EUROBANK ERGASIAS S.A.

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2013

According to Article 4 of the Law 3556/2007

Table of Contents

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

II. ***Directors' Report and Corporate Governance Statement***

III. ***Consolidated Financial Statements for the 2013 Financial Year (Auditor's Report included)***

IV. ***Solo Financial Statements for the 2013 Financial Year (Auditor's Report included)***

V. ***Summary Financial (Solo and Consolidated) Data and Information for the Year from 1 January to 31 December 2013***

VI. ***Reference Table to the Information released during the Financial Year 2013***

VII. ***Website Address for Information on Subsidiaries of the Bank***

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

Statement of the 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 financial statements of Eurobank Ergasias S.A. (the Bank) and the consolidated financial statements of the Bank and its subsidiaries (the Group) for the year ended 31 December 2013 comply with applicable accounting standards, and present fairly the financial position and the results of the Bank and the Group, and

- the report of the Directors for the year includes a fair review of the development, the performance and the position of the Bank and the Group, together with a description of the principal risks and uncertainties they face.

Athens, 31 March 2014

George A. David	**Christos I. Megalou**	**Spyros L. Lorentziadis**
Passport No 706574975	I.D. No AE - 011012	I.D. No Π - 329468
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	NON - EXECUTIVE INDEPENDENT DIRECTOR

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 2013.

Profit or Loss Attributable
The loss after tax attributable to Eurobank shareholders for 2013 amounted to €1,154m (2012: €1,458m loss as restated by €5m loss, due to the retrospective application of the amendments to IAS 19 'Employee benefits') as set out in the consolidated income statement on page 2.

Recapitalization Framework and Process
Given the severity of the impact of the application of the Greek State Bond Exchange Programme (PSI+), (a) the Bank of Greece (BoG) assessed, in November 2012, the viability of each Greek bank and estimated their capital needs and (b) the Hellenic Financial Stability Fund (HFSF), whose mandate was extended and enhanced accordingly, has been allocated €50bn to support the recapitalisation of the Greek banking system. By the end of June 2013, the four systemic banks completed their recapitalization exercise according to the requirements of the BoG and the recapitalization framework prescribed by Law 3864/2010 and the Cabinet Act 38/9.11.2012. Their capital injection amounted to €27.5bn, of which €3.1bn was contributed by private investors.

In response to adverse macroeconomic conditions and to ensure that the system remains well-capitalized, the BoG completed a follow-up capital needs exercise, 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 banks' restructuring plans 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, to the extend possible, aligned to the envisaged approach of the recently commenced European Central Bank (ECB) Comprehensive Assessment. On 6 March 2014, the BoG published the results of the above exercise and assessed that the capital needs for all Greek commercial banks based on the baseline scenario amounted to €6.4bn (note 6 to the consolidated accounts).

Eurobank's Capital Enhancement Actions
The BoG, after assessing the business plan and the capital needs of Eurobank (or "the Bank"), concluded on 19 April 2012 that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier I capital should increase by €5,839m by April 2013. The Bank, the HFSF and the European Financial Stability Fund (EFSF) signed on 28 May 2012, on 21 December 2012 and on 30 April 2013 a trilateral presubscription agreement (PSA) for the advance to the Bank of EFSF notes of face value of €3,970m, €1,341m and €528m, respectively (total €5,839m) as advance payment of its participation in the share capital increase of the Bank.

On 7 April 2013, the relevant regulatory authorities decided that both banks will be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended. Following the above decision, the Board of Directors (BoD) of Eurobank evaluated the specificities of the exercise in relation with the attraction of capital from private investors and, in particular, the uncertainty regarding the completion or not of the merger with NBG, the ensuing inability of properly assessing the investment proposal, as well as the absence of tens of thousands of Eurobank's traditional shareholders who were substituted, due to the Voluntary Tender Offer, by NBG's stake of approximately 85% in the Bank's capital. As a consequence, the BoD proposed to the Extraordinary General Meeting on 30 April 2013 that the share capital increase of €5,839m be fully subscribed by the HFSF.

On 30 April 2013, the Extraordinary General Meeting approved the increase of the share capital of the Bank, in accordance with the provisions of Law 3864/2010 and Act of Cabinet 38/9.11.2012, in order to raise €5,839m by issuing 3,789,317,358 new ordinary shares, covered entirely by the HFSF with the contribution of bonds issued by the EFSF and owned by the HFSF. The capital increase was certified on 31 May and the listing of the new shares was completed on 19 June 2013, after obtaining the relevant approvals from Greek regulatory authorities (note 6 to the consolidated accounts).

On 29 April 2013, the BoD of the Bank decided to proceed with a liability management exercise ("LME") in respect of the five series of preferred securities (Lower Tier I - Series A,B,C,D,E) and the single subordinated medium term note (Lower Tier II) (the "Securities") issued by the Bank through its special purpose entities.

On 27 June 2013, the Annual General Meeting approved the increase of the Bank's share capital with the amount of €62m, by payment in cash of €317m in total and the issue of new common shares, of a nominal value of €0.30 each, via private placement to the holders of the five series of preferred securities and the one series of subordinated debt instruments, with abolition of the pre-emptive rights in favour of existing common and preferred shareholders (note 39 to the consolidated accounts).

On 26 August 2013, the Extraordinary Shareholders General Meeting approved the capital increase of the Bank by €681m, by issuing 1,418,750,000 new ordinary shares with a nominal value of €0.30 each and offer price €0.48 each, subscribed by way of contribution in kind from HFSF of the total number of shares of the New TT Hellenic Postbank (NHPB) owned by HFSF. The number of the new ordinary shares issued was the minimum number of shares to be issued to HFSF pursuant to the binding agreement signed on 15 July 2013 (notes 39 and 48 to the consolidated accounts).

In parallel, since the beginning of the crisis, the Group continued the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Core Tier I capital and/or reducing Risk Weighted Assets.

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

On 14 November 2013, the Bank announced the initiation of the process to raise approximately €2bn through a capital increase. On 14 January 2014, the Bank and HFSF announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework. The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified the Bank that its Core Tier I capital should increase by €2,945m and that a capital enhancement plan should be submitted to the BoG by 15 April 2014. The Bank, with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) revised its capital actions providing for an additional positive impact on regulatory capital of €81m and proposed to adjust the restructuring plan accordingly and b) the Bank stated that it intends to cover the remaining capital needs of €2,864m through a share capital increase, which constitutes a step towards further strengthening Eurobank's capital position and enhances the Bank's ability to support the Greek economy. The proposed capital increase is to be effected through a marketed equity offering.

In the event that HFSF participates in the capital increase, the new State Aid rules, which were effected from 1 August 2013, will be applicable. Such rules require the prior contribution of hybrid capital holders and subordinated creditors in reducing the capital shortfall and a cap on remuneration to executives, including board members and senior management, combined with incentives ensuring that the bank is implementing its restructuring plan towards sustainable, long-term company objectives.

Finally, the Group is examining or already implementing a number of additional initiatives for further improving its capital position, such as transactions associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release capital and/or reduce Risk Weighted Assets. In addition, the implementation of a solid integration program for NHPB and New Proton, the acquisition of which was completed on 30 August 2013, is already providing substantial synergies further enhancing the capital base of the Group (note 6 to the consolidated accounts).

Restructuring Plan

The 28 May 2012 PSA was assessed as State Aid by the European Commission (EC). Therefore, along with the other viable banks, on 31 October 2012, Eurobank submitted a draft five year restructuring plan to the HFSF, the Ministry of Finance and the EC. Following completion of the recapitalisation process by HFSF, the EC has asked that the Greek banks' plans are revisited and resubmitted for approval. These plans should cover a period until end 2018. The approval process is in progress and is expected to be completed within the second quarter 2014. In connection with the approval of the restructuring plan, Hellenic Republic will commit that the Bank will implement in particular specific measures and actions and will achieve objectives which are integral part of said restructuring plan.

Eurobank will submit a comprehensive business plan that will enable the Bank to rapidly attract capital, private, institutional and/or strategic, from Greece and abroad, as provided for by the current legal framework. 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 of the Second Adjustment Program for Greece between the Hellenic Republic, the EC, the International Monetary Fund (IMF) and the 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 will monitor compliance with commitments on corporate governance and commercial operational practices, and the implementation of the restructuring plan and report to the EC.

Acquisition of New TT Hellenic Postbank S.A. and New Proton Bank S.A.

On 15 July 2013, the Bank signed a binding agreement with the HFSF to acquire 100% of the shares and voting rights of the NHPB for a consideration of €681m in the form of newly issued Eurobank ordinary shares with a minimum of 1,418,750,000 shares.

On the same day, the Bank also signed a binding agreement with HFSF to acquire 100% of the shares and voting rights of the New Proton for a €1 cash consideration. Prior to completion of the transaction, the HFSF covered the capital needs of New Proton by contributing €395m in cash.

On 30 August 2013, following the above binding agreements, the Bank acquired from HFSF 100% of the shares and voting rights of NHPB and New Proton, after receiving all necessary regulatory approvals. Thus, as of the said date, NHPB and New Proton became 100% subsidiaries of the Bank.

Both transactions were approved by the Extraordinary General Meeting of Eurobank shareholders, which took place on 26 August 2013. Furthermore, on the same day the Extraordinary General Meeting of Eurobank shareholders approved the increase of the share capital of the Bank through the issuance of 1,418,750,000 new ordinary shares of a nominal value of €0.30 and issue price €0.48 each, subscribed by way of contribution in kind from HFSF of the total number of NHPB's shares, amounting to €681m (note 48 to the consolidated accounts).

