receivable:		
Not later than 1 year	**41**	29
Later than 1 year and not later than 5 years	**9**	16
Later than 5 years	**2**	10
	52	55
Unearned future finance income on finance leases	**(3)**	(4)
Net investment in finance leases	**49**	51
Less: impairment allowance	**(10)**	(9)
	39	42
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**41**	28
Later than 1 year and not later than 5 years	**7**	14
Later than 5 years	**1**	9
	49	51
Less: provision for impairment losses	**(10)**	(9)
	39	42

22. Impairment allowance for loans and advances to customers

The movement of the impairment allowance for loans and advances to customers by product line is as follows:

	31 December 2014				
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Total € million
Balance at 1 January	**2,402**	**964**	**2,057**	**1,298**	**6,721**
Impairment loss for the year [2]	**691**	**490**	**279**	**421**	**1,881**
Recoveries of amounts previously written off	**1**	**-**	**4**	**-**	**5**
Amounts written off	**(105)**	**-**	**(144)**	**(80)**	**(329)**
NPV unwinding	**(81)**	**(60)**	**(10)**	**(88)**	**(239)**
Foreign exchange differences and other movements	**24**	**(13)**	**(43)**	**(11)**	**(43)**
	2,932	**1,381**	**2,143**	**1,540**	**7,996**
Adjustment for reclassified/acquired loans (note 21)	**442**	**-**	**-**	**-**	**442**
Balance at 31 December	**3,374**	**1,381**	**2,143**	**1,540**	**8,438**

[1] *Credit cards balances are included*

[2] *Impairment losses on loans and advances as presented in income statement for the year ended 31 December 2014 include an amount of € 20 million which has been provided against the interbank placement with the Bank's indirect subsidiary 'PJSC Universal Bank' in Ukraine (note 44)*

	31 December 2013				
	Wholesale	Mortgage	Consumer [1]	Small business	Total
	€ million	€ million	€ million	€ million	€ million
Balance at 1 January	814	327	1,661	1,021	3,823
Impairment loss for the year	600	322	325	340	1,587
Recoveries of amounts previously written off	0	-	7	-	7
Amounts written off	(26)	(0)	(1)	(1)	(28)
NVP unwinding	(60)	(38)	(18)	(92)	(208)
Foreign exchange differences and other movements	(0)	(11)	(55)	0	(66)
Arising from acquisitions	1,074	364	138	30	1,606
Balance at 31 December	2,402	964	2,057	1,298	6,721

[1] *Credit cards balances are included*

The Bank is constantly evaluating and calibrating its critical estimates for impairment losses on loans and advances based on the latest available information. During 2014 the Bank, after taking into account all available information as well as the uncertainties from the challenging economic conditions, calibrated its provisioning models in relation to the mortgage and wholesale portfolio to reflect decreased expected recoveries.

23. Investment securities

	2014	2013
	€ million	€ million
Available-for-sale investment securities	**2,913**	1,219
Debt securities lending portfolio	**11,700**	13,375
Held-to-maturity investment securities	**346**	414
	14,959	15,008

In May 2014, the Greek Government Bonds of € 1.2 bn, issued for the Greek State's subscription to the Preference Shares under Law 3723/2008 'Greek Economy Liquidity Support Program', matured.

In 2008 and 2010, in accordance with the amendments to IAS 39, the Bank reclassified eligible debt securities from the 'Available-for-sale' portfolio to 'Debt securities lending' portfolio carried at amortized cost. Interest on the reclassified securities continued to be recognized in interest income using the effective interest rate method. As at 31 December 2014, the carrying amount of the reclassified securities was € 952 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2014 would have resulted in € 362 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

23.1 Classification of investment securities by type

	31 December 2014			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Debt securities				
- EFSF bonds	-	10,061	-	10,061
- Greek government bonds	618	890	-	1,508
- Greek government treasury bills	1,994	-	-	1,994
- Other government bonds	163	383	61	607
- Other issuers	39	366	285	690
	2,814	11,700	346	14,860
Equity securities	99	-	-	99
Total	2,913	11,700	346	14,959

	31 December 2013			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Debt securities				
- EFSF bonds	6	10,080	-	10,086
- Greek government bonds	4	2,052	-	2,056
- Greek government treasury bills	489	554	-	1,043
- Other government bonds	192	371	79	642
- Other issuers	311	318	335	964
	1,002	13,375	414	14,791
Equity securities	217	-	-	217
Total	1,219	13,375	414	15,008

23.2 Movement of investment securities

	31 December 2014			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Balance at 1 January	1,219	13,375	414	15,008
Additions, net of disposals and redemptions	1,973	(1,777)	(52)	144
Transfers to loans (note 21)	(150)	-	-	(150)
Net gains/(losses) from changes in fair value for the year	(155)	-	-	(155)
Amortisation of premiums/discounts and interest	58	14	0	72
Amortisation of mark-to-market of reclassified securities	-	1	2	3
Changes in fair value due to hedging	-	73	-	73
Impairment losses/reversal	(37)	-	(29)	(66)
Exchange adjustments	5	14	11	30
Balance at 31 December	2,913	11,700	346	14,959

	31 December 2013			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Balance at 1 January	895	2,543	1,007	4,445
Arising from acquisitions	1,041	4,827	-	5,868
Additions, net of disposals and redemptions	(717)	6,027	(596)	4,714
Net gains/(losses) from changes in fair value for the year	34	-	-	34
Amortisation of premiums/discounts and interest	(5)	20	(2)	13
Amortisation of mark-to-market of reclassified securities	-	2	10	12
Changes in fair value due to hedging	-	(110)	-	(110)
Impairment losses/reversal	(25)	69	-	44
Exchange adjustments	(4)	(3)	(5)	(12)
Balance at 31 December	1,219	13,375	414	15,008

23.3 Equity reserve: revaluation of the available-for-sale investments

Gains and losses arising from the changes in the fair value of available-for-sale investments are recognised in a revaluation reserve for available for sale financial assets in equity. The movement of the reserve is as follows:

	2014 € million	2013 € million
Balance at 1 January	**29**	8
Net gains/(losses) from changes in fair value	**(155)**	34
Deferred income taxes	**42**	(8)
Acquired AFS reserve (NHPB & NPB), net of tax	**-**	2
	(113)	28
Net (gains)/losses transferred to net profit on disposal	**(35)**	(51)
Impairment losses transferred to net profit	**12**	(1)
Deferrred income taxes on net (gains)/losses transferred to net profit on disposal	**6**	11
Deferred income tax on Impairment losses transferred to net profit	**(3)**	0
	(20)	(41)
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	**4**	43
Deferred income taxes	**(1)**	(9)
	3	34
Balance at 31 December	**(101)**	29

24. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2014:

Name	Note	Percentage Holding	Country of incorporation	Line of business
Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services		98.01	Greece	Business-to-business e-commerce, accounting and tax services
Eurobank Asset Management Mutual Fund Mngt Company S.A.		100.00	Greece	Mutual fund and asset management
Eurobank Business Services S.A.		100.00	Greece	Payroll and advisory services
Eurobank Equities S.A.		100.00	Greece	Capital markets and advisory services
Eurobank Ergasias Leasing S.A.	c	99.56	Greece	Leasing
Eurobank Factors S.A.		100.00	Greece	Factoring
Eurobank Financial Planning Services S.A.		100.00	Greece	Management of overdue loans
Eurobank Household Lending Services S.A.		100.00	Greece	Promotion/management of household products
GRIVALIA PROPERTIES R.E.I.C.	a	20.00	Greece	Real estate
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Hellenic Post Credit S.A.		50.00	Greece	Credit card management and other services
Hellenic Postbank - Hellenic Post Mutual Funds		51.00	Greece	Mutual fund management
Eurolife ERB Insurance Group Holdings S.A.	d	100.00	Greece	Holding company
Herald Greece Real Estate development and services company 1	e	100.00	Greece	Real estate
Herald Greece Real Estate development and services company 2	e	100.00	Greece	Real estate
Eurobank Bulgaria A.D.[(1)]		34.56	Bulgaria	Banking
ERB Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
ERB Leasing E.A.D.		100.00	Bulgaria	Leasing
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd		100.00	Cyprus	Special purpose investment vehicle
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		99.99	Luxembourg	Fund management
Eurobank Holding (Luxembourg) S.A.	f	99.99	Luxembourg	Holding company
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.		100.00	Netherlands	Holding company
Bancpost S.A.		93.78	Romania	Banking
ERB IT Shared Services S.A. [(1)]		1.10	Romania	Informatics data processing
ERB Leasing IFN S.A. [(1)]		2.77	Romania	Leasing
Eurobank Finance S.A. [(1)]		37.20	Romania	Investment banking
Eurobank Property Services S.A. (Romania)		80.00	Romania	Real estate services
Eurobank A.D. Beograd		55.80	Serbia	Banking
ERB Leasing A.D. Beograd [(1)]		25.81	Serbia	Leasing
ERB Property Services d.o.o. Beograd		80.00	Serbia	Real estate services
EFG Istanbul Holding A.S.		100.00	Turkey	Holding company
ERB Hellas Plc		99.99	United Kingdom	Special purpose financing vehicle
Anaptyxi II Plc		-	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle
Byzantium Finance Plc		-	United Kingdom	Special purpose financing vehicle
Daneion 2007-1 Plc		-	United Kingdom	Special purpose financing vehicle
Daneion APC Ltd		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle

[(1)] *not direct control by the Bank*

In addition, the following entities are controlled by the Bank:

(i) Holding entities of Bank's special purpose financing vehicles: Anaptyxi II Holdings Ltd, Anaptyxi SME I Holdings Ltd, Daneion Holdings Ltd, Karta II Holdings Ltd, Themeleion III Holdings Ltd and Themeleion IV Holdings Ltd

(ii) Dormant/under liquidation entities: Enalios Real Estate Development S.A., Global Fund Management S.A., Hotels of Greece S.A., Athens Insurance Brokerage Ltd, Security Services Systems Ltd, Proton Mutual Funds Management Company S.A

(iii) Entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements: a) Finas S.A. and b) Rovinvest S.A, Provet S.A and Promivet S.A. In particular, following the denouncement of the loan facilities granted to Rovinvest S.A and Provet S.A, and pursuant to the terms of the said share pledge agreements, the Bank obtained substantive rights which resulted in control over these entities and Promivet S.A, whose shares were also pledged under the lending agreements. The aforementioned entities operate in the vet pharmaceutical and food distribution industry and are non-listed. The loans granted to Rovinvest S.A and Provet S.A have been fully provided for.