To date, significant progress has been made on the integration of New Proton and NHPB, with €89m of synergies already achieved. New Proton legal and operational merger and NHPB legal merger have already been completed, while NHPB operational merger is expected to be completed in the second quarter 2014. The integration of NHPB and New Proton in the enlarged Eurobank Group strengthens its strategic position in the Greek banking sector, enhancing its capacity to support Greek businesses and households. The significant synergies creation, targeted to reach €203m per annum in 2015, makes Eurobank's investment proposition even more attractive. At the same time, the implementation of the Dual Brand Strategy is in progress, to capitalize on the competitive strengths of NHPB.

Eurobank's Voluntary Exit Scheme

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 VES was offered to all employees of Eurobank and most of its subsidiaries in Greece as well as to New Proton Bank employees, with Group service of more than 1.5 years. The total number of employees that have opted for the scheme was 1,066, while the Group's total cost for the VES is approximately €86.5m, net of provisions for retirement benefits. Moreover, the Group will have an estimated annual saving, as a result of the scheme, amounting to €60m (note 49 to the consolidated accounts).

Transaction with Fairfax Financial Holdings Limited on 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 S.A. ("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 €193m, approximately, with preemption 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 €20m and to exercise the purchased Rights as well as its own Rights, thereby investing approximately €144m 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% that it currently holds) and Eurobank 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 remains above 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 Eurobank 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 was fully covered through the payment in cash and amounted to €193m. As a result, on 6 February 2014, 40,260,000 new common shares were issued.

Following the completion of the transaction, the Group's ownership interest to Eurobank Properties decreased from 55.94% to 33.95% without loss of control (note 49 to the consolidated accounts).

International Activities
Eurobank has established a substantial presence in 7 countries outside of Greece. It provides private banking operations in Cyprus and Luxembourg and offers retail, corporate, asset management, insurance, and investment banking services in Romania, Bulgaria, Serbia and Ukraine, through a network of circa 600 retail and corporate units. It has also a presence in London.

Financial Results Review
The Greek sovereign debt crisis, which has severely impacted the Greek economy, and the negative consequences from the European debt crisis have adversely affected the Group's operations. The mounting uncertainty in markets, mainly in Greece but also in the Eurozone, and the negative sentiment among the Group's clients and counterparties, especially since the second half of 2011, have created a very difficult market environment, despite some stabilization signals that appeared since the end of 2012 and became substantially stronger in the 2nd half of 2013. In this particularly challenging context, the Group's operations were aimed to adjust to the prevailing conditions.

As at 31 December 2013 total assets, following the recapitalization of €5.8bn by HFSF and the acquisition of NHPB and New Proton, amounted to €77.6bn (Dec. 2012: €67.7bn). Gross customer loans reached €53.5bn (Dec. 2012: €47.8bn), including the portfolio of €8.9bn of NHPB and New Proton acquired at 31 August 2013. Business loans remained stable to €27.2bn, while loans to households stood at €26.3bn (Dec. 2012: €20.6bn). During the year the loan book from international operations decreased by 9%, to €8.5bn. At the end of 2013, Group deposits amounted to €41.5bn (Dec. 2012: €30.8bn), including the incorporation of the portfolio of €11.3bn from NHPB and New Proton at 31 August 2013, while deposits from International operations receded by €0.6bn mainly due to negative effect of the bail in scheme for unsecured depositors introduced in Cyprus aimed at funding the restructuring of the local banking sector. As a result of the balance sheet deleveraging and the consolidation of NHPB and New Proton, the loan–to–deposit (L/D) ratio for the Group improved substantially to 110% from 140% one year ago, while International Operations reduced further their L/D ratio to 88% (Dec. 2012: 93%). The strengthening of its liquidity position, resulting from the access to the repo markets and the acquisition of NHPB, has enabled the Group to reduce its dependence from the Eurosystem from €29bn in December 2012 to €17bn one year later.

Within a distressed macroeconomic environment, the Pre-Provision Income (PPI) totalled €516m[1] from €703m[2] in 2012. Net interest income (NII) stood at €1,294m[1] from €1,461m in 2012, mainly affected by the increased cost of funding (due to the higher cost of deposits and the ECB – euribor rates imbalance), the ongoing loans and investment securities portfolio deleveraging and the delay in the recapitalization of the Bank. Net interest margin (NIM) stood at 1.76% (2012: 2.05%). However, the 4th quarter demonstrated a remarkable rebound of revenues, whereby PPI reached €177m, i.e. increased by 111% vs the 4th quarter of 2012, while NII increased by 16% quarter-on-quarter (excl. NHPB), as a result of rapid de-escalation of funding cost. As a result, quarterly NIM rose to 1.99%. Fees and commissions, resisted to the weakened economic and credit activity in Greece, amounting to €273m[1] (2012: €262m) with improved capital markets and insurance fees, whereas non core activities, incl. initiatives for disposal of investment securities, recorded €20m gain (2012: €33m gain). To counter the pressure on revenues, intensive cost containment efforts continued and operating expenses were 7.2%[2] lower year–on–year, on a like for like basis (excl. NHPB, New Proton and the incremental cost of the resolution scheme of the Hellenic Deposits and Investments Guarantee Fund), mainly from reduced personnel, premises, information systems and advertising costs. In addition, the Group has completed the voluntary exit scheme for Greek operations' employees with a cost of €87m and a future annual saving of approximately €60m and several actions corresponding costs synergies from the integration with the acquired banks.

In this challenging environment, the Group has proceeded to clean up its balance sheet, harmonising credit policies for NHPB and New Proton and increasing the coverage of non performing loans. Loan provisions rose to €1,920m in 2013 or 4% of average net loans (2012: €1,655m or 3.7%), driving the coverage ratio for

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[1] It includes NHPB and New Proton for 4 months.

[2] Not including the €5m loss, after tax, restatement, due to retrospective application of IAS 19 amendment.

90 days past due portfolio to 50.1% (Dec. 2012: 42.8%). At year end, 90d past due loans stood at 29.4% of gross loans (end 2012: 22.8%). In International operations, the bad debt provisions receded to €269m or 3.33% of average net loans (2012: €298m, 3.40%).

The Group recognized in 2013 impairment/ valuation losses amounting to €354m, of which €142m related to goodwill of International segment as a result of reassessing the projections used to determine the recoverable amount under the current economic conditions, €132m to investment property portfolio and repossessed assets, €57m to available for sale corporate bonds and equities and €23m to the application of overnight index swap curve in the valuation of cash collateralized derivatives. In addition, a provision of €103m has been formed for claims in dispute, the outcome of which is considered uncertain. Furthermore, in view of the increasing prospects of stabilization of the Greek economy, the Group proceeded to the reversal of an impairment loss of €75m for a non PSI exchanged GGB. Finally, the Group recognised non recurring tax adjustments amounting to €329m income, of which €596m deferred tax gains related to the change in tax legislation as to the increase in corporate tax rate to 26% as of 1 January 2013, €92m loss to reversal of deferred tax asset or tax charge, due to recent tax law change regarding taxation of tax free reserves and taxation introduced on listed shares and derivatives, €98m loss to provision on tax litigations and withholding tax claims against the state and €77m loss due to recalculation of subsidiaries deferred tax asset.

Overall, despite the deep economic recession and unprecedented business conditions, the Group continues to generate robust Pre–Provision Income, swiftly adjusting to the new requirements and supported by proven cost containment competencies. Net loss attributable to shareholders, after accounting for the €329m non recurring tax income and the €434m loss after tax impact of non recurring losses, amounted to €1,154m (2012 loss: €1,458m as restated by €5m loss, after tax, due to retrospective application of IAS 19 amendment), while International operations loss amounted to €107m (2012 loss: €67m).

Strategic Transformation Program

In 2013, the new management launched the implementation of the Strategic Transformation Program of the Bank, which remains a priority for 2014. The program is based upon three pillars:

1. Focus on risk management and remedial / NPL management.
2. Enhance client relationship business model to maximize revenues and liquidity.
3. Transform the operational model to increase efficiency and reduce costs.

For every single pillar, the Bank has already undertaken or will undertake a number of actions, such as the centralization of supporting functions, the reorganization of Group Corporate and Investment Banking, the restructuring of the non-performing customers' unit, the establishment of a Corporate Special Handling Unit and of a Troubled Assets Committee at top management level. Continuous cost containment efforts and the streamlining of product portfolio are also an integral part of the Strategic Transformation Project.

Ordinary Share Capital

As at 31 December 2013 the ordinary share capital amounted and amounts up to date to €1,640,750,059.50, divided into 5,469,166,865 ordinary voting shares of a nominal value of €0.30 each, which represent 63.33% of the total share capital of the Bank.

All ordinary shares are registered, listed on the Athens Exchanges and incorporate all the rights and obligations set by the Greek legislation[3] (note 39 to the consolidated accounts).

[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 (Sections B.6 and 2 respectively).

Preference Share Capital
As at 31 December 2013, 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 36.67% 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 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 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 40 to the consolidated accounts).

Greek Economy Liquidity Support Program (law 3723/2008)
Eurobank participates in the program for the support of liquidity in the Greek economy 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 were not allowed to declare a cash dividend to their ordinary shareholders for 2008 to 2012. Based on the 2013 results and Law 3723/2008 as amended by Law 4093/2012, 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. The 4th ESM instalment for 2013 (€3.1bn) remained undisbursed because of delays on the conclusion of the respective SEAP's review. The Greek Government and the Troika of official lenders (EC/ECB/IMF) reached on 19 March 2014 an agreement over the successful conclusion of the current SEAP's review after almost seven months of negotiations. The disbursement of the 1st ESM instalment for 2014 (€5.7bn) together with the abovementioned instalment from 2013 is expected in early April 2014, after the bill with the agreed reforms is voted in the Greek Parliament. The IMF in order to permit the disbursement of the remaining 2013 instalment (€1.8bn) and that of the 1st quarter of 2014 (€3.5bn) requires in addition to the successful conclusion of the current review, a credible solution for the financing gap of the Greek budget in 2014 identified under the SEAP. Conditional on the solution to the financing gap and the continuation of the implementation of the SEAP, additional funding of approximately €8.3bn (€2.9bn by the ESM and €5.4bn by the IMF) will be available by the end of 2014. Note that under the SEAP, the ESM funding ends in mid-2014. The IMF funding continues until February 2016 with a total amount of €9.0bn. Again, funds will be disbursed on a quarterly basis subject to successful evaluation by the lenders' representatives.

The government remains firmly on track to meet its 2013 fiscal targets. According with the 2014 Budget, a primary surplus of 0.4% of GDP is expected for 2013 –for the first time since 2002– and one year earlier than initially expected by the SEAP. This achievement opens the door for additional debt-relief measures from official lenders, in line with the explicit commitments provided at the 26/27 November 2012 Eurogroup.

The external imbalance continues to adjust rapidly, assisted by strong tourism revenue, the ongoing contraction of imports and the beneficial impact of earlier debt-relief measures on the income account. The current account according with the BoG data, recorded a surplus of 0.7% of GDP in 2013 – for the first time since official records are available (1948) – against a deficit of 3.4%, 9.9%, 10.1% and 11.2% of GDP for 2012, 2011, 2010 and 2009 respectively.

Considerable risks continue to surround the near-term domestic economic outlook. Yet, the apparent stabilization of seasonally unadjusted output dynamics in the 4th quarter of 2013 (GDP contraction at 2.3% in Q4 2013 compared with a contraction of 3.2%, 4.0% and 6.0% in Q3 2013, Q2 2013 and Q1 2013 respectively) and the on-going improvement in a range of real activity and sentiment indicators signal a more broad-based bottoming out of the domestic recession in the period ahead.

After the conclusion of the current SEAP review, the Troika on 19 March 2014 stated that the Greek authorities are committed to taking all necessary action to ensure that Greek banks remain healthy and adequately capitalised and are in a position to support the economic recovery in Greece. The Troika further stated that the Greek authorities are also committed to significantly strengthening the private sector debt resolution framework and facilitating the orderly and swift workout of impaired bank assets, and called upon the BoG to maintain its vigilant oversight of the banking system by requiring Greek banks to quickly work out their large stock of problem assets. Noting the results of the BoG's updated stress test results and capital needs estimates, the Troika emphasised the need for the Greek authorities and banking sector to urgently and efficiently address the high level of non-performing loans. It also stated that a swift recapitalisation of Greek banks will strengthen their balance sheets, and the envisaged injection of private capital into the Greek banks will help to strengthen the private management of Greek banks. Finally, the Troika announced that the buffers in the HFSF should be retained to meet future adverse contingencies.

The better than expected harvest together with stronger export performance were the most important drivers of recovery for the economies of the South Eastern Europe region in 2013. The growth outlook on average looks rosier in 2014, even though the region will be increasingly challenged with the poor market sentiment from the recent emerging markets sell-off, the capital outflows from the deleveraging of banking groups in the EU home countries and the non-performing loans (NPLs) overhang. In addition, political risks are elevated and legacies of the past do matter so that growth prospects remain uneven across countries. In particular, the economies of continental South-Eastern Europe namely Bulgaria and Serbia, will most probably record another year of subdued GDP growth while Romania is expected to stand out of the pack in 2014.

The implementation of the adjustment programme in Cyprus is broadly on track. There has been significant progress in the recapitalization and restructuring of the domestically regulated banking sector and meeting fiscal targets. However, progress in the structural reforms and the privatization program is limited and subject to political risks. The government has agreed with international lenders upon a three-stage roadmap for the removal of capital controls which has already reached the third stage. While the output contraction recorded in 2013 has been better than initially expected (contraction of 5.4% of GDP instead of the 8.7% of GDP contraction previously expected), the economic situation and outlook remain difficult and subject to significant downside risks.

The sharp and rapid escalation of the crisis in Ukraine has reached a point where the geopolitical spill overs and implied economic impact are not limited to the South Eastern Europe region. Notwithstanding the latest dramatic developments, the starting point of the country from a macro fundamentals point of view had already been weak. An inappropriate mix of macro policies has generated large fiscal and external imbalances so that the economy has barely avoided recession in the last couple of years. On a more concerning note, the loss of competitiveness and the acute external refinancing needs in the next two years exert downward pressure on the domestic currency and necessitate immediate and generous help on behalf of the international community.

Regarding the outlook for the next 12 months, main risks in Greece stem from the macroeconomic environment, the developments on the eurozone sovereign debt crisis, the impact of the significant fiscal adjustment efforts on the real economy and the implementation of the structural reforms agenda including the privatization programme. To date, satisfactory results have been registered, but progress could be compromised by significant delays in official financing, external shocks from the global economy as well as implementation risks, political instability, reform fatigue and delays in the implementation of the privatization programme. The restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges.

Continuation of the recession could adversely affect the region and could lead to lower profitability, deterioration of asset quality and a further reduction of deposits. In addition, increased funding cost remains a significant risk, as it depends on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies. Finally, the Group holds positions in the bond, stock and foreign exchange markets and consequently is exposed to the risk of losses if market valuations decrease. These conditions may further challenge the Group's capital adequacy position over the foreseeable future.

Voluntary Tender Offer of the National Bank of Greece S.A.

On 15 February 2013, the NBG acquired 84.35% of Eurobank's ordinary shares and voting rights following the completion of a Voluntary Tender Offer (VTO) launched on 11 January 2013. The above acquisition would have been followed by the merger of the two banks, the process of which initiated on 19 March 2013.

On 28 March 2013, BoG sent letters to all viable banks, including the Bank and the NBG, stating that each bank should proceed with its recapitalization by the end of April 2013 and requesting them to proceed with the relevant necessary actions. On 7 April 2013, as the joint request of the Bank and NBG for the extension of the recapitalization process up to 20 June 2013 was not granted, the relevant regulatory authorities with the consent of both banks decided that the Bank and the NBG will be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended.

In this respect, the Extraordinary General Meeting of shareholders of the Bank, convened on 30 April 2013, decided the increase of the Bank's ordinary share capital, in order to raise €5,839m, subscribed by way of contribution in kind from HFSF, in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012. As a result of the above mentioned share capital increase of the Bank, the percentage of the voting rights held by NBG as at 31 December 2013 was reduced below 5% (note 50 to the consolidated accounts).

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 42 to the consolidated accounts):

- The BoD is authorised by law to issue ordinary shares to those stock option holders who exercise their rights within the rules set by the stock option program. It is noted that in 2013 no stock options were exercised.

2) Issue of new ordinary shares as a result of the exercise of their rights to convert the convertible bonds (note 39 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, the Bank holds €379m principal amount of such redeemable bonds.
    - As authorised by the General Meeting of 11 July 2011, the BoD may 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 above General Meeting.

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

Major Shareholders

Up to 20 February 2013, none shareholder held in total (directly or indirectly) at least 5% of the Bank's ordinary shares and voting rights.

Upon the completion of the VTO, NBG became, on 20 February 2013, shareholder of the Bank holding 84.38% of the Bank's ordinary shares and voting rights.

Moreover, with the completion of Eurobank's recapitalization in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012, which was resolved by the Bank's General Meeting of Shareholders on 30 April 2013, HFSF acquired, on 19 June 2013, 3,789,317,358 ordinary shares, issued by Eurobank, representing 98.56% of its ordinary share capital and voting rights.

Following the resolutions of the Annual General Meeting of the Shareholders on 27 June 2013 for the increase of the Bank's share capital by payment in cash and the issue via private placement of new ordinary shares to the holders of hybrid instruments and subordinated debt instruments, foregoing pre-emption rights of the existing shareholders, and the resolutions of the Extraordinary General Meeting of the Shareholders, on 26 August 2013, for the increase of the Bank's share capital through the issuance of new ordinary shares subscribed by way of contribution in kind from the HFSF, and specifically by the contribution of the total number of shares of the NHPB owned by HFSF, the percentage of HFSF in Eurobank decreased to 95.23% of Eurobank's ordinary shares and voting rights.

Finally, the Greek State holds 100% of the non-voting preference shares of Eurobank, issued according to Law 3723/2008.

Board Membership

The Annual General Meeting of the Shareholders of Eurobank of 27 June 2013 elected a new BoD, the term of office of which was set to three years. The new BoD of Eurobank is set out in note 52 to the consolidated accounts. It is noted that, following the resignation of Mr. Michael Colakides, executive member of the Board (Deputy CEO) on 31 October 2013, and the subsequent consent of HFSF, the Board resolved that the Bank continues to be managed and represented by the remaining Board members, until the election of a new member replacing the resigned one. Personal details of the Directors are available on the website (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 legal merger of NHPB and New Proton at the end of 2013, their labour environment was aligned with Eurobank's creating the conditions for the smooth integration of their employees into the enlarged Eurobank Group thus enhancing a common culture.

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.

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 Innitiative (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 40 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 Relationship Framework Agreement (RFA) signed by the Bank on 12 July 2013 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 2013 the Board's 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.

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.

George David	Christos Megalou
Chairman	Chief Executive Officer

31 March 2014

CORPORATE GOVERNANCE STATEMENT

1. Corporate Governance Code and Practices

In compliance with the local 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 which is collectively responsible for the long-term success of the Bank. The Board exercises its responsibilities effectively and in accordance with the local 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 on 12 July 2013.

The current Board consists of eight Directors of whom, one executive, two non-executives, three independent non-executives, and one government representative and one representative of HFSF who have been appointed as additional non-executive Directors in accordance with relevant legal requirements.
The membership and term of the Board are approved by the Bank's General Meeting. The Board was elected by the Annual General Meeting held on 27 June 2013, and its term expires at the 2016 Annual General Meeting when the new Board of Directors will be elected.