(a) GRIVALIA PROPERTIES R.E.I.C., Greece (former Eurobank Properties R.E.I.C.)

Following the completion of the transaction with Fairfax Financial Holdings Limited and with institutional investors, the Bank's ownership interest to Eurobank Properties decreased from 55.56% to 20% without loss of control. In September 2014, Eurobank Properties R.E.I.C. was renamed to GRIVALIA PROPERTIES R.E.I.C. (see below)

(b) Andromeda Leasing I Holdings Ltd and Andromeda Leasing I plc, United Kingdom

In July 2014, the liquidation of Andromeda Leasing I Holdings Ltd and Andromeda Leasing I plc was completed.

(c) Eurobank Ergasias Leasing S.A. and T Leasing S.A., Greece

In July 2014, the share capital increase of Eurobank Ergasias Leasing S.A. increased by € 260 million, of which € 259 million refers to Bank's participation.

In November 2014, Eurobank Ergasias Leasing S.A. merged with T Leasing S.A., with the Bank's ownership increasing from 99.44% to 99.56%.

(d) Eurolife ERB Insurance Group Holdings S.A., Greece

In September 2014, the Bank established a wholly owned subsidiary, Eurolife ERB Insurance Group Holdings S.A. (hereafter 'Company'). The initial capital contribution consisted of: (a) the 100% of directly held equity shares in its Greek Insurance subsidiaries: Eurolife ERB Life Insurance S.A., Eurolife ERB General Insurance S.A., ERB Insurance Services S.A., including the indirectly held shareholdings (through its Greek subsidiaries) in Romanian Insurance subsidiaries: Eurolife ERB Asigurari de Viata S.A. and Eurolife ERB Asigurari Generale S.A.; and (b) an additional amount in cash of € 3.7 million. The valuation of the aforementioned contribution in kind, pursuant to article 9, par. 4 of Law 2190/1920, amounted to € 346.3 million and thus the total initial share capital of the "Company" amounted to € 350 million.

The investment in the Company was recognized at the previous carrying amount of the transferred shareholdings after taking into account the relevant IFRS principles regarding the transfers of subsidiaries to newly established subsidiaries and the substance of the transaction. Therefore, the transaction had no impact in the financial statements of the Bank.

(e) Herald Greece 1 and Herald Greece 2, Greece

In September 2014, the Group acquired 100% of the shares and voting rights of Herald Greece Real Estate Development and Services Company 1 (Herald Greece 1) and Herald Greece Real Estate Development and Services Company 2 (Herald Greece 2). Herald Greece 1 runs 'Escape' shopping centre in Ilion, Athens while Herald Greece 2 owns 'Veso Mare' shopping centre in Patras.

(f) Eurobank Holding (Luxembourg) S.A., Luxembourg

In September 2014, the share capital of Eurobank Holding (Luxembourg) S.A. increased by € 144 million.

Post balance sheet event

In January 2015, the Bank acquired from Hellenic Post (ELTA) 49% of Hellenic Postbank – Hellenic Post Mutual Funds Management Company S.A. and thus the total Bank participation to the company amounts to 100%.

Transactions on GRIVALIA PROPERTIES R.E.I.C (former Eurobank Properties R.E.I.C.)

(i) Transaction with Fairfax Financial Holdings Limited on GRIVALIA PROPERTIES R.E.I.C (former Eurobank Properties R.E.I.C.)

On 19 June 2013, Eurobank and Fairfax Financial Holdings Limited ('Fairfax') announced that they agreed on the principal terms of a proposed transaction aiming to further strengthen their relationship as shareholders of Eurobank Properties R.E.I.C. ('Eurobank Properties') and broaden in parallel considerably the ability and resources of Eurobank Properties to become the leading real estate company in Greece and the surrounding region.
On 17 October 2013, Eurobank and Fairfax concluded final binding documentation and received certain key regulatory approvals regarding their cooperation as shareholders of Eurobank Properties.
Under the basic terms of the agreement:

(a) Eurobank Properties would proceed with a share capital increase (the 'Rights Issue') to raise € 193 million, approximately, with pre-emption rights in favour of Eurobank Properties' existing shareholders (the 'Rights') at an offer price of € 4.80 per new share;

(b) Fairfax undertook to purchase Eurobank's Rights at an aggregate cash consideration of approximately € 20 million and to exercise the purchased Rights as well as its own Rights, thereby investing approximately € 144 million in the Rights Issue. As a result of the Rights exercise, Fairfax would increase its participation in Eurobank Properties to approximately 41% (from approximately 19% held at 31 December 2013) and the Bank would hold approximately 33.5% assuming that all other shareholders of Eurobank Properties would exercise their Rights; and

(c) Eurobank and Fairfax would cooperate so that, until 30 June 2020, Eurobank will retain management control and will fully consolidate Eurobank Properties, while Fairfax will be represented in the board of directors of Eurobank Properties and hold customary veto rights for transactions of this type. These agreements will be in force for as long as Eurobank's participation in Eurobank Properties does not fall below 20%; following which management control will automatically pass to Fairfax and Eurobank will retain customary veto rights depending on the level of its shareholding in Eurobank Properties.

Pursuant to the aforementioned investment agreement, on 21 January 2014, Fairfax's subsidiaries acquired from the Bank the 33,888,849 pre-emption rights regarding the share capital increase of Eurobank Properties for a total consideration of € 19,994,420.91, i.e. € 0.59 per pre-emption right. Accordingly, the carrying amount of the Bank's participation in Eurobank Properties decreased by € 69 million (i.e. the deemed cost of the said pre-emption rights) and a loss of € 49 million was recognized in the income statement.

The share capital increase of Eurobank Properties amounting to € 193 million was fully covered through payment in cash, and on 6 February 2014, 40,260,000 new common shares were issued. As a result, the Bank is deemed to have disposed of a 22.09% of its interest that was held in Eurobank Properties.

(ii) Transaction with institutional investors on GRIVALIA PROPERTIES R.E.I.C (former Eurobank Properties R.E.I.C.)

On 25 June 2014, the Bank disposed of 13,636,848 of common shares with voting rights of Eurobank Properties, which correspond to 13.47% of its interest that was held in Eurobank Properties. The trades were executed at the price of euro 8.75 per share. Accordingly, the carrying amount of the Bank's participation in Eurobank Properties decreased by € 109 million and a gain of € 11 million was recognized in the income statement.

Following the completion of the transactions (i) and (ii), the Bank's ownership interest in Grivalia Properties decreased from 55.56% to 20%, while Group's ownership decreased from 55.94% to 20.48% without loss of control.

Impairment in Subsidiaries undertakings

In the context of impairment testing of Goodwill at Group level, the Bank reassessed the recoverable amounts of its subsidiaries under the current economic environment. Accordingly, an impairment charge of the investment in its subsidiaries was recorded as follows:

	2014 € million	2013 € million
Eurobank Ergasias Leasing S.A.	**188**	120
Eurobank Holding (Luxembourg) S.A.	**142**	-
NEU Property Holdings Ltd	**78**	-
ERB New Europe Holding B.V	**77**	-
Bankpost S.A	**42**	31
Eurobank A.D. Beograd	**15**	26
Eurobank Financial Planning Services S.A	**12**	-
Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services	**1**	12
ERB IT Shared Services S.A	**5**	-
Other subsidiaries	**7**	6
	567	195

25. Property, plant and equipment

	31 December 2014			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	**386**	**120**	**324**	**830**
Transfers	**(15)**	**-**	**12**	**(3)**
Additions	**5**	**3**	**8**	**16**
Disposals and write-offs	**(10)**	**(4)**	**(25)**	**(39)**
Impairment	**-**	**-**	**-**	**-**
Balance at 31 December	**366**	**119**	**319**	**804**
Accumulated depreciation:				
Balance at 1 January	**(132)**	**(100)**	**(284)**	**(516)**
Transfers	**1**	**0**	**(3)**	**(2)**
Disposals and write-offs	**5**	**3**	**21**	**29**
Charge for the year	**(13)**	**(6)**	**(14)**	**(33)**
Balance at 31 December	**(139)**	**(103)**	**(280)**	**(522)**
Net book value at 31 December	**227**	**16**	**39**	**282**

	31 December 2013			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	273	109	337	719
Arising from acquisitions	116	11	4	131
Transfers	(5)	1	0	(4)
Additions	4	2	7	13
Disposals and write-offs	(1)	(3)	(24)	(28)
Impairments	(1)	(0)	-	(1)
Balance at 31 December	386	120	324	830
				-
Accumulated depreciation:				
Balance at 1 January	(115)	(93)	(294)	(502)
Arising from acquisitions	(4)	(3)	(1)	(8)
Transfers	0	(0)	0	0
Disposals and write-offs	1	2	24	27
Charge for the year	(14)	(6)	(13)	(33)
Balance at 31 December	(132)	(100)	(284)	(516)
Net book value at 31 December	254	20	40	314

Leasehold improvements relate to premises occupied by the Bank for its own activities.

26. Investment property

	2014 € million	2013 € million
Cost:		
Balance at 1 January	**62**	72
Transfers from/ to property plant and equipment	**15**	4
Additions	**0**	0
Impairments	**(6)**	(14)
Balance at 31 December	**71**	62
Accumulated depreciation:		
Balance at 1 January	**(5)**	(4)
Transfers from/ to property plant and equipment	**(1)**	(0)
Charge for the year	**(1)**	(1)
Balance at 31 December	**(7)**	(5)
Net book value at 31 December	**64**	57

During the year ended 31 December 2014 an amount of € 2.5 million (2013: € 1 million) was recognised as rental income from investment property in income from non-banking services. As at 31 December 2014 and 2013, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2014 for each class of investment property are presented in the below table. The main classes of investment property have been determined based on the nature, the characteristics and the risks of the Bank's properties. The fair value measurements of the Bank's investment property are categorised within level 3 of the fair value hierarchy.

	31 December 2014		31 December 2013	
	Fair Value	Book Value	Fair Value	Book Value
	€ million	€ million	€ million	€ million
Class of Property				
-Commercial	**73**	**62**	63	53
-Land Plots	**2**	**2**	5	4
Total	**75**	**64**	68	57

The basic methods used for estimating the fair value of the Bank's investment property are the income approach (income capitalisation/discounted cash flow method) and the comparative method, which are also used in combination depending on the class of property being valued.