		First appointment	End of Term
George A. David	Non-Executive Chairman	Sep 2012	2016
George C. Gondicas	Non-Executive Honorary Chairman	Dec 1990	2016
Efstratios - Georgios A. Arapoglou	Vice-Chairman Non-executive Independent	Jun 2013	2016
Christos I. Megalou	Chief Executive Officer	Jun 2013	2016
Spyros L. Lorentziadis	Non-Executive Independent	Jun 2007	2016
Dimitri T. Papalexopoulos	Non-Executive Independent	Jun 2010	2016
Dimitrios A. Georgoutsos	Non-Executive Greek State representative	Jun 2010	2016
Kenneth Howard Prince-Wright	Non-Executive HFSF representative	Jun 2013	2016

During 2013, the following changes have taken place in the composition of the Bank's Board of Directors:
- The term of office of Messrs Efthymios N. Christodoulou, Nicholas C. Nanopoulos, Nikolaos V. Karamouzis, Byron N. Ballis, Nickolas K. Pavlides, Nikolaos M. Stasinopoulos, Angeliki N. Frangou, Panagiotis V. Tridimas, Athanasios J. Martinos and Christos M. Glavanis, ended at the 2013 Annual General Meeting (27.6.2013), when the shareholders elected a new Board.
- Messrs Dimitrios G. Dimopoulos and Paul K. Mylonas, General Managers of the National Bank of Greece, were appointed for the first time on 19.3.2013 and their term ended on 17.6.2013, with their resignation from the Board, following the completion of the recapitalisation of the Bank, fully covered by the HFSF.
- Mr Michael H. Colakides appointed for the first time on 1.11.2007, reappointed as Board member at the 2013 Annual General Meeting (27.6.2013) and his term ended on 30.10.2013 with his resignation from the Board.

There are no restrictions in the re-election and cessation of Directors in the Bank's Articles of Association. In case of resignation, death or lapse of membership for whatever reason, the remaining members, provided that they are at least 3, can elect new members, to replace those whose membership has lapsed. In all such cases, 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 3. According to the Bank's Articles of Association, the Board may consist of three to twenty members, while, under the RFA, this range has been specifically set to be between seven and fifteen members (including the representatives of the Greek state and the HFSF). In addition, in accordance with the RFA, the number of the Board members must be odd. Any differentiations from RFA's provisions are accompanied by relevant HFSF's prior consent. Following the resignation of Mr M. Colakides (Deputy CEO-Risk Executive) in Oct. 2013, HFSF has provided its consent for the Board to continue comprising of 8 members, out of which 1 executive (instead of the least 2 required under RFA), until the election by the Board of a new Executive member by the end of March 2014.

[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).

The Executive Directors have responsibility for the day-to-day management and control of the Group and the implementation of 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, maintain and oversee the implementation of the remuneration policy both at Bank and Group level. Each Independent Non-Executive Director has the duty, if he considers it necessary, to submit to the General Meeting his own report on a specific subject.

In the context of the recapitalization of the Bank under Law 3864/2010 the Hellenic Financial Stability Fund (HFSF) has appointed one representative to the Board (Representative) as a non-executive member whose rights derive from Law 3864/2010 and the RFA. The RFA regulates, among others, (i) the Bank's corporate governance, (ii) the preparation and approval of restructuring plan, (iii) the material obligations deriving from the restructuring plan, the monitoring of its implementation and the inherent risks undertaken by the Bank, (iv) the significant matters requiring the HFSF's consent and (v) the handing of material litigations to which the Bank is a party.

Regarding the Board operations the HFSF's Representative has the right to: a) request the convocation of the Board, b) the postponement of a Board meeting for 3 business days so as to receive HFSF's directions, c) veto any resolution of the Board related to dividend distributions, remuneration policy of Board members, general and deputy general managers, d) veto issues which may jeopardise depositors' interests or seriously impact liquidity, solvability and prudent and concise operation of Eurobank. According to the RFA, the HFSF a) as majority shareholder exercises its full voting rights for the election/re-election of the Board members, b) is entitled to designate the Chairman of the Board and the CEO and, in agreement with the CEO the deputy CEOs and the other executive Board members c) appoints up to two representatives as non-executive members of the Board, and d) perform an overall evaluation of the Board.

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 10 days from the notification by the HFSF of the HFSF Representatives or replacements, approve their appointment and, should a General Meeting decision is required, the Board shall convoke as soon as allowed by Law the General Meeting, to approve the HFSF representatives' appointment.

The Chairman of the Board is responsible for leadership of the Board and ensuring 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 Committee. 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 business days' notice as per c.l. 2190/20 provisions, otherwise a decision is taken only when all members of the Board are present or represented and nobody objects 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 four 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 business days.

The Board is considered to be in quorum and meets validly when at least half plus one of its members are present (either physically or through telephone conference) or represented. Decisions of the Board are taken by majority of the Directors present or represented. In case of parity of votes, the vote of the Chairman of the Board does not prevail. During 2013 the Board held 42 meetings (2012: 21) and the average ratio of the Directors attendance was 84% (2012: 82%). 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.

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 or any conflict of interest that may occur, in carrying out their duties.

The Group's remuneration policy aims to align the Executive Directors and employees' objectives with the long-term business objectives and strategy of Eurobank and the long-term value creation for shareholders. The 2013 Board and key management remuneration disclosure is included in note 51 of the consolidated accounts.

In discharging its responsibilities for 2013 the main issues the Board dealt with related to:

a) Governance: appointment of two new Directors in replacement of resigned ones, following the Annual General Meeting resolution, constitution of the Board as a body, membership of the Board Committees and revision of their Terms of Reference, regular update on Board Committees' meetings, approval of the Relationship Framework Agreement (RFA), preparation and convocation of General Meetings.

b) Corporate and other actions: Acquisition and subsequent merger with the banks "New TT Hellenic Postbank" and "New Proton Bank", participation in the Public Debt Management Agency tender to acquire Greek treasury bills, submission of binding offers for the acquisition of four Greek cooperative banks' assets, pension scheme redemption, voluntary exit scheme, agreement with Fairfax Financial Holdings Limited («Fairfax») in the framework of its intended investment in the Bank's subsidiary Eurobank Properties R.E.I.C.

c) Capital adequacy: Suspension of the merger process with National Bank of Greece and simultaneous decision for the Bank's recapitalization by the amount of €5.8 billion covered solely by HFSF under the provisions of L. 3864/2010, increase of the Bank's capital by the amount of €317million by payment in cash and the issue, via private placement, of new common shares to the holders of subordinated debt instruments, approval of the 2012 Internal Capital Assessment Process (ICAAP) – Pillar 2 Report, regular update on the envisaged share capital increase.

d) Business monitoring: Update on Restructuring Plan preparation process, approval of 2012 annual financial statements and 2013 interim financial statements, 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 2012 Pillar 3 report (Capital and Risk Management Pillar 3 Report), regular briefing on Risk and Audit Committee meetings.

3. Board Committees

The Board is assisted in carrying out its duties by Board Committees, to whom 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, c) include items on their agenda, d) approve the terms and criteria used for the appointment of the Chairman of the Audit and Risk Committees. In addition, HFSF has the right to perform an overall evaluation of all Board Committees' performance.

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 3 years following proposal by the Board. The current Audit Committee consists of three non-executive Directors, two of whom are independent. The Chairman of the Audit Committee, Mr Lorentziadis (an independent non-executive Director) and one other member (a non-executive Director), Mr Prince - Wright have extensive knowledge and experience in accounting and auditing issues and 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 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 May 2013). 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 2013 the Audit Committee held 15 meetings (2012: 10) and the average ratio of attendance was 88% (2012: 80%). In 2013 all decisions were unanimous.

The Audit Committee's Terms of Reference (ToR) are reviewed every three years and revised if necessary, unless significant changes necessitate earlier revision (last reviews performed in February 2013 and then 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 February 2013).

In discharging its responsibilities for 2013 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, and the 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

[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).

- Reviewed the Compliance Division report over the compliance policies of the Bank, and prepared its own assessment report on Compliance Division's report. Both reports have been submitted to the Board and the BoG, as per the BoG Act 2577 and BoG Decision 281 /2009 requirements
- Reviewed and, where necessary, discussed issues arising at Eurobank's Risk Committee meetings
- Discussed with Management and with External Auditors issues relating to the 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
- Assessed the performance of the Head of Internal Audit and the Head of Compliance
- Approved the updated Terms of Reference of the Internal Audit Group
- 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
- Performed a self-assessment exercise and reported the results to the Board
- Approved the annual plans of Internal Audit and of Compliance 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.
- Updated on the progress of restructuring plan preparation

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 years with an option to renew their appointment for 3 more times. During 2013 BRC held 4 meetings. The first 3 meetings held under its former membership consisted of eight members, four of whom were executive, 2 non-executives and 2 independent non-executive Directors. The current BRC, appointed by the Board in November 2013, consists of four Directors, one executive, the HFSF representative as a non-executive and two independent non-executive Directors.

The Chairman of the BRC, Mr Arapoglou (Deputy Chairman of the Board of Directors, independent 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 four times a year, while the revision of its Terms of Reference at the end of 2013 calls for at least monthly meetings. 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 BRC resolutions require a majority vote. In case of a tie of votes, the Chairman has the casting vote. There is a quorum when the majority of members are in attendance. During 2013 the BRC held 4 meetings (2012: 4) and the average ratio of attendance was 94% (2012: 90%).

BRC Terms of Reference (ToR) are reviewed at least every three years (last review performed in November 2013) 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. The BRC reviewed its own performance every two years while the revision of its ToR at the end of 2013 calls for at least annual review (last self-assessment performed in June 2012). The results of the self-assessment are discussed with the Board.