The discounted cash flow method is used for estimating the fair value of the Bank's commercial investment property. Fair value is calculated through the projection of a series of cash flows using explicit assumptions regarding the benefits and liabilities of ownership (income and operating costs, vacancy rates, income growth), including the residual value anticipated at the end of the projection period. To this projected cash flows series, an appropriate, market-derived discount rate is applied to establish its present value.

Under the income capitalisation method, also used for the commercial class of investment property, a property's fair value is estimated based on the normalized net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return).

The comparative method is used for the commercial and land plot classes of investment property. Fair value is estimated based on data for comparable transactions, by analyzing either real transaction prices of similar properties, or by asking prices after performing the necessary adjustments.

27. Intangible assets

	2014	2013
	€ million	€ million
Cost:		
Balance at 1 January	**157**	137
Arising from acquisitions	**-**	11
Additions & transfers	**4**	9
Disposal and write-offs	**-**	(0)
Impairment	**(2)**	-
Balance at 31 December	**159**	157
Accumulated amortisation:		
Balance at 1 January	**(86)**	(68)
Arising from acquisitions	**-**	(2)
Transfers	**3**	(0)
Amortisation charge for the year	**(16)**	(16)
Disposals and write-offs	**-**	(0)
Balance at 31 December	**(99)**	(86)
Net book value at 31 December	**60**	71

28. Other assets

	2014 € million	2013 € million
Receivable from Deposit Guarantee and Investment Fund	**668**	657
Repossessed properties and relative prepayments	**344**	340
Pledged amount for a Greek sovereign risk financial guarantee	**257**	250
Income tax receivable	**212**	203
Prepaid expenses and accrued income	**49**	50
Investment in associated undertakings and joint ventures (see below)	**5**	6
Other assets	**190**	243
	1,725	1,749

As at 31 December 2014, other assets amounting to € 190 million (31 December 2013: € 243 million) mainly consist of receivables from (a) settlement balances with customers, (b) guarantees, (c) public entities and (d) fraudulent and legal cases net of provisions.

The following is a listing of the Bank's associated undertakings and joints ventures as at 31 December 2014

Name	Note	Country of incorporation	Line of business	Percentage Holding
Femion Ltd		Cyprus	Special purpose investment vehicle	66.45
Cardlink S.A.		Greece	POS administration	50.00
Tefin S.A.	a	Greece	Motor vehicle sales financing	50.00
Sinda Enterprises Company Ltd		Cyprus	Special purpose investment vehicle	48.00
Unitfinance S.A.	a	Greece	Financing company	40.00
Odyssey GP S.a.r.l.		Luxembourg	Special purpose investment vehicle	20.00

Odyssey GP S.a.r.L is the Bank's associated undertaking.

(a) Tefin S.A and Unitfinance S.A, Greece

In December 2013, the Extraordinary General Meeting of the companies decided their liquidation.

As of 31 December 2013, the Bank reassessed the recoverable amount of its joint venture, Femion Ltd, under the current economic environment and recorded, accordingly, an impairment charge amounting to € 1 million.

Post balance sheet event

In January 2015, the Bank disposed its participation interest of 50% in Cardlink S.A. The total number of shares of Cardlink S.A. which were held by the Bank, were disposed to a company of the group "Quest Holdings S.A.", for a total consideration amount of € 7.5 million.

29. Due to central banks

	2014 € million	2013 € million
Secured borrowing from ECB and BoG	**12,610**	16,887

As at 31 December 2014, the Bank has lowered its dependency on Eurosystem financing facilities to € 12.6 bn as a result of the successful completion of the Bank's share capital increase (note 35) and assets deleveraging.

30. Due to other banks

	2014 **€ million**	2013 € million
Secured borrowing from other banks	**12,071**	10,551
Secured borrowing from international financial institutions	**254**	237
Interbank takings	**948**	1,332
Current accounts and settlement balances with banks	**135**	76
	13,408	12,196

As at 31 December 2014, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals EFSF bonds (note 23).

31. Due to customers

	2014 **€ million**	2013 € million
Term deposits	**20,197**	21,899
Savings and current accounts	**11,235**	10,646
Repurchase agreements	**553**	1,407
	31,985	33,952

As at 31 December 2014, the carrying amount of structured deposits designated at fair-value-through-profit-or-loss was € 149 million (2013: € 152 million) and their cumulative fair value change was € 50 million loss (2013: € 48 million loss), which is attributable to changes in market conditions.

The fair value change of structured deposits is offset in the income statement against changes in the fair value of structured derivatives.

Under the law 4151/2013, the dormant deposit accounts balances are statute barred for the benefit of the Greek State after the 20-year lapse of the last transaction. Accordingly, in April 2014 the Bank transferred to the Greek State an amount of € 6m.

32. Debt issued and other borrowed funds

	2014 **€ million**	2013 € million
Securitised	**938**	1,117
Subordinated	**218**	-
Medium-term notes (EMTN)	**78**	344
Covered bonds	**0**	0
Government guranteed bonds	**53**	0
	1,287	1,461

The Bank's funding consists of notes under Euro Medium Term Note (EMTN) program, securitisations of various classes of loans, covered bonds and government guaranteed bonds:

Asset Backed Securities

In June 2004, the Bank issued residential mortgage backed securities by Themeleion Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 47 basis points. As of December 2011, the Issuer has the option to call the issue at par at each interest payment date (clean-up call option). As at 31 December 2014, the liability amounted to € 10 million (2013: € 15 million).

In June 2005, the Bank issued residential mortgage backed securities by Themeleion II Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 44 basis points.

As of July 2012, the Issuer has the option to call the issue at par at each interest payment date (step-up call option). As at 31 December 2014, the liability amounted to € 27 million (2013: € 41 million).

In June 2006, the Bank issued residential mortgage backed securities by Themeleion III Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 21 basis points. The securities' initially expected average life was seven years. As at 31 December 2014, the liability amounted to € 44 million (2013: € 56 million).

In June 2007, the Bank issued residential mortgage backed securities by Themeleion IV Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 37 basis points. As of August 2012, the Issuer has the option to call the issue at par at each interest payment date (step-up call option). As at 31 December 2014, the liability amounted to € 50 million (2013: € 157 million).

During the year, the Bank proceeded with the repurchase of residential mortgage backed securities of face value of € 104 million, issued through its special purpose entities.

During the year, the Bank proceeded with the redemption of securitized notes of face value of € 26 million acquired from NHPB, at their carrying amount.

Corporate Loan Asset Backed Securities

In July 2008, the Bank proceeded with the first issuance of bond loan asset backed securities by Anaptyxi SME I PLC, a special purpose entity. As at 31 December 2014 the liability amounted to € 807 million (2013: € 822 million)

Subordinated (Lower TIER II)

In March 2014, the Board of Directors of the Bank decided the substitution of the issuer ERB Hellas (Cayman Islands) LTD with the Bank in relation to the Lower Tier II unsecured subordinated notes. The notes have a ten year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of three month Euribor plus 160 basis points. The notes qualify as Lower Tier II capital for the Bank and are listed on the Luxembourg Stock Exchange. As at 31 December 2014 the liability amounted to € 218 million (2013: nil).

As at 31 December 2014, the notes held by Bank's customers, amounted to € 49 million (2013: nil), were included in "Due to customers" (note 31).

Medium-term notes (EMTN)

As at 31 December 2014, the notes issued by the Bank under the EMTN program, totaling to € 77 million (2013 : € 344 million), were fully retained by the Bank's subsidiaries.

During the year, the Bank proceeded with the redemption of notes of face value of € 291 million.

Government guaranteed bonds and Covered bonds

As at 31 December 2014, the government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 4), as well as the covered bonds, of face value of € 13,717 million and € 3,150 million respectively, were retained by the Bank and its subsidiaries, with the exception of face value of € 50 million government guaranteed bonds which were held by third parties.

In March 2014, the Bank proceeded with the redemption of covered bonds of face value of € 250 million. Furthermore, in October 2014 the Bank proceeded with the redemption of covered bonds of face value of € 400 million.

In May 2014, government guaranteed bonds of face value of € 332 million matured. Furthermore, in June, September and October 2014 the Bank proceeded with the cancellation of government guaranteed bonds of face value of € 1,910 million, € 550 million and € 1,300 million respectively.

In December 2014, the Bank issued new government guaranteed bonds of face value of € 3,877 million.

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website.

Post Balance sheet event

In January 2015, the Bank issued government guaranteed bonds of face value of € 2,736 million which were fully retained by the Bank.

33. Other liabilities

	2014 € million	2013 € million
Sovereign risk financial guarantee	**52**	55
Other provisions	**73**	205
Deferred income and accrued expenses	**55**	56
Standard legal staff retirement indemnity obligations	**32**	21
Other liabilities	**265**	280
	477	617

As at 31 December 2014, other provisions amounting to € 73 million consist of amounts for (a) outstanding litigations of € 53 million (note 41), (b) operational risk events of € 10 million, and (c) untaken vacation indemnity of € 10 million As at 31 December 2014, other liabilities amounting to € 265 million mainly consist of payables relating with (a) suppliers and creditors, (b) bank checks and remittances, (c) contributions to insurance organisations, (d) duties and other taxes and (e) credit card transactions under settlement. The movement of the Bank's other provisions, is presented in the following table:

	31 December 2014		
	Litigations and Claims in dispute € million	Other € million	Total € million
Balance at 1 January	**149**	**56**	**205**
Amounts charged during the year	**9**	**31**	**40**
Amounts used during the year	**-**	**(2)**	**(2)**
Amounts reversed during the year	**(105)**	**0**	**(105)**
Other movements	**-**	**(65)**	**(65)**
Balance at 31 December	**53**	**20**	**73**

Note:In December 2014, the Bank acquired from its subsidiary, an impaired loan guaranteed and therefore, the respective provision amounting to €42 million, reduced the carrying amount of the loan (note 21).

As at 31 December 2014, other provisions include an amount of € 41 million (31 December 2013: € 38 million) for outstanding litigations with DEMCO S.A. Following the judgment issued by the Athens Court of Appeals in October 2014, the Bank has increased its provision by € 3 million, which corresponds to the additional interest on the adjudicated amount by 31 December 2014.

34. Standard legal staff retirement indemnity obligations

The Bank provides for staff retirement indemnity obligation for its employees in Greece and abroad, who are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Bank until normal retirement age, in accordance with the local labour legislation. The above retirement indemnity obligations typically expose the Bank to actuarial risks such as interest rate risk and salary risk. Therefore, a decrease in the discount rate used to calculate the present value of the estimated future cash outflows or an increase in future salaries will increase the staff retirement indemnity obligations of the Bank.

The movement of the liability for standard legal staff retirement indemnity obligations is as follows:

	2014 € million	2013 € million
Balance at 1 January	**21**	29
Current service cost	**2**	2
Interest cost	**1**	1
Past service cost and (gains)/losses on settlements	**4**	82
Remeasurements:		
Actuarial (gains)/losses arizing from changes in financial assumptions	**9**	4
Actuarial (gains)/losses arizing from experience adjustments	**(1)**	2
Benefits paid	**(4)**	(100)
Arising from acquisition	**-**	1
Balance at 31 December	**32**	21

In 2013, the Bank implemented a Voluntary Exit Scheme (VES), in the context of which the benefits paid amounted to € 93.6 million. The provision for staff retirement obligations, participated on the above scheme, amounted to € 13.2 million

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	2014 %	2013 %
Discount rate	**2.6**	3.8
Future salary increases	**1.8**	1.6

As at 31 December 2014, the average duration of the standard legal staff retirement indemnity obligation was 19 years (2013: 19 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2014 is as follows:

An increase /(decrease) of the discount rate assumed, by 50 bps/(50 bps), would result in a (decrease)/ increase of the standard legal staff retirement obligations by € (2.3 million)/2.6 million.

An increase /(decrease) of the future salary growth assumed by 0.5%/(0.5%), would result in an increase /(decrease) of the standard legal staff retirement obligations by € 4 million/ (€ 3.6 million).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and assumptions used in preparing the above sensitivity analysis were consistent with those used to estimate the retirement benefit obligation and did not change compared to the previous year.

35. Ordinary share capital and share premium

The par value of the Bank's shares is € 0.30 per share (31 December 2013: € 0.30). All shares are fully paid. The movement of ordinary share capital, share premium and the number of shares issued by the Bank, is as follows:

	Ordinary share capital € million	Share premium € million	Number of issued ordinary shares
Balance at 1 January 2013	1,228	1,448	552,948,427
Share capital decrease by reducing the ordinary shares' par value	(1,211)	0	(497,653,584)
Share capital increase following recapitalisation, net of expenses	1,136	4,537	3,789,317,358
Share capital increase following LME, net of expenses	62	254	205,804,664
Share capital increase following acquisition of NHPB, net of expenses	426	430	1,418,750,000
Balance at 31 December 2013	1,641	6,669	5,469,166,865
Balance at 1 January 2014	**1,641**	**6,669**	**5,469,166,865**
Share capital increase , net of expenses	2,771	13	9,238,709,677
Balance at 31 December 2014	**4,412**	**6,682**	**14,707,876,542**

On 12 April 2014, the Extraordinary Shareholders General Meeting:

(a) approved the increase of the share capital of the Bank up to its capital requirements, as these had been specified from the BoG, namely up to € 2,864 million, through payment in cash or/and contribution in kind, the cancellation of the pre-emption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new common shares, of a nominal value of € 0.30 each, at an offer price of not less than the nominal value and the minimum price that the General Council of the HFSF would specify in accordance with Law 3864/2010;

(b) approved the New Shares to be offered via a private placement outside of Greece (the 'International Offering') and through a public offer to the public in Greece (the 'Public Offering');

(c) authorized the BoD to determine the offer price, the amount of the nominal increase and the number of new shares, to further specify and finalize the structure and the terms of the increase and the offering of the new shares, to adjust, by its resolution for the certification of the share capital Increase, articles 5 and 6 of the Bank's articles of association, and generally, to carry out at its discretion any act or action which is needed, necessary or appropriate to implement the resolutions of the EGM and completion of the increase.

Pursuant to the aforementioned resolutions of the EGM as well as the 29 April and 6 May 2014 Board resolutions:

(i) the share capital of the Bank increased by € 2,771.6 million by issuing 9,238,709,677 new shares, of which 8,314,838,710 were allocated to investors participating in the International Offering and 923,870,967 to investors participating in the Public Offering, with a nominal value of € 0.30 each; and

(ii) The share premium increased by € 92 million.

Incremental costs directly attributable to the aforementioned capital increase of € 2,864 million amounted to € 85 million, net of tax, including € 6 million, net of tax intragroup cost.

Treasury shares

Under Law 3756/2009, banks participating in the Government's Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

36. Preference shares

	Preference Shares		
	Number of shares	2014 € million	2013 € million
Balance at 31 December	**345,500,000**	**950**	950

On 12 January 2009 the Extraordinary General Meeting of the Bank approved the issue of 345,500,000 non-voting, non-listed, non-transferable, tax deductible, non-cumulative 10% preference shares, with nominal value € 2.75 each, under Law 3723/2008 "Greek Economy Liquidity Support Program", to be fully subscribed to and paid by the Greek State with bonds of equivalent value. The proceeds of the issue total € 940 million, net of expenses, and the transaction was completed on 21 May 2009. In accordance with the current legal and regulatory framework, the issued shares have been classified as Common Equity Tier I capital.

The preference shares pay a non-cumulative coupon of 10%, subject to meeting minimum capital adequacy requirements, set by Bank of Greece, availability of distributable reserves in accordance with article 44a of Company Law 2190/1920 and the approval of the Annual General Meeting. According to Law 3723/2008, as in force, five years after the issue of the preference shares or earlier subject to the approval of the Bank of Greece, the Bank may redeem the preference shares at their nominal value. In case of non-redemption at the expiration of the five year period, the coupon is increased by 2% each year.

Based on the 2014 results and Law 3723/2008 in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted.

37. Hybrid capital

On 18 March 2005, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier I capital for the Bank (Tier I Series A). In December 2014, an amount of € 126.8 million that was retained by the Bank was cancelled. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 6.75% for the first two years and non-cumulative annual dividends that are determined based on the ten year Euro swap rate plus a spread of 0.125% capped at 8% thereafter. The rate of preferred dividends for the Tier I Issue series A has been determined at 1.909% for the period 18 March 2014 to 17 March 2015. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier I capital for the Bank (Tier I Series B). In December 2014, an amount of € 248.6 million that was retained by the Bank was cancelled. The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative annual dividend of 4.57% for the first ten years and non-cumulative annual dividends that are determined based on the 3month Euribor plus a spread of 2.22% thereafter. The preferred dividend must be declared and paid if the Bank declares dividend. The preferred securities are listed on the London Stock Exchange.

On 9 November 2005, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 150 million preferred securities which represent Lower Tier I capital for the Bank (Tier I Series C). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 6% per annum. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 21 December 2005, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 50 million preferred securities which are consolidated and form a single series with the existing € 150 million preferred securities issued on 9 November 2005. In December 2014, an amount of € 42.6 million that was retained by the Bank was cancelled.

On 29 July 2009, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 300 million preferred securities which represent Tier I capital for the Bank (Tier I Series D). This is in accordance with the decision of the Annual General Meeting on 30 June 2009 which allows the Bank to issue in tranches up to € 500 million of such securities. In December 2014, an amount of

€ 279 million that was retained by the Bank was cancelled. The preferred securities have no fixed redemption date and give the issuer the right to call the issue after five years from the issue date and annually thereafter. In addition the securities, subject to certain conditions, are convertible at the option of the bondholder and the issuer after October 2014 into Eurobank ordinary shares at the lower of an exchange ratio based on a) a 12% discount to the share market price during the period preceding the exchange or b) the nominal value of Bank's ordinary share. All obligations of the issuer in respect of the preferred securities are guaranteed on a subordinated basis by the Bank. The securities pay fixed non-cumulative dividend on a quarterly basis at a rate of 8.25% per annum. The preferred dividend must be declared and paid if the Bank declares a dividend. The preferred securities are listed on the London Stock Exchange.

On 30 November 2009, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 100 million preferred securities which represent Tier I capital for the Bank (Tier I Series E). In December 2014, the full amount of this series that was retained by the Bank was cancelled.

The outstanding amount of hybrid capital issued by the Bank in the form of preferred securities, through its Special Purpose Entity, ERB Hellas Funding Limited, as at 31 December 2014 is as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 31 December 2014	72	151	154	21	398

On 23 December 2013, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series A, Series C and Series D, which otherwise would have been paid on 18 March 2014, 9 January 2014 and 29 January 2014, respectively.

On 26 March 2014, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series C and Series D, which otherwise would have been paid on 9 April 2014 and 29 April 2014, respectively.

On 23 June 2014, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series C and Series D, which otherwise would have been paid on 9 July 2014 and 29 July 2014, respectively.

On 22 September 2014, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series B, Series C and Series D, which otherwise would have been paid on 2 November 2014, 9 October 2014 and 29 October 2014, respectively.

On 30 December 2014, ERB Hellas Funding Ltd announced the non -payment of the non-cumulative preferred dividend on the preferred securities of Series A, Series C and Series D, which otherwise would have been paid on 18 March 2015, 9 January 2015 and 29 January 2015, respectively.

38. Share based payments

The Bank grants share options to executive directors, management and employees. All options are equity-settled and may be exercised wholly or partly and converted into shares, at their owners' option provided that the vesting requirements are met.

In April 2006, the Annual General Meeting approved the establishment of an umbrella share options program allowing the Board of Directors (through the Board's Remuneration Committee) to issue share options within the next 5 years totaling up to 3% of the Bank's shares within the defined framework similar to the share options issued in the past. The umbrella program to issue share options expired within 2011. The Repeat Extraordinary General Shareholders' Meeting on 21 November 2007 amended the terms of the program so that throughout its implementation the vesting and exercise periods of the share options may be determined at the discretion of the Board following recommendation by the Remuneration Committee. The Share options program expired at 31 December 2014.

The movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31 December 2014		31 December 2013	
	Exercise price in € per share	**Number of share options**	Exercise price in € per share	Number of share options
Balance at 1 January	**9.90**	**906,896**	11.38	3,015,066
Expired and/or cancelled	**9.90**	**(906,896)**	12.02	(2,108,170)
Balance at 31 December and average exercise price per share	**-**	**-**	9.90	906,896

39. Special reserves

	31 December 2013				
	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January	204	1,162	(152)	(224)	990
Share capital decrease by reducing the ordinary shares' par value				1,211	1,211
Acquisition of New Proton				910	910
Transfers between reserves	-	(38)	-	302	264
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	26	-	26
- acquired AFS reserve (NHPB & NPB) net of tax	-	-	2	-	2
- transfer to net profit, net of tax	-	-	(7)	-	(7)
Cash flow hedges					
- net changes in fair value, net of tax	-	-	21	-	21
- transfer to net profit, net of tax	-	-	52	-	52
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(4)	(4)
Value of employee services	-	-	-	(8)	(8)
Balance at 31 December	204	1,124	(58)	2,187	3,457

	31 December 2014				
	Statutory reserves € million	**Non-taxed reserves € million**	**IAS 39 reserves € million**	**Other reserves € million**	**Total € million**
Balance at 1 January	**204**	**1,124**	**(58)**	**2,187**	**3,457**
Transfers between reserves	**-**	**(235)**	**-**	**1**	**(234)**
Available-for-sale securities					
- net changes in fair value, net of tax	**-**	**-**	**(113)**	**-**	**(113)**
- transfer to net profit, net of tax	**-**	**-**	**(17)**	**-**	**(17)**
Cash flow hedges					
- net changes in fair value, net of tax	**-**	**-**	**(32)**	**-**	**(32)**
- transfer to net profit, net of tax	**-**	**-**	**18**	**-**	**18**
Actuarial gains/(losses) on post employment benefit obligations, net of tax	**-**	**-**	**-**	**(6)**	**(6)**
Value of employee services	**-**	**-**	**-**	**(1)**	**(1)**
Balance at 31 December	**204**	**889**	**(202)**	**2,181**	**3,072**

Non-taxed reserves are taxed when distributed. The Bank's non-taxed reserves were reduced by € 235 million as a result of their offset against the Bank's tax losses as required by the Greek tax law and the outcome of the court appeal regarding the one-off taxation imposed by Law 3513/2006.

Included in IAS 39 reserves as at 31 December 2014 is € 101 million loss (2013: € 87 million loss) relating to cash flow hedging reserve.

Statutory reserves and IAS 39 reserves are not distributable. In addition, as at 31 December 2014 included in other reserves non distributable Bank's reserves amounting to € 1,788 million (2013: € 1,788 million)

40. Transfers of financial assets

The Bank enters into transactions by which it transfers recognised financial assets directly to third parties or to SPEs.

a) The Bank sells, in exchange for cash, securities under an agreement to repurchase them ('repos') and assumes a liability to repay to the counterparty the cash received. In addition, the Bank pledges, in exchange for cash, securities and loans and receivables and assumes a liability to repay to the counterparty the cash received. The Bank has determined that it retains substantially all the risks including associated credit and interest rate risks, and rewards of these financial assets and therefore has not derecognised them. As a result of the above transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction. The related liability is recognised in Due to banks (notes 29 and 30) and Due to customers (note 31), as appropriate.

The Bank enters into securitizations of various classes of loans (mortgage, bond loans, credit cards and consumer loans), under which it assumes an obligation to pass on the cash flows from the loans to the holders of the notes. The Bank has determined that it retains substantially all risks including associated credit and interest rate risks and rewards of these loans and therefore has not derecognised them. . As a result of the above transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of their retention by the SPE. Moreover, the note holders' recourse is limited to the transferred loans. The related liability is recognised in Debt issued and other borrowed funds (note 32).

The table below sets out the details of Bank's financial assets that have been sold or otherwise transferred, but which do not qualify for derecognition:

	Carrying amount	
	2014	2013
	€ million	€ million
Financial instruments at fair value through profit or loss	**19**	47
Loans and advances to customers	**11,031**	12,766
-securitized loans [(1)]	***2,447***	*2,798*
-pledged loans under covered bond program	***4,066***	*4,380*
-pledged loans with central banks	***4,281***	*5,388*
-other pledged loans	***237***	*200*
Investment securities	**13,894**	*13,258*
	24,944	26,071

[(1)] For certain securitizations retained by the Group's subsidiaries, the Bank has additionally posted collaterals (pledged deposits) to its subsidiaries amounting to € 0.8 bn (2013: € 0.8 bn).

b) As at 31 December 2014, the Bank, under the second stream of Greek Economy Liquidity Support Program (note 4), had issued Government guaranteed bonds of total face value of € 13,717 million. Of the aforementioned issues, which were retained by the Bank and its subsidiaries, with the exception of face value of € 50 million, € 10,966 million (cash value € 9,249 million) were pledged to central banks and international financial institutions (2013: face value € 13,932 million and cash value € 8,650 million).

c) In addition, the Bank may sell or re-pledge any securities borrowed or obtained through reverse repos and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognised by the Bank. As at 31 December 2014, the Bank had borrowed or obtained through reverse repos securities with fair value of € 186 million (2013: € 1,872 million), the majority of which had been pledged to central banks. Furthermore, under the third stream of Greek Economy Liquidity Support Program, the Bank as at 31 December 2014 had borrowed special Greek Government bonds of face value of € 1,918 million (cash value € 1,456 million), which were pledged to central banks.

As at 31 December 2014, the cash value of the assets transferred or borrowed by the Bank through securities lending, reverse repo and other agreements (points a, b and c) amounted to € 27,354 million, while the associated liability from the above transactions amounted to € 26,426 million (notes 29, 30, 31 and 32) (2013: cash value € 31,859 million and liability € 30,199 million).

In addition, the Bank's financial assets pledged as collateral for repos, derivatives, securitizations, and other transactions, other than the financial assets presented in the table above, are provided in notes 18 and note 28.

41. Contingent liabilities and other commitments

	2014 € million	2013 € million
Guarantees and standby letters of credit	**2,364**	2,851
Other guarantees and commitments to extend credit	**541**	645
Documentary credits	**18**	13
Capital expenditure	**6**	4
	2,929	3,513

Legal Proceedings

As at 31 December 2014, there were a number of legal proceedings outstanding against the Bank for which a provision of € 53 million was recorded (31 December 2013: € 149 million). As at 31 March 2014, the Bank proceeded with the release of the provision of € 103 million, recognized in 2013 based on the management's estimates of the final amount of the consideration to be received for the disposal of Polish operations (note 15).

42. Operating leases

Leases as lessee - Non-cancellable operating lease rentals are payable as follows:

	Land and buildings	
	2014 € million	2013 € million
Not later than one year	**25**	27
Later than one year and no later than five years	**48**	41
Later than five years	**69**	51
	142	119

There are no material future minimum sublease payments to be received under non-cancellable subleases.

Leases as lessor - Non-cancellable operating lease rentals are receivable as follows:

	Land and buildings	
	2014 € million	2013 € million
Not later than one year	**2**	1
Later than one year and no later than five years	**2**	1
	4	2

43. Post balance sheet events

Details of significant post balance sheet events are provided in the following notes:

Note 4- Greek Economy Liquidity Support Program

Note 7.2.3 – Liquidity risk

Note 24 – Shares in subsidiary undertakings

Note 28 – Other assets

Note 32 – Debt issued and other borrowed funds

Note 45- Board of Directors

44. Related parties

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

On 12 July 2013, Eurobank signed with HFSF, a relationship framework agreement (RFA) that determined covenants governing the relationship between the Bank and the HFSF and the matters related with, amongst others, the corporate governance of the Bank and the development and approval of the Restructuring Plan. On 26 August 2013, the RFA was approved by the Extraordinary General Meeting in accordance with Law 2190/1920 article 23a.

Following the completion of the Bank's share capital increase (note 35), fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Bank's General Assemblies have been switched to restricted ones (note 6). Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Bank but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Bank, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalisation, are not regarded as such.

For the period for which HFSF was the controlling shareholder of the Bank, the transactions between the Bank and Greek Banks significantly influenced by HFSF, were not significant.

In addition, in the context of the amended HFSF Law, HFSF undertook (a) to enter into a new relationship framework agreement with Eurobank and (b) not to sell any shares that it holds in Eurobank for a period of 6 months after the offering. Following the completion of the Bank's share capital increase, on 28 August 2014 HFSF entered into a new relationship framework agreement with Eurobank, similar to that of the other systemic banks.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Bank at times may hold positions in debt and equity instruments of related parties.

The outstanding balances of the said related party transactions and the relating income and expenses are as follows:

	31 December 2014				31 December 2013			
	Subsidiaries € million	Key management personnel (KMP)[1] € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million	Subsidiaries € million	Key management personnel (KMP)[1] € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million
Loans and advances to banks	3,394	-	-	-	5,964	-	-	-
Financial Instruments at fair value through P&L	47	-	-	-	36	-	-	-
Derivative Financial instruments assets	15	-	-	-	16	-	-	-
Investment Securities	313	-	-	-	136	-	-	-
Loans & advances to customers, net of provision	1,590	6	4	0	1,899	3	16	0
Other assets[2]	29	-	-	3	17	-	-	2
Due to banks	3,368	-	-	-	2,514	-	-	-
Derivative Financial instruments liabilities	3	-	-	-	3	-	-	-
Due to customers	1,492	3	9	0	1,710	6	8	0
Debt issued and other borrowed funds	885	-	-	-	1,166	-	-	-
Other liabilities[2]	18	-	-	9	19	-	-	-
Net interest income	(7)	(0)	(0)	0	23	(0)	0	(0)
Net banking fee and commission income	12	-	-	-	23	0	0	-
Dividend income	60	-	-	-	2	-	-	-
Net trading income	(2)	-	-	-	(6)	-	-	-
Other operating income/(expense)	(17)	-	(0)	1	(18)	-	(0)	-
Impairment losses on loans and advances and collectors fees	(39)	-	(8)	-	(21)	-	(9)	-
Guarantees issued	1,785	-	-	-	2,217	-	-	-
Guarantees received	-	0	-	-	-	0	-	-

[1] Key management personnel includes directors and key management personnel of the Bank and HFSF (until early May 2014) and their close family members. For the period until early May 2014, the amounts of income and expenses in relation with transactions with directors and key management personnel of HFSF and their close family members were immaterial.
[2] Receivable from/payable to HFSF pursuant to the terms of the relevant binding agreement for the acquisition of NHPB.

Note: In addition, at 31 December 2014 the loans, net of provisions, granted to entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements (note 24) amounted to €3 million.

During the year ended 31 December 2014, the Bank has recorded impairment losses of a) € 20 million against the interbank placement with its indirect subsidiary "PJSC Universal Bank" in Ukraine, which has been classified as held for sale operations in Group's financial statements as of March 2014, b) €8 million against loan balances with a Group's joint venture and c) € 1.5 million against loan balances with the newly acquired subsidiaries (note 24). As at 31 December 2014, the impairment allowance for loan balances with Bank's subsidiaries and joint ventures amounted to €88.5 million (31 December 2013: €59 million).