In 2013, 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 2012 ICAAP, Pillar 3 report, as well as the Group CRO's Risk Annual report. BRC under its new composition approved in November 2013 its Terms of Reference and those of the Group Assets and Liabilities Committee (G-ALCO).

3.3 Remuneration Committee[3]

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. From 31.7.2013

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[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).

onwards 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 in line with the provisions of Law 3723/2008 and Bank of Greece Act 2650/2012.

The Committee is appointed and approved biennially by the Board. The current Remuneration Committee consists of three non-executive Directors, two of whom are independent. The HFSF representative has been appointed as member of the Remuneration Committee in accordance with relevant contractual requirements. The Committee's Chairman is one of the two independent directors. The Committee meets at least twice a year and minutes are kept. During 2013 the Remuneration Committee held 7 (2012: 4) meetings and the ratio of attendance was 90% (2012: 100%).

At least once every two years the Committee reviews its own performance (last self-assessment performed in May 2012) and Terms of Reference (ToR) (last update performed in August 2013). 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 2013 the Remuneration Committee has, amongst others:
- Proposed to the Supervisory Remuneration Committee the redemption of the Private Pension Scheme based on specific terms and conditions
- Approved the rescheduling terms for staff loans
- Proposed to the Board the Voluntary Exit Scheme
- Approved the rescheduling terms of staff loans for New Hellenic Post Bank employees
- Approved the reductions of Annual Total Remuneration for Executive Board and Management Committee members.

It should be noted that until 31.7.2013, the Board had delegated to the Supervisory Remuneration Committee the responsibility to approve, maintain and oversee the implementation of the remuneration policy both at Bank and Group level.

The Board on its meeting on 31.7.2013, decided on the renaming of the Supervisory Remuneration Committee to Remuneration Committee. As of 31.7.2013 and onwards, all items under the Remuneration Committee's responsibility are brought to the non-executive Directors of the Board for approval all of whom must be present or represented (the executive Directors refrain from discussion and voting).

Until 31.7.2013 the Supervisory Remuneration Committee held 2 meetings, the ratio of attendance was 100% (2012: 100%) and amongst others:
- Proposed to the Board the redemption of the Private Pension Scheme, based on specific terms and conditions
- Approved the CEO's Remuneration and Board members' Remuneration for 2013, following the guidelines set by the Annual General Meeting on 27.6.2013.

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 four non-executive Board members, two of which are independent. The HFSF Representative has been appointed as member of the Nomination Committee in accordance with relevant contractual requirements. The Committee meets at least twice a year, minutes are kept and the Chairman presents all relevant decisions to the Board. During 2013 the Nomination Committee held 8 meetings (2012: 1) and the average ratio of attendance was 82% (2012:100%)

At least once every two years the Committee reviews its own performance (last self-assessment performed in May 2012) and its Terms of Reference (ToR) (last update August 2013). 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 2013 the Nomination Committee had, amongst others:
- Proposed to the Board the appointment of new members
- Approved the Bank's organizational structure
- 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.

[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).

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,

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 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.

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 endeavor.
- 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 fulfill 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.

4. Management Committees

The CEO establishes committees to assist him as required, the most important of which are the Executive Board, the Management Committee and the Central Credit Committee. HFSF has the right to: a) approve the composition and members of the Executive Board and the Management Committee and their replacement, b) appoint an observer with no voting rights at the management committees, c) perform an overall evaluation of the management committees' performance.

<u>Executive Board</u>
The Executive Board meets approximately once a week and its main duties and responsibilities include:

- Planning the Bank's strategy
- Approving the Bank's annual budget and long term plans before submission to the Board
- Approving and/or executing strategic partnerships, acquisitions and disposals
- Maintaining and taking 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 ensuring that capital requirements are met at all times
- Monitoring the strategic and the key performance indicators of the Bank, including the segmental view.

Decisions other than the submission of issues to the Management Committee or other appropriate committees are minuted.

Management Committee[5]
The Management Committee manages the implementation of Eurobank Group's strategy. The functioning of the committee is subject to the provisions of the RFA.

It meets every two to four weeks.

The committee members' main duties and responsibilities are to:
- manage the implementation of Eurobank Group's strategy
- plan, direct and control Eurobank Group's activities to ensure high level of performance and customer satisfaction
- establish adequate systems of internal control and ensure they are properly maintained
- monitor the quality of services provided by Eurobank Group and assure that they exceed industry quality standards
- review and approve Eurobank Group's Compliance Policy, Code of Conduct, Policy for reporting unethical conduct, Anti-money laundering policy and Internal Control Manual as well as any subsequent changes before their submission to the Audit Committee
- review the performance of any Committee and/or individuals to whom it has delegated part of its responsibilities, as approved.

Central Credit Committee[6]
The Eurobank Risk Committee has delegated to the Central Credit Committee (CCC) the authority to approve unsecured credit requests above €10m. The CCC meets at least once a week and all meetings are minuted.

The CCC members are the following:
- the Chairman of the Committee, who is independent and reports directly to the Bank's CEO
- the General Manager of Corporate and Investment Banking (for Global Corporate Clients /Structured Finance/Shipping portfolios) or the General Manager of Commercial Banking (for Commercial Banking portfolio) or the General Manager of Capital Markets and Wealth Management (for Financial Institutions) and
- the Head of Credit Sector.

Approvals are unanimous. In case of disagreement, the Chairman of the Committee escalates the credit request for approval to the Group Chief Risk Officer and the General Manager of Group Corporate and Investment Banking.

Unsecured exposures over €100m require further approval by the Group Chief Risk Officer and the General Manager of Group Corporate and Investment Banking.

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

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

- 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 Group Compliance Division to the Audit Committee of the Bank which appoints the Group Compliance Division Head and assesses his performance. The Division Head reports directly to the Audit Committee and for administrative purposes to the CEO. The Group Compliance 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 bank privacy 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. Ordinary Shareholders' General Meeting

The Ordinary 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 ordinary shareholders ("shareholders") have the right to participate either in person or by their legal representatives.

The General Meeting is the only corporate body entitled to approve significant decisions such as amendments to the Articles of Association (L.2190, art.34) and most decisions related to share capital.

The General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 20% of the ordinary share capital ("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., the General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 66.67% of the share capital. Resolutions are reached by two-thirds majority. In all cases lower quorums are required in repeat General Meetings if initial quorum is not reached.

In the context of the Bank's recapitalization under L. 3864/2010 and the RFA 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 2013. In addition, the Bank is obliged to send to the HFSF at least 10 days prior to any General Meeting any supporting document and information necessary for the HFSF to be prepared and exercise its voting rights.

In accordance with L.3723/2008, the Hellenic State, holders of preference shares issued under law 3723/2008, has the right to attend the Ordinary Shareholders' General Meeting and veto dividend distributions and management remuneration. The Hellenic 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 they consider it 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 managed by Hellenic Central Securities Depository S.A. on the Record Date 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 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 c.l. 2190/1920, apply.

8. Preference Shareholders' General Meeting

Shareholders of non-voting preference shares ("preference shareholders") hold their own separate Preference Shareholders General Meeting to resolve on any issue affecting their rights. Other than as noted above, 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.

- ***Treasury Shares***

Shareholders' General Meeting can authorize the Board of Directors, under article 16 of c.l. 2190/1920, to implement a program of acquisition of treasury shares. However, l. 3756/2009 prohibits banks, including Eurobank, participating in the Greek Government Liquidity Program from acquiring treasury shares (note 39 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 2013 Financial Year (Auditor’s Report included)

EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

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 1
Consolidated Income Statement 3
Consolidated Balance Sheet 4
Consolidated Statement of Comprehensive Income 5
Consolidated Statement of Changes in Equity 6
Consolidated Cash Flow Statement 7

Notes to the Consolidated Financial Statements

1. General information 8
2. Principal accounting policies 8
3. Critical accounting estimates and judgments in applying accounting policies 30
4. Greek Economy Liquidity Support Program 33
5. Credit exposure to Greek sovereign debt 33
6. Greek Banks' recapitalisation 34
7. Financial risk management and fair value 36
8. Net interest income 71
9. Net banking fee and commission income 71
10. Income from non banking services 72
11. Net trading income and gains less losses from investment securities 72
12. Net other operating income 72
13. Operating expenses 72
14. Staff costs 73
15. Other impairment and non recurring losses 73
16. Income tax and non recurring tax adjustments 74
17. Deferred income taxes 75
18. Discontinued operations 76
19. Earnings per share 77
20. Cash and balances with central banks 78
21. Cash and cash equivalents and other information on cash flow statement 78
22. Loans and advances to banks 79
23. Financial instruments at fair value through profit or loss (including trading) 80
24. Derivative financial instruments and hedge accounting 80
25. Loans and advances to customers 83
26. Impairment allowance for loans and advances to customers 83
27. Investment securities 84
28. Shares in subsidiary undertakings 87
29. Property, plant and equipment 89

30. Investment property ... 90
31. Intangible assets ... 92
32. Other assets ... 94
33. Due to central banks ... 95
34. Due to other banks ... 95
35. Due to customers ... 96
36. Debt issued and other borrowed funds ... 96
37. Other liabilities ... 98
38. Standard legal staff retirement indemnity obligations ... 99
39. Ordinary share capital, share premium and treasury shares ... 101
40. Preference shares ... 102
41. Preferred securities ... 103
42. Share options ... 104
43. Special reserves ... 105
44. Transfers of financial assets ... 106
45. Contingent liabilities and other commitments ... 107
46. Operating leases ... 108
47. Segment information ... 108
48. Acquisition of subsidiaries ... 111
49. Other significant and post balance sheet events ... 113
50. National Bank of Greece S.A. Voluntary Tender Offer (VTO) ... 115
51. Related parties ... 115
52. Board of Directors ... 117
53. Dividends ... 117

Independent Auditor's Report

To the shareholders of

«Eurobank Ergasias SA»

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Eurobank Ergasias SA and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2013 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 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 Group as at December 31, 2013, 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 note 6 of the financial statements, which refers to the recent assessment of the Group's capital needs by the Bank of Greece and the planned actions and applicable framework for the enhancement of the Group's capital adequacy.