In relation to the Letters of Guarantee issued as at 31 December 2014, the Bank has received cash collateral of € 523 million (31 December 2013: €475 million) which is included in Due to Customers.

Key management compensation (directors and other key management personnel of the Bank)

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 5,80 million (31 December 2013: € 6.31 million) and long-term employee benefits (excluding share-based payments) of € 0.65 million (31 December 2013: € 0.55 million). Additionally, the Bank has recognized € 0.10 million income relating with forfeited share options (31 December 2013: € 3.7 million).

45. Board of Directors

The Board of Directors was elected by the Annual General Meeting held on 27 June 2013 for a three years term of office, expiring at the Annual General Meeting that will take place in 2016. On 28 June 2014, the General meeting elected seven new Board members; on the same date, at their wish, four Board members' term of office was terminated. On 1 February 2015, following the resignation of the Chairman Mr. Panayotis-Aristidis Thomopoulos and of the Chief Executive Officer, Mr. Christos I. Megalou, the Board appointed Mr. Nikolaos V. Karamouzis as new Board member and Chairman of the Board and Mr. Fokion C. Karavias as Chief Executive Officer, who already held the position of Executive Director as of that date. The term of office of the new Board members expires concurrently with the term of office of the other members, i.e. at the Annual General Meeting that will take place in 2016.

Finally, following the resignation of Mr. Dimitrios Georgoutsos from the position of the Greek State's representative, the Minister of Finance appointed Mrs. Christina G. Andreou as representative of the Greek State to Eurobank's Board of Directors, whose term commenced on 6 March 2015 and shall expire at the end of Eurobank's participation in the provisions of L.3723/2008. The Board of Directors of Eurobank at its meeting on 10 March 2015 appointed and integrated into the Board Mrs. C. Andreou as an additional non-executive member, according to the provisions of L.3723/2008.

N. Karamouzis	Chairman, Non-Executive (nominated as of 1 February 2015)
P.A. Thomopoulos	Chairman, Non-Executive (until 1 February 2015)
G. David	Chairman, Non-Executive (until 28 June 2014)
G. Gondicas	Honorary Chairman, Non-Executive (until 28 June 2014)
S. Lorentziadis	Vice Chairman, Non-Executive Independent (nominated as Vice Chairman on 28 June 2014)
E. G. Arapoglou	Vice Chairman, Non-Executive Independent (until 28 June 2014)
C. Megalou	Chief Executive Officer (until 1 February 2015)
F. Karavias	Chief Executive Officer (nominated as CEO on 1 February 2015. Previously, from 28 June 2014 up to 1 February 2015 held the position of Executive Board Member)
W. S. Burton	Non-Executive (appointed as of 28 June 2014)
G. Chryssikos	Non-Executive (appointed as of 28 June 2014)
J. S. Haick	Non-Executive Independent (appointed as of 28 June 2014)
B. P. Martin	Non-Executive Independent (appointed as of 28 June 2014)
J. Seegopaul	Non-Executive Independent (appointed as of 28 June 2014)
D. Papalexopoulos	Non-Executive Independent (until 28 June 2014)
C. Andreou	Non-Executive (Greek State representative under Law 3723/2008 – appointed as of 6 March 2015)
D. Georgoutsos	Non-Executive (Greek State representative under Law 3723/2008 – until 6 March 2015)
K. H. Prince – Wright	Non-Executive (HFSF representative under Law 3864/2010)

46. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting.

Under Law 3756/2009, as amended by Law 3844/2010, and supplemented by Laws 3965/2011, 4063/2012, 4144/2013 and 4261/2014, any distribution of profits to ordinary shareholders of the banks participating in the first stream of the Greek Economy Liquidity Support Program for the financial years 2008 to 2013 could only take place in the form of ordinary shares, other than treasury shares. Based on the 2014 results and in accordance with the article 1, par.3 of Law 3723/2008 (as in force) in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted (note 36).

Athens, 10 March 2015

Nikolaos V. Karamouzis	**Fokion C. Karavias**	**Harris V. Kokologiannis**
I.D. No AB – 336562	I.D. No AI - 677962	I.D. No AK-021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	GENERAL MANAGER GROUP FINANCE & CONTROL (CHIEF FINANCIAL OFFICER)

V. Summary Financial (Solo and Consolidated) Data and Information for the Year from 1 January to 31 December 2014

EUROBANK ERGASIAS S.A.
FINANCIAL DATA AND INFORMATION FOR THE YEAR
from 1 January to 31 December 2014
(published according to the Article 135 of Law 2190, for companies preparing annual financial statements, consolidated or not, in accordance with the IFRS)

The information listed below aims to provide a general overview about the financial position and the financial results of Eurobank Ergasias S.A. and its Group. Consequently, readers are strongly advised to visit the website of the Bank, where the Annual Financial Statements prepared under International Financial Reporting Standards (IFRS), as well as the certified auditors' opinion are available, before any investment decision or transaction with the Bank is entered into.

COMPANY'S DATA

Registered office:	8 Othonos Street, Athens 105 57
Company Registration No:	000223001000
Appropriate Authority:	Ministry of Economy, Infrastructure, Shipping and Tourism
Date of approval of the annual financial statements (from which data were compiled):	10 March 2015
Certified Public Accountant-Auditor:	Despina Marinou
Audit Firm:	PricewaterhouseCoopers S.A.
Auditors' opinion :	Unqualified - emphasis of matter
Company's website:	www.eurobank.gr

Board of directors:

N. Karamouzis	Chairman, Non-Executive (nominated as of 1 February 2015)
S. Lorentziadis	Vice Chairman, Non-Executive Independent (nominated as Vice Chairman on 28 June 2014)
F. Karavias	Chief Executive Officer (nominated as CEO on 1 February 2015)
W. S. Burton	Non-Executive (appointed as of 28 June 2014)
G. Chryssikos	Non-Executive (appointed as of 28 June 2014)
J. S. Haick	Non-Executive Independent (appointed as of 28 June 2014)
B. P. Martin	Non-Executive Independent (appointed as of 28 June 2014)
J. Seegopaul	Non-Executive Independent (appointed as of 28 June 2014)
C. Andreou	Non Executive (Greek State representative under Law 3723/2008 - appointed as of 6 March 2015)
K. H. Prince – Wright	Non Executive (HFSF representative under Law 3864/2010)

INCOME STATEMENT

Amounts in euro million

Bank 1 Jan-31 Dec 2014	Bank 1 Jan-31 Dec 2013		Group 1 Jan-31 Dec 2014	Group 1 Jan-31 Dec 2013
999	723	Net interest income	**1,515**	1,270
74	85	Net banking fee and commission income	**200**	199
-	-	Net insurance income	**36**	36
6	7	Income from non banking services	**48**	34
60	3	Dividend income	**3**	3
(15)	(1)	Net trading income	**(5)**	(16)
33	18	Gains less losses from investment securities	**85**	41
3	(39)	Net other operating income	**7**	(9)
1,160	796	**Operating income**	**1,889**	1,558
(699)	(674)	Operating expenses	**(1,055)**	(1,037)
461	122	**Profit from operations before impairments and non recurring income/(expenses)**	**834**	521
(1,901)	(1,587)	Impairment losses on loans and advances	**(2,264)**	(1,900)
(604)	(196)	Impairment losses on shares in subsidiary undertakings and joint ventures/Intangible assets	**(100)**	(142)
(134)	1	Other impairment losses	**(205)**	(114)
75	(256)	Restructuring costs and other non recurring income/(expenses)	**57**	(264)
-	-	Share of results of associated undertakings and joint ventures	**(0)**	(2)
(2,103)	(1,916)	**Profit/(loss) before tax**	**(1,678)**	(1,901)
527	463	Income tax	**462**	454
244	445	Non recurring tax adjustments	**252**	329
(1,332)	(1,008)	**Net Profit/(loss) from continuing operations**	**(964)**	(1,118)
(51)	1	Net Profit/(loss) from discontinued operations	**(232)**	(39)
(1,383)	(1,007)	**Net profit/(loss)**	**(1,196)**	(1,157)
-	-	Net profit/(loss) attributable to non controlling interests	**23**	(3)
(1,383)	(1,007)	**Net profit/(loss) attributable to shareholders**	**(1,219)**	(1,154)
(0.1201)	(0.3601)	**Basic earnings/(losses) per share**	**(0.1058)**	(0.4098)
(0.1157)	(0.3605)	**Basic earnings/(losses) per share from continuing operations**	**(0.0857)**	(0.3964)

BALANCE SHEET

Amounts in euro million

Bank 31 Dec 2014	Bank 31 Dec 2013		Group 31 Dec 2014	Group 31 Dec 2013
		ASSETS		
801	651	Cash and balances with central banks	**1,948**	1,986
5,892	8,098	Loans and advances to banks	**3,059**	2,567
73	62	Financial instruments at fair value through profit or loss	**360**	375
2,121	1,260	Derivative financial instruments	**2,134**	1,264
35,076	37,468	Loans and advances to customers	**42,133**	45,610
2,913	1,219	Available-for-sale investment securities	**5,626**	3,113
346	414	Held-to-maturity investment securities	**657**	741
11,700	13,375	Debt securities lending portfolio	**11,566**	14,862
2,570	2,907	Shares in subsidiary undertakings	**-**	-
-	-	Investments in associated undertakings and joint ventures	**6**	6
282	314	Property, plant and equipment	**702**	770
64	57	Investment property	**876**	728
60	71	Intangible assets	**150**	266
3,871	3,024	Deferred tax assets	**3,894**	3,063
1,725	1,749	Other assets	**2,137**	2,235
-	-	Assets of disposal group classified as held for sale	**270**	-
67,494	70,669	**Total assets**	**75,518**	77,586
		LIABILITIES		
12,610	16,887	Due to central banks	**12,610**	16,907
13,408	12,196	Due to other banks	**10,256**	10,192
2,470	1,554	Derivative financial instruments	**2,475**	1,558
31,985	33,952	Due to customers	**40,878**	41,535
1,287	1,461	Debt issued and other borrowed funds	**811**	789
477	617	Other liabilities	**2,020**	2,082
-	-	Liabilities of disposal group classified as held for sale	**164**	-
62,237	66,667	**Total liabilities**	**69,214**	73,063
		EQUITY		
4,412	1,641	Ordinary share capital	**4,412**	1,641
950	950	Preference shares	**950**	950
6,682	6,669	Share premium	**6,682**	6,669
(7,185)	(5,656)	Reserves and retained earnings	**(6,485)**	(5,095)
4,859	3,604	**Total equity attributable to shareholders of the Bank**	**5,559**	4,165
398	398	Hybrid capital-preferred securities	**77**	77
-	-	Non controlling interests	**668**	281
5,257	4,002	**Total**	**6,304**	4,523
67,494	70,669	**Total equity and liabilities**	**75,518**	77,586