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, 108 and 37 of Codified Law 2190/1920.

Athens, 31 March 2014

The Certified Auditor

Kyriakos Riris
SOEL Reg. No. 12111

PricewaterhouseCoopers S.A.
Certified Auditors
268 Kifissias Avenue
152 32 Halandri
SOEL Reg. No. 113

Consolidated Income Statement

	Note	Year ended 31 December 2013 € million	2012 Restated € million
Interest income	8	**2,860**	4,075
Interest expense	8	**(1,566)**	(2,614)
Net interest income		**1,294**	1,461
Banking fee and commission income		**356**	363
Banking fee and commission expense		**(153)**	(163)
Net banking fee and commission income	9	**203**	200
Net insurance income		**36**	30
Income from non banking services	10	**34**	32
Dividend income		**3**	4
Net trading income	11	**(15)**	51
Gains less losses from investment securities	11	**41**	(22)
Net other operating income	12	**(9)**	(1)
Operating income		**1,587**	1,755
Operating expenses	13	**(1,071)**	(1,058)
Profit from operations before impairments and non recurring losses		**516**	697
Impairment losses on loans and advances	26	**(1,920)**	(1,655)
Impairment and other losses on Greek sovereign exposure	5	**65**	(363)
Impairment losses on goodwill	31	**(142)**	(42)
Other impairment losses	15	**(189)**	(319)
Restructuring costs and other non recurring losses	15	**(254)**	(12)
Share of results of associated undertakings and joint ventures	32	**(2)**	(0)
Profit/(loss) before tax		**(1,926)**	(1,694)
Income tax	16	**458**	335
Non recurring tax adjustments	16	**329**	-
Profit/(loss) for the year from continuing operations		**(1,139)**	(1,359)
Profit/(loss) for the year from discontinued operations	18	**(18)**	(86)
Net profit/(loss) for the year		**(1,157)**	(1,445)
Net profit/(loss) for the year attributable to non controlling interest		**(3)**	13
Net profit/(loss) for the year attributable to shareholders		**(1,154)**	(1,458)
		€	**€**
Earnings/(losses) per share			
-Basic and diluted earnings/(losses) per share	19	**(0.41)**	(23.06)
Earnings/(losses) per share from continuing operations			
-Basic and diluted earnings/(losses) per share	19	**(0.40)**	(21.49)

Notes on pages 8 to 117 form an integral part of these consolidated financial statements

Consolidated Balance Sheet

	Note	At 31 December 2013 € million	2012 € million
ASSETS			
Cash and balances with central banks	20	**1,986**	2,065
Loans and advances to banks	22	**2,567**	4,693
Financial instruments at fair value through profit or loss	23	**375**	710
Derivative financial instruments	24	**1,264**	1,888
Loans and advances to customers	25	**45,610**	43,171
Investment securities	27	**18,716**	9,469
Property, plant and equipment	29	**770**	690
Investment property	30	**728**	616
Intangible assets	31	**266**	406
Deferred tax asset	17	**3,063**	2,106
Other assets	32	**2,241**	1,839
Total assets		**77,586**	67,653
LIABILITIES			
Due to central banks	33	**16,907**	29,047
Due to other banks	34	**10,192**	2,772
Derivative financial instruments	24	**1,558**	2,677
Due to customers	35	**41,535**	30,752
Debt issued and other borrowed funds	36	**789**	1,365
Other liabilities	37	**2,082**	1,695
Total liabilities		**73,063**	68,308
EQUITY			
Ordinary share capital	39	**1,641**	1,222
Share premium	39	**6,669**	1,451
Reserves and retained earnings		**(5,095)**	(4,922)
Preference shares	40	**950**	950
Total equity attributable to shareholders of the Bank		**4,165**	(1,299)
Preferred securities	41	**77**	367
Non controlling interest		**281**	277
Total equity		**4,523**	(655)
Total equity and liabilities		**77,586**	67,653

Notes on pages 8 to 117 form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

	Year ended 31 December			
	2013		2012 Restated	
	€ million		€ million	
Profit/(loss) for the year		**(1,157)**		(1,445)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges				
- net changes in fair value, net of tax	**19**		(110)	
- transfer to net profit, net of tax	**52**	**71**	46	(64)
Available for sale securities				
- net changes in fair value, net of tax	**60**		129	
- impairment losses on investment securities transfer to net profit, net of tax	**5**		61	
- transfer to net profit, net of tax	**(9)**	**56**	(5)	185
Foreign currency translation				
- net changes in fair value, net of tax	**(22)**		(34)	
- transfer to net profit, net of tax	**-**	**(22)**	36	2
		105		123
Items that will not be reclassified to profit or loss:				
- Actuarial gains/(losses) on post employment benefit obligations, net of tax		**(8)**		5
Other comprehensive income for the year		**97**		128
Total comprehensive income for the year attributable to:				
Shareholders				
- from continuing operations	**(1,039)**		(1,285)	
- from discontinued operations	**(18)**	**(1,057)**	(44)	(1,329)
Non controlling interest				
- from continuing operations	**(3)**		12	
- from discontinued operations	**-**	**(3)**	0	12
		(1,060)		(1,317)

Notes on pages 8 to 117 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 interest € million	Total € million
Balance at 1 January 2012, as previously reported	1,226	1,439	1,276	(5,039)	950	745	278	875
Adjustments due to retrospective application of IAS 19 Amendment (note 38)	-	-	16	(16)	-	-	-	-
Balance at 1 January 2012, as restated	1,226	1,439	1,292	(5,055)	950	745	278	875
Profit/(loss) for the year	-	-	-	(1,458)	-	-	13	(1,445)
Other comprehensive income for the year	-	-	129	-	-	-	(1)	128
Total comprehensive income for the year ended 31 December 2012	-	-	129	(1,458)	-	-	12	(1,317)
Acquisitions/changes in participating interests in subsidiary undertakings	-	-	-	(0)	-	-	(2)	(2)
(Purchase)/sale of preferred securities, net of tax	-	-	-	210	-	(378)	-	(168)
Preferred securities' dividend paid, net of tax	-	-	-	(28)	-	-	-	(28)
Dividends distributed by subsidiaries attributable to non controlling interest	-	-	-	-	-	-	(11)	(11)
Share-based payment:								
- Value of employee services	-	-	(2)	-	-	-	-	(2)
Purchase of treasury shares	(6)	3	-	-	-	-	-	(3)
Sale of treasury shares, net of tax and related expenses	2	9	-	(10)	-	-	-	1
Transfers between reserves	-	-	(207)	207	-	-	-	-
	(4)	12	(209)	379	-	(378)	(13)	(213)
Balance at 31 December 2012	1,222	1,451	1,212	(6,134)	950	367	277	(655)
Balance at 1 January 2013, as previously reported	**1,222**	**1,451**	**1,191**	**(6,113)**	**950**	**367**	**277**	**(655)**
Adjustments due to retrospective application of IAS 19 Amendment (note 38)	-	-	21	(21)	-	-	-	-
Balance at 1 January 2013, as restated	**1,222**	**1,451**	**1,212**	**(6,134)**	**950**	**367**	**277**	**(655)**
Profit/(loss) for the year	-	-	-	(1,154)	-	-	(3)	**(1,157)**
Other comprehensive income for the year	-	-	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 (note 48)	-	-	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**
	Note 39	Note 39	Note 43		Note 40	Note 41		

Notes on pages 8 to 117 form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2013 € million	2012 Adjusted[1] € million
Cash flows from continuing operating activities			
Profit/(loss) before income tax from continuing operations		**(1,926)**	(1,694)
Adjustments for :			
Impairment losses on loans and advances		**1,920**	1,655
Other impairment losses and provisions		**369**	770
Depreciation and amortisation		**98**	105
Other (income)/losses on investment securities	21	**(170)**	(28)
(Income)/losses on debt issued		**8**	(7)
Other adjustments		**(8)**	(1)
		291	800
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**193**	1,238
Net (increase)/decrease in financial instruments at fair value through profit or loss		**248**	(293)
Net (increase)/decrease in loans and advances to banks		**1,985**	1,135
Net (increase)/decrease in loans and advances to customers		**2,830**	1,784
Net (increase)/decrease in derivative financial instruments		**(241)**	(491)
Net (increase)/decrease in other assets		**(350)**	(601)
Net increase/(decrease) in due to banks		**(6,712)**	(3,376)
Net increase/(decrease) in due to customers		**(514)**	(811)
Net increase/(decrease) in other liabilities		**115**	(295)
		(2,155)	(910)
Income taxes paid		**(19)**	(31)
Net cash from/(used in) continuing operating activities		**(2,174)**	(941)
Cash flows from continuing investing activities			
Purchases of property, plant and equipment and intangible assets		**(126)**	(170)
Proceeds from sale of property, plant and equipment and intangible assets		**12**	6
(Purchases)/sales and redemptions of investment securities		**2,524**	1,785
Acquisition of subsidiary undertakings, net of cash acquired		**175**	(0)
Disposal of foreign operations		**9**	(31)
Dividends from investment securities, associated undertakings and joint ventures		**3**	4
Net cash from/(used in) continuing investing activities		**2,597**	1,594
Cash flows from continuing financing activities			
(Repayments)/proceeds from debt issued and other borrowed funds		**(612)**	(1,295)
Proceeds from share capital increase		**316**	-
Expenses paid for share capital increase		**(74)**	-
Purchase of preferred securities		**(298)**	(160)
Preferred securities' dividend paid		**(15)**	(38)
(Purchase)/sale of treasury shares		**2**	(2)
Net contributions by non controlling interest		**-**	(11)
Net cash from/(used in) continuing financing activities		**(681)**	(1,506)
Effect of exchange rate changes on cash and cash equivalents		**(5)**	(16)
Net increase/(decrease) in cash and cash equivalents from continuing operations		**(263)**	(869)
Net cash flows from discontinued operating activities		**-**	(281)
Net cash flows from discontinued investing activities		**-**	240
Net increase/(decrease) in cash and cash equivalents from discontinued operations		**-**	(41)
Cash and cash equivalents at beginning of year	21	**2,214**	3,124
Cash and cash equivalents at end of year	21	**1,951**	2,214

[1] *The Group has changed the method of presentation of operating cash flows from direct to indirect for the year ended 31 December 2013 (see note 21).*

Notes on pages 8 to 117 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 31 March 2014.