STATEMENT OF COMPREHENSIVE INCOME

Amounts in euro million

Bank 1 Jan-31 Dec 2014	Bank 1 Jan-31 Dec 2013		Group 1 Jan-31 Dec 2014	Group 1 Jan-31 Dec 2013
(1,383)	(1,007)	**Net profit/(loss)**	**(1,196)**	(1,157)
(144)	92	IAS 39 revaluation reserve	**(96)**	127
-	-	Foreign currency translation	**(35)**	(22)
(6)	(4)	Actuarial gains/(losses) on post employment benefit obligations	**(7)**	(8)
(1,533)	(919)	**Total comprehensive income, net of tax**	**(1,334)**	(1,060)
		Attributable to:		
		Shareholders		
(1,482)	(920)	- from continuing operations	**(1,107)**	(1,014)
(51)	1	- from discontinued operations	**(249)**	(43)
-	-	Non controlling interests from continuing operations	**22**	(3)

STATEMENT OF CHANGES IN EQUITY

Amounts in euro million

Bank 1 Jan-31 Dec 2014	Bank 1 Jan-31 Dec 2013		Group 1 Jan-31 Dec 2014	Group 1 Jan-31 Dec 2013
4,002	(1,297)	**Balance at 1 January**	**4,523**	(655)
(1,383)	(1,007)	Net profit/(loss)	**(1,196)**	(1,157)
(150)	88	Other comprehensive income	**(138)**	97
2,778	6,845	Share capital increases, net of expenses	**2,784**	6,845
-	(262)	Merger differences from acquisition of NHPB group and NPB	**-**	(256)
-	-	Acquisitions/changes in participating interests in subsidiary undertakings	**331**	6
-	-	Dividends distributed by subsidiaries attributable to non controlling interests	**(12)**	-
11	(357)	Treasury shares & preferred securities, net of tax	**11**	(349)
(1)	(8)	Other	**1**	(8)
5,257	4,002	**Balance at 31 December**	**6,304**	4,523

CASH FLOW STATEMENT

Amounts in euro million

Bank 1 Jan-31 Dec 2014	Bank 1 Jan-31 Dec 2013		Group 1 Jan-31 Dec 2014	Group 1 Jan-31 Dec 2013
(2,496)	(686)	Net cash from/(used in) continuing operating activities	**(3,608)**	(2,181)
(376)	917	Net cash from/(used in) continuing investing activities	**708**	2,590
2,566	(411)	Net cash from/(used in) continuing financing activities	**2,950**	(681)
-	-	Effect of exchange rate changes on cash and cash equivalents	**(9)**	(3)
(306)	(180)	**Net increase/(decrease) in cash and cash equivalents from continuing operations**	**41**	(275)
-	-	Net cash flows from discontinued operating activities	**(38)**	6
-	-	Net cash flows from discontinued investing activities	**24**	6
-	-	**Net increase/(decrease) in cash and cash equivalents from discontinued operations**	**(14)**	12
1,218	1,398	**Cash and cash equivalents at beginning of year**	**1,951**	2,214
912	1,218	**Cash and cash equivalents at end of year**	**1,978**	1,951

Notes:

1. The accounting policies applied for the preparation of the financial statements as at 31 December 2014 are consistent with those stated in the published annual financial statements of the Bank and the Group for the year ended 31 December 2013, after taking into consideration the amendments stated in the note 2 of the financial statements. In applying its existing impairment accounting policies, the Group is constantly evaluating and calibrating its critical estimates for impairment losses on loans and advances based on the latest available information (notes 22 and 26 of the Bank's and the Group's financial statements, respectively).
2. The fixed assets of the Bank and the Group are free of material charges or encumbrances.
3. A list of companies consolidated on 31 December 2014 is mentioned in notes 28 and 33 of the consolidated financial statements, where information on the percentage of Group's holding, the country of incorporation, as well as, the consolidation method applied is reported. (a) The companies that were included in consolidated financial statements on 31 December 2014 but not consolidated on 31 December 2013, were (i) Eurolife ERB Insurance Group Holdings S.A, which was established in September 2014, (ii) Herald Greece 1 S.A and Herald Greece 2 S.A, which were acquired in September 2014, and (iii) Foramonio Ltd which was acquired in May 2014. (b) On 31 December 2014 the companies which were not included in consolidated financial statements were (i) Andromeda Leasing I Holdings Ltd and Andromeda Leasing I plc which were liquidated in the third quarter of 2014, and (ii) T Leasing S.A. which was merged with Eurobank Ergasias Leasing S.A. in November 2014. The companies that are not consolidated on 31 December 2014 and the reasons for their exclusion are mentioned in notes 28 and 33 of the Group's financial statements.
4. The consolidated income statement for the year ended 31 December 2014 includes the results of NHPB group and New Proton Bank, which were incorporated in the Group's financial statements, from 1 September 2013 prospectively.
5. As at 31 December 2014, there were a number of legal proceedings outstanding against the Bank and the Group, for which a provision of € 53m and € 60m respectively has been recorded. The outcome of the aforementioned lawsuits is not expected to have significant impact on the Bank's and the Group's financial position.
6. The Bank has been audited by tax authorities up to 2009, has not been audited for 2010 and has obtained by external auditors unqualified tax certificates for years 2011-2013 in accordance with article 82 of Law 2238/1994 (article 65a of Law 4174/2013 applies as of 1 January 2014). In line with the said law and considering related preconditions, tax audit of 2011 is considered finalized. Information in relation to open tax years of Group's companies is provided in note 16 of the Group's financial statements.
7. The total number of employees as at 31 December 2014 was 9,053 for the Bank (31 December 2013: 9,009) and 18,184 for the Group (31 December 2013: 18,819).
8. The number of treasury shares held by subsidiaries of the Bank as at 31 December 2014 was 1,241,629 at a cost of € 253th.
9. The Group's related party transactions, excluding the key management personnel ("KMP"), are as follows: receivables € 7m, liabilities € 18m, expenses € 9.9m and revenues € 1.7m. The Bank's related party transactions, excluding the KMP, are as follows: receivables € 5,395m, liabilities € 5,784m, guarantees issued € 1,785m, expenses € 208m and revenues € 208m. The transactions of the Group with the KMP are as follows: compensation € 7.66m, receivables € 6m, liabilities € 5m, guarantees received € 0.13m, expenses € 0.14m and revenues € 0.10m. The transactions of the Bank with the KMP are as follows: compensation € 6.45m, receivables € 6m, liabilities € 3m, guarantees received € 0.13m, expenses € 0.08m and revenues € 0.05m (notes 44 and 51 of the Bank's and the Group's financial statements, respectively).
10. On 21 January 2014, in the context of the relevant agreement with Fairfax Financial Holdings Limited ("Fairfax"), Fairfax's subsidiaries acquired from the Bank 33,888,849 pre-emption rights regarding the share capital increase of GRIVALIA PROPERTIES R.E.I.C (former Eurobank Properties) for a total consideration of € 20m. The said share capital increase was fully covered through the payment in cash and amounted to € 193 m. In addition, on 25 June 2014, the Bank disposed of 13,636,848 of common shares with voting rights of Eurobank Properties to institutional investors, which corresponded to 13.47% of its interest that was held in Eurobank Properties. Following the completion of the aforementioned transactions, the Group's ownership interest to Eurobank Properties decreased from 55.94% to 20.48%. Control was retained by the Group by virtue of the agreement with Fairfax. The basic terms of the agreement, as well as the effect of the said transactions on income statement and equity are provided in notes 24 and 28 of the Bank's and the Group's financial statements, respectively.
11. Following the assessment of Bank's capital needs by BOG and according to the new recapitalisation framework, on 12 April 2014 the Bank's Extraordinary Shareholder's General Meeting (EGM) approved the increase of the share capital of the Bank up to € 2,864m. Pursuant to the resolutions of the aforementioned EGM as well as the 29 April and 6 May 2014 Board resolutions: (i) the share capital of the Bank increased by € 2,771.6m by issuing 9,238,709,677 new shares, with a nominal value of € 0.30 each, and (ii) the share premium increased by € 92m (notes 35 and 40 of the Bank's and the Group's financial statements, respectively).
12. Following the completion of the aforementioned Bank's share capital increase, fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the L. 3864/2010 as amended by L. 4254/2014, the HFSF's voting rights in the Bank's General Assembly are no longer full but have been switched to restricted ones. As a result of the above, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it (notes 44 and 51 of the Bank's and the Group's financial statements, respectively).
13. On 28 June 2014, the General Meeting elected seven new Board members; on the same date, at the wish of four Board members, their term of office was terminated and the Board was constituted as a body. On 1 February 2015, following the resignation of the Chairman Mr. Panayotis-Aristidis Thomopoulos and of the Chief Executive Officer, Mr. Christos I. Megalou, the Board appointed Mr. Nikolaos V. Karamouzis as new Board member and Chairman of the Board and Mr. Fokion C. Karavias as Chief Executive Officer, who already held the position of Executive Director as of that date (notes 45 and 52 of the Bank's and the Group's financial statements, respectively).
14. In March 2014, the Group's operations in Ukraine were classified as a disposal group held for sale. The Group remains committed to its plan to sell that disposal group (note 18 of the Group's financial statements).
15. On 7 November 2014, the EGM of the Shareholders of the Bank approved the Bank's participation in the mechanism described in article 5 of Law 4303/2014, according to which certain deferred tax assets will be converted into directly enforceable claims (tax credits) against the Greek State from the tax year 2015 onwards, provided the assumptions described in the aforementioned law become effective. In such a case, a special reserve equal to 110% of the above claim will be created exclusively for a share capital increase and the issuance of capital conversion rights (warrants) without consideration in favor of the Greek State. As at 31 December 2014, deferred tax assets eligible for conversion to tax credits amounted to € 3,204 million (notes 14 and 17 of the Bank's and the Group's financial statements, respectively).
16. The European Central Bank (ECB), in the context of preparation of the Single Supervisory Mechanism (SSM) conducted a comprehensive assessment (CA) of the European Union's systemically important banks jointly with national competent authorities (NCAs) and the European Banking Authority (EBA). On 26 October 2014, ECB and EBA announced the results according to which the Group meets the CA benchmarks in both dynamic baseline and dynamic adverse scenario, therefore no capital shortfall arose from such extensive exercise. As at 31 December 2014, the Group's Common Equity Tier I ratio (based on CRD IV Regulation 2013/575/EU) stands at 16.2% and proforma with the regulatory treatment of certain deferred tax assets as deferred tax credits at 15.2%, (note 6 of the financial statements).
17. The emphasis of matter, as stated in the Auditor's report, refers to the material uncertainties associated with the current economic conditions in Greece and the ongoing developments, that affect the banking sector and in particular its liquidity. Notwithstanding the aforementioned uncertainties, the Directors, having considered the adequacy of Group's capital position and the anticipated continuation of the liquidity support that the Bank receives from the Eurosystem, have been satisfied that it is appropriate to prepare the financial statements of the Group and the Bank on a going concern basis (note 2.1 of the financial statements).

Athens, 10 March 2015

Nikolaos V. Karamouzis	**Fokion C. Karavias**	**Harris V. Kokologiannis**
I.D. No AB - 336562	I.D. No AI - 677962	I.D. No AK - 021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	GENERAL MANAGER
		GROUP FINANCE & CONTROL
		(CHIEF FINANCIAL OFFICER)

VI. Reference Table to the Information released during the Financial Year 2014

Date	Announcement	Web Address
Regulatory Announcements		
14/1/2014	Announcement - Update on Eurobank's share capital increase	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
21/1/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
30/1/2014	Announcement date of the Full Year 2013 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
28/2/2014	Financial Results 2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
5/3/2014	Announcement date of the Annual Financial Report 2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
7/3/2014	Press Release- Capital requirements based on the Bank of Greece Report	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
13/3/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
13/3/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
14/3/2014	Presentation of the 2013 Financial Results – Additional information regarding the Stress Test results for the Greek Banking Sector by Bank of Greece.	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
2/4/2014	Appointment of new General Manager - Reformation of the Management Committee	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
4/4/2014	Invitation to Extraordinary General Meeting of Shareholders on 12 April 2014	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
4/4/2014	Press Release - Capital Increase to raise up to EUR 3,000m	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
12/4/2014	Resolutions of the Bank's Extraordinary Shareholders General Meeting of 12.4.2014	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
15/4/2014	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
22/4/2014	Share Capital Increase - Timetable	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
24/4/2014	Share Capital Increase – Price Range for the Public Offering and the International Offering	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE

28/4/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
28/4/2014	Regulatory Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
29/4/2014	Press Release - Share Capital Increase – Combined Offering Results – Offer Price for the Offered Shares	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
29/4/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
7/5/2014	Announcement date of the First Quarter 2014 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
7/5/2014	Announcement for the listing of New Shares resulting from Eurobank's share capital increase	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
12/5/2014	Announcement - Notification in accordance with article 14 of L. 3556/2007	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
14/5/2014	Announcement - Notification in accordance with article 14 of L. 3556/2007	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
30/5/2014	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
30/5/2014	Announcement in accordance with article 9, par. 5 of L. 3556/2007	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
30/5/2014	Notification in accordance with article 7a (par. 6, case a) of L. 3864/2010	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
3/6/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
4/6/2014	Notification of important changes concerning voting rights under L. 3864/2010	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
6/6/2014	Invitation to Annual General Meeting of Shareholders on 28.06.2014	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
6/6/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
10/6/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
13/6/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
19/6/2014	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
25/6/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
28/6/2014	Resolutions of the Bank's Annual General Shareholders Meeting and Board of Directors meeting of 28.06.2014	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
11/7/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE

15/7/2014	Announcement date of the First Half 2014 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
18/8/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
20/8/2014	Reply to the Hellenic Capital Market Commission's request dated 19.8.2014	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
29/8/2014	2nd Quarter 2014 Financial Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
29/8/2014	Reformation of the Executive Board	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
23/9/2014	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
24/9/2014	Updated Presentation of 1H2014 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
17/10/2014	Invitation to Extraordinary General Meeting of Shareholders on 7 November 2014	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
26/10/2014	Press Release - Comprehensive Assessment Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
26/10/2014	2014 ECB Comprehensive Assessment	http://www.eurobank.gr/Uploads/pdf/Eurobank_ECB_comprehensive_assessment_Final.pdf
7/11/2014	Resolutions of the Extraordinary Shareholders Meeting of 07.11.2014	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
7/11/2014	3rd Quarter 2014 Financial Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
12/12/2014	Announcement - Notification of important changes concerning voting rights under L. 3864/2010	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
16/12/2014	Financial Results Calendar	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
Press Releases		
28/2/2014	Full Year 2013 Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
7/3/2014	Capital requirements based on the Bank of Greece Report	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
4/4/2014	Capital Increase to raise up to EUR 3,000m	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
15/4/2014	Agreement signed with a group of investors	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
29/4/2014	Share Capital Increase: Combined Offering Results – Offer Price for the Offered Shares	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS

28/5/2014	First Quarter 2014 Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
30/5/2014	President of Fairfax Financial Holdings visits Eurobank	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
4/6/2014	"Greece Innovates!" The 3rd contest of Applied Research and Innovation by Eurobank and Hellenic Federation of Enterprises has commenced!, 6/4/2014	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
19/6/2014	Euro 500 million senior unsecured bond issue	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
29/8/2014	1H 2014 Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
26/10/2014	Comprehensive Assessment Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
26/10/2014	2014 ECB Comprehensive Assessment	http://www.eurobank.gr/Uploads/pdf/Eurobank_ECB_comprehensive_assessment_Final.pdf
7/11/2014	3rd Quarter 2014 Financial Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
Financial Results		
28/2/2014	Full Year 2013 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/Eurobank_4Q2013_Financial_Results.pdf
28/2/2014	Presentation Full Year 2013 Results	http://www.eurobank.gr/Uploads/pdf/4Q13_Results_Presentation_Final.pdf
28/2/2014	Presentation of the 2013 Financial Results – Additional information regarding the Stress Test results for the Greek Banking Sector by Bank of Greece.	http://www.eurobank.gr/Uploads/pdf/4Q13%20Results%20Presentation%20-%20Final%20with%20BlackRock.pdf
31/3/2014	Consolidated Financial Statements	http://www.eurobank.gr/Uploads/pdf/EN%20Consol%20AR%202013.pdf f
31/3/2014	Financial Statements	http://www.eurobank.gr/Uploads/pdf/EN%20Solo%20AR%202013.pdf
31/3/2014	Summary Financial Data and Information for the year ended 31 December 2013	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_31.12.13.pdf
31/3/2014	Annual Financial Report for the year ended 31 December 2013	http://www.eurobank.gr/Uploads/pdf/REPORT2013T4.pdf
31/3/2014	Consolidated Basel II Pillar 3 Report	http://www.eurobank.gr/Uploads/pdf/Pillar_3_2013_EN_17042014.pdf
28/5/2014	1Q 2014 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/APOTELESMATA_1Qeng_2014.pdf
28/5/2014	1Q 2014 Results	http://www.eurobank.gr/Uploads/pdf/1Q_results_presentation2014.pdf

	Presentation	
28/5/2014	1Q 2014 Consolidated Interim Financial Statements	http://www.eurobank.gr/Uploads/pdf/FINAL_EN%20Consol%20IR%201Q_2014.pdf
28/5/2014	1Q 2014 Interim Financial Statements	http://www.eurobank.gr/Uploads/pdf/up_EN%20Solol%20IR%201Q_2014.pdf
28/5/2014	Summary Financial Data and Information for the period ended 31 March 2014	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_31.03.14.pdf
29/8/2014	1H 2014 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/apotelesmata_1H_2014_en.pdf
29/8/2014	1H 2014 Results Presentation	http://www.eurobank.gr/Uploads/pdf/1H_2014_Results_Presentation.pdf
29/8/2014	1H 2014 Consolidated Interim Financial Statements	http://www.eurobank.gr/Uploads/pdf/EN%20Consol%20IR%202Q_2014.pdf
29/8/2014	1H 2014 Interim Financial Statements	http://www.eurobank.gr/Uploads/pdf/final%20EN%20Solo%20IR%202Q_2014.pdf
29/8/2014	Summary Financial Data and Information for the period ended 30 June 2014	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_30.06.2014.pdf
29/8/2014	Financial Report for the six months ended 30 June 2014	http://www.eurobank.gr/Uploads/pdf/REPORT2014T2SITE.pdf
9/10/2014	Country by Country Reporting 2013 (L.4261/2014)	http://www.eurobank.gr/Uploads/pdf/Country-By-Country%20reporting%202013_EN.pdf
7/11/2014	3Q 2014 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/Eurobank%203Q2014%20Financial%20Results%20Press%20Release.pdf
7/11/2014	3Q 2014 Results Presentation	http://www.eurobank.gr/Uploads/pdf/3Q2014%20Results%20Presentation.pdf
7/11/2014	3Q 2014 Consolidated Interim Financial Statement	http://www.eurobank.gr/Uploads/pdf/INTERIM_REPORT_ENG_30.09.2014.pdf
7/11/2014	3Q 2014 Interim Financial Statements	http://www.eurobank.gr/Uploads/pdf/INTERIM_REPORT_SOLO_ENG_30.09.2014.pdf
7/11/2014	Summary Financial Data and Information for the period ended 30 September 2014	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_30%2009%2014.pdf
Annual Report – Annual Financial Report for the year ended 31 December 2014		
31/3/2014	Annual Financial Report for the year ended 31 December 2013	http://www.eurobank.gr/Uploads/pdf/REPORT2013T4.pdf
6/6/2014	Annual Report 2013	http://www.eurobank.gr/Uploads/pdf/EUROBANK_ANNUAL_2013_ENG_SITE.pdf
Announcements of Transactions		
2014	Transactions' announcements	http://www.eurobank.gr/Uploads/pdf/ACKNOWLEDGEMENTS_2014.pdf

	according to article 13 of l.3340/2005 and article 6 of Capital Market Commission's Regulation 3/347/2005.	

VII. Website Address for Information on Subsidiaries of the Bank

The Financial Statements of the companies which are required by law to publish financial statements in their local language prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which are included in the Consolidated Financial Statements of Eurobank Ergasias S.A., accompanied by their Auditor’s Report and the Directors’ Report, are posted to at the website address: http://www.eurobank.gr