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 financial statements have been prepared on a going concern basis. In making its assessment of the Group's ability to continue as a going concern, the Board of Directors has taken into consideration the impact of the following factors:

Solvency risk

The Group has incurred substantial impairment losses as a result of the Hellenic Republic's debt restructuring (PSI+). Such losses had a respective impact on the accounting and regulatory capital of the Group as of 31 December 2011, which fell below the minimum capital requirements as determined by the Bank of Greece (BoG).

Capital needs of the Group were assessed in November 2012 by the BoG at the level of € 5,839 million, in order to be able to achieve the level of Core Tier I capital of 9% throughout the period to end of 2014. This assessment took into account, inter alia, the PSI impairment losses, the results of Blackrock's 2011 diagnostic review and the Group's business plan which also included certain capital strengthening actions.

The Hellenic Financial Stability Fund (HFSF) has contributed to the Bank EFSF notes of total € 5,839 million for its participation in the share capital increase of the Bank, which qualifies as Tier I capital. In May 2013, the Bank completed the share capital increase of € 5,839 million, in accordance with the provisions of Law 3864/2010 and the Act of Cabinet 38/9.11.2012, fully subscribed by the HFSF with the contribution of bonds, issued by the EFSF and owned by the HFSF (note 6).

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve was fully recognised, while the deferred tax asset's recognition was limited to 20% of Core Tier I capital. On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013. According to the Group's capital adequacy figures at 31 December 2013, the Core Tier I ratio stood at 11.3%, pro-forma with the completion of the transaction with Fairfax Financial Holdings Limited, which was completed on 6 February 2014 (note 49), and the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio, which is subject to BoG approval.

The capital needs of the Group were reassessed by the 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, to the extent possible, aligned to the envisaged approach of the recently commenced European Central Bank (ECB) Comprehensive Assessment (see further below). 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 asset was limited to 20% of Core Tier I. On 6 March 2014, the BoG published the results of the above exercise and assessed that the Group's capital needs amount to € 2,945 million under the baseline scenario. Based on that scenario, the Bank should submit its capital enhancement plan by 15 April 2014.

The Bank with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) 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 b) the Bank stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase (note 6).

In addition, the Group is examining or already implementing a number of additional initiatives for further improving its capital position, such as transactions associated with the restructuring, transformation or optimisation of operations, in Greece and abroad that will generate or release capital and/or reduce Risk Weighted Assets. Finally, the implementation of a solid integration program for NHPB and New Proton (note 48), the acquisition of which was completed on 30 August 2013, is already providing substantial synergies further enhancing the capital base of the Group.

ECB comprehensive assessment 2013-2014

In line with the provisions of the Regulation on the single supervisory mechanism (SSM Regulation), which entered into force in early November 2013, the ECB and the respective national competent authorities (NCAs) will carry out a comprehensive assessment of eurozone's most significant banks, including Eurobank. The ECB will conclude this comprehensive assessment of the banking system in October 2014, prior to assuming its new supervisory tasks in November 2014. This comprehensive assessment is an essential element of the preparations for the SSM, providing the necessary clarity on the banks that will be subject to the ECB's direct supervision. The exercise comprises a supervisory risk assessment, an asset quality review and a stress test to be conducted jointly with EBA. The integrated outcome of the comprehensive assessment may lead to a range of follow-up actions, including requirements for changes in a bank's provisions and capital.

The results of the comprehensive assessment, where necessary, will be followed by corrective measures (for example, recapitalisation, also through profit retention, equity issuance, re-orientation of funding sources, asset separation and sales). The timelines for implementing such measures will be part of the outcome of the assessment. The ECB will acknowledge and welcome corrective actions taken, also before the conclusion of the exercise, by banks and supervisory authorities, in the form of enhanced disclosure and provisioning, as well as recapitalisation, asset separation and sales, and other measures.

Capital shortfalls identified for viable banks should, first and foremost, be made up with private sources of capital. If private sources of capital are insufficient or not readily available, public backstops might need to be drawn upon, in compliance with national practices and European rules, with the overriding goal of ensuring financial stability.

Despite the fact that the methodology and benchmark capital thresholds used by the BoG in the recently concluded capital needs exercise were aligned, to the extent possible, to ECB's envisaged approach (based on publically available information as of February 2014), there is a risk that ECB may conclude on different capital needs for Eurobank.

Liquidity risk

The difficulty of the Greek banks to gain access to the international capital and money markets and the reduction of deposits due to heightened sovereign risk and deterioration of the Greek economy led to an increased reliance of the Group to Eurosystem financing facilities. Although the dependence on Eurosystem funding has decreased by 50% compared to its peak levels, as a result of access to the repo markets, acquisition of NHPB and New Proton, deleveraging and deposit inflows, these conditions pose a significant ongoing liquidity challenge for the Group and the Greek Banking system in general. The Group expects, as also confirmed in the latest Troika's progress report on the second adjustment program for Greece published in July 2013, that the European Central Bank (ECB) and BoG will preserve sufficient banking system liquidity in line with Eurosystem rules, which stipulate, inter alia, that access to direct ECB, as opposed to other Eurosystem funding, is subject to the Bank maintaining a minimum level of regulatory capital.

Other economic uncertainties

The continued deterioration of the Greek economy has adversely affected the Group's operations and presents significant risks and challenges for the years ahead. Currently, there are a number of material economic and market risks and uncertainties that impact the Greek Banking system. The main risks stem from the macroeconomic environment, the developments on the eurozone sovereign debt crisis, the impact of the significant fiscal adjustment efforts on the Greek economy and the implementation of the structural reforms agenda. The significant progress made to date could be compromised by significant delays in official financing, external shocks from the global economy as well as implementation risks, political instability and reform fatigue in Greece. The restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges for the

Greek economy. On the other hand, as Greece has taken effective action towards fiscal consolidation, has made progress in the budgetary area and with reforms in other key sectors of the economy, upside potential also exists. Particularly if, privatisation efforts, associated with the rapid improvement of the investment climate and the restoration of confidence, show resilience and are accompanied by sustained strong policy implementation.

Continuation of the recession could adversely affect the region and could lead to lower pre-provision profitability, deterioration of asset quality and reduction of deposits. In addition, increased funding cost remains a significant risk, as it is dependent on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies. These conditions may challenge the Group's capital adequacy position over the foreseeable future.

Notwithstanding the conditions and uncertainties mentioned above, the Directors, having considered the mitigating factors set out below, have a reasonable expectation that the Group will complete within a specific timeframe all actions and initiatives scheduled to cover the capital shortfall arising from the recent assessment of the Group's capital needs by BoG. Hence they are satisfied that the financial statements of the Group can be prepared on a going concern basis:

(a) as at 31 December 2013, the Core Tier I ratio (proforma with the completion of transaction with FairFax Financial Holdings Limited and the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio) stands at 11.3 %, above the limit of 9 %,

(b) that the Group continues the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Core Tier I capital and/or reducing Risk Weighted Assets,

(c) should they become necessary, the availability of additional recapitalisation funds from HFSF that can support any capital needs on top of the amounts already provided,

(d) the existence of the comprehensive financial support program of the EC/ECB/IMF (including the € 50 bn recapitalisation facility), aiming to correct Greece competitiveness gap and restore growth, employment and public debt sustainability and secure the banking system's stability,

(e) the Greek authorities' commitment to support the banking system and create a viable and well capitalised banking sector, and

(f) the Group's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.

The policies set out below have been consistently applied to the years 2013 and 2012, 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 2013:

IAS 1, Amendment - Presentation of Items of Other Comprehensive Income
The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The adoption of the amendments did not have a material impact on the presentation of other comprehensive income in the Group's consolidated financial statements.

IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets
The amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when investment property is measured using the fair value model in IAS 40 "Investment Property". The amendment had no impact on the Group's consolidated financial statements.

IAS 19, Amendment - Employee Benefits
The amendments have been applied by the Group retrospectively. As a result, the opening consolidated other comprehensive income and retained earnings as of 1 January 2012 have been accordingly restated, without affecting the Group's total equity. In addition, the consolidated income statement for the year ended 31 December 2012 has also been restated.
The effects from the adoption of IAS 19 amendment is described in notes 38 and 43.

IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities
The amendment requires disclosure of the effect or potential effects of netting arrangements on an entity's balance sheet. In particular, it requires information about all recognised financial instruments that are set off, according to IAS 32 "Financial

Instruments: Presentation", as well as about those recognised financial instruments that, although they are not set off under IAS 32, are subject to an enforceable master netting arrangement or similar agreement.
The amendments have been applied by the Group retrospectively. As a result, the Group has introduced the disclosures about offsetting financial assets and financial liabilities in note 7.2.1.4.

IFRS 13, Fair value measurement
IFRS 13 establishes a single framework for measuring fair value, provides a revised definition of fair value and introduces more comprehensive disclosure requirements on fair value measurement. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application (1 January 2013). There was no material impact on the consolidated financial statements of the Group from the prospective adoption of the measurement requirements of IFRS 13. New disclosures and enhancements to existing disclosures are provided in note 7.4 and note 30.

Annual Improvements to IFRSs 2009–2011 Cycle
Improvements to IFRSs comprise amendments to a number of standards aiming to clarify:
-the requirements for comparative information in IAS 1 "Presentation of Financial Statements";
-when certain types of equipment are classified as property, plant and equipment in IAS 16 "Property Plant and Equipment";
-the accounting for the tax effect of distributions to holders of equity instruments in IAS 32 "Financial Instruments: Presentation"; and
-interim financial reporting requirements regarding total segment assets and liabilities in IAS 34 "Interim Financial Reporting".
The above improvements to IFRSs did not have a material 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 2013, 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 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2015, not yet endorsed by EU)
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 - Separate Financial Statements (effective 1 January 2014)
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 is not expected to have any impact on the Group's consolidated financial statements.

IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2014)
The amendment replaces IAS 28 ‘Investments in Associates’, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of the amendment is not expected to have a material impact on the Group’s consolidated financial statements.

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
The amendment clarifies the requirements for offsetting financial assets and financial liabilities.
The adoption of the amendment is not expected to have a material impact on the Group’s consolidated financial statements.

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)
The amendments restrict 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 reverses.
They also include 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.
The adoption of the amendment is not expected to have a material impact on the Group’s consolidated financial statements.

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)
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 is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9, Financial Instruments (effective 1 January 2018)
IFRS 9, Financial Instruments, is a new standard for financial instruments that is ultimately intended to replace current IAS 39 Financial Instruments: Recognition and Measurement in its entirety.

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment which is not held for trading, in other comprehensive income, with only dividend income generally recognized in profit or loss.

IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities, as well as derecognition requirements, IFRS 9 requires that, in cases where a financial liability is designated as at fair value through profit or loss, the part of a fair value change due to the reporting entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Fair value changes attributable to a financial liability's credit risk are not subsequently reclassified in profit or loss. According to IAS 39 which currently applies, the amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognized in profit or loss.

Based on IFRS 9 and IFRS 7 Amendments, Mandatory Effective Date and Transition Disclosures, issued in December 2011, entities were required to apply IFRS 9 for annual periods beginning on or after January 1, 2015, with earlier application permitted. Additionally, IFRS 9 should be applied to all financial instruments outstanding as of the effective date, as if the classification and measurement under IFRS 9 had always been applied, but comparative periods do not need to be restated.

IFRS 9 was amended in November 2013 with IFRS 9 Financial Instruments: Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 to include a new general hedge accounting model that will better reflect reporting entities' risk management activities in the financial statements and some related amendments to IAS 39 and IFRS 7. The amendments also allow entities to early adopt the provision in IFRS 9 as issued in 2010, related to the presentation of changes in an entity's own credit risk within other comprehensive income without applying the other requirements of IFRS 9 at the same time. In addition, the 1 January 2015 mandatory effective date is removed and a new mandatory effective date will be set upon completion of the impairment phase of the accounting for financial instruments. However, in February 2014, the IASB tentatively decided that the effective date for IFRS 9 shall be 1 January 2018.

Entities that adopt IFRS 9 as amended in November 2013 can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

As IFRS 9 is an ongoing IASB project, which has not yet been finalized, it remains impractical to quantify its effect, as at the date of the publication of these consolidated financial statements.

IFRS 10, Consolidated Financial Statements (effective 1 January 2014)
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 this standard is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 11, Joint Arrangements (effective 1 January 2014)
IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities- Non – monetary Contributions by Ventures'. Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their type is determined by focusing on the rights and obligations of 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 is not applied by the Group, is no longer allowed.
The adoption of this standard is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2014)
IFRS 12 specifies the disclosures required 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 adoption of the standard is expected to result in expanded disclosures in the Group's consolidated financial statements.

IFRS 10, 11 and 12 Amendments - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2014)
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 Group will adopt these amendments when it first applies IFRS 10, IFRS 11 and IFRS 12.

IFRS 10, 12 and IAS 27 Amendments - Investment Entities (effective 1 January 2014)
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 is not expected to affect Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)
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";

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015, not yet endorsed by EU)
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

IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)
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 have a material impact on 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

Subsidiary undertakings are entities over which the Group, directly or indirectly, has the power to exercise control over their financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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.

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.

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.

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.

The Group sponsors the formation of special purpose entities, which may or may not be directly owned subsidiaries for the purpose of asset securitisation (note 2.25). The entities may acquire assets directly from the Bank. These companies are bankruptcy-remote entities and are consolidated in the Group's Financial Statements when the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group.

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.

(ii) Transactions with non-controlling interests

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are recorded as equity transactions and 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 interest 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 recognises gains and losses in the income statement. When the Group ceases to have control, any retained interest in the equity is remeasured to its fair value, with any changes in the carrying amount recognised in the income statement.

(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 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, or if that cannot be reliably measured, the consideration received.

(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.

(v) Joint ventures

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

As investments in associates, the Group's interest in jointly controlled entities 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.

A listing of the Group's associated undertakings and joint ventures is set out in note 32.

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 7.4. 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 the financial asset is identified as impaired, the increase in the net present value of the written down amount due to the passage of time (unwinding), is recognised as interest income using the rate of interest that was 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 GCU 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

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

The policy applied by the Group on the fair value measurement of financial instruments both before and after the adoption of IFRS 13 "Fair Value Measurement", is set out below:

Policy applicable from 1 January 2013

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 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.

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 7.4).

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.

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm’s length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on arm’s length basis.

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. These include the use of recent arm’s length market transactions, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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 balance sheet 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 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 includes observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the obligor, 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 performance and behavior of the borrower (for example, a number of delayed contractual payments);
(d) measurable decrease in the estimated future cash flows from a group of financial assets through a negative payment pattern such as missed payments;

(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 obligors 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;
(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 corporate 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 obligor;
(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 in 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 the borrower's ability to meet its debt obligations;
(i) market related information including the status of the borrower's other debt obligations;
(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 individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. 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 corporate clients 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, while exposures that are managed on an individual basis are assessed individually for impairment.

The Group assesses at each balance sheet date whether there is an 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 estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account for loans and advances or directly for all other financial assets, and the amount of the loss is recognised in the income statement. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of 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 the purposes of a collective evaluation of impairment, 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 debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated 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. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current 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.

Estimates of changes in future cash flows for groups of 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). The methodology and assumptions used for estimating 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 provision 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 such that the borrower can no longer pay the obligation.

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

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 provision for loan impairment 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 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 financial difficulty of the borrower. Other renegotiations, more of a business nature are not considered as forbearance measures.

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. The Group considers a number of circumstances that may result in derecognition, including:

(a) when an uncollateralized loan becomes fully collateralized;
(b) multiple facilities are consolidated into a single new facility;
(c) the removal or addition of conversion features to the loan agreement;
(d) a change in currency of principal and/or interest denomination;
(e) a change in the ranking of the instrument; and
(f) 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 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 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 treated as impairment loss 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.

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

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 Group's 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 Securitisations

The Group securitises financial assets, which generally results in the sale of the assets to special purpose entities (note 2.2(i)), which, in turn issue debt securities to investors and in some instances to Group companies. These securitisations are all consolidated by the Group as it is exposed to the majority of risks and rewards of ownership in the special purpose entities.

2.26 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.

2.27 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.

2.28 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.

2.29 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 recognised 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 impairment on an ongoing basis. The Group first assesses whether objective evidence of impairment exists. This assessment is performed individually for loans and advances that are individually significant, and individually or 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 allowance

For loans evaluated on an individual basis, mainly the corporate 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 a debtor's financial situation and the net realizable value of any underlying collateral. In estimating individual impairment allowance, the Group considers multiple risk factors such as industry prospects, financial condition and outlook of borrower, net realizable value of any collateral, and therefore, there is no single factor to which the Group's individual impairment allowance as a whole is highly sensitive.

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 allowance

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan 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 allowance, 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 portfolio 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 from which 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 best estimates 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 in the collective impairment allowance calculation for the Group's mortgages' portfolio, would give rise to additional impairment provisions of approximately € 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 exposures, management exercises judgment to determine the applicable recovery rates which are affected by the existing economic conditions. A decrease in the estimated recovery rates used in the calculation of the collective impairment allowance of the portfolio by 5% would increase loan impairment allowance by approximately € 90 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 31 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 7.4.

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

The Group sponsors the formation of special purpose entities (SPEs) for various purposes including asset securitisation. The Group may or may not directly own the SPEs and consolidates those SPEs that it controls. In determining whether the Group controls an SPE, it makes judgments about its exposure to the risks and rewards related to the SPE and about its ability to make operational decisions for the SPE in question.

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.

A significant portion of the Group's deferred tax assets are tax deductible over a period up to 30 years after the reporting period. On this basis, the Group considered its business plan and concluded that it is probable that sufficient taxable profit will be available to recover those deferred taxes.

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 38.

4. Greek Economy Liquidity Support Program

The Bank participates in the Greek Government'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 and 4093/2012 and extended by a Ministerial decision issued on 24 January 2014, as follows:

(a) First stream - preference shares
345,500,000 non-voting preference shares with nominal value of € 950 million were subscribed to by the Hellenic Republic on 21 May 2009 (note 40).

(b) Second stream - bonds guaranteed by the Hellenic Republic
As at 31 December 2013, the government guaranteed bonds, amounting to € 13,932 million, were fully retained by the Bank and its subsidiaries. In February 2013, government guaranteed bonds amounting to € 2,344 million, matured (note 36).

(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 of 29 December 2011, there were no special Greek Government bonds borrowed by the Bank.

As at 28 March 2014, the Bank borrowed special Greek Government bonds of € 1.918 million.

Under Law 3723/2008, as amended by Law 3965/2011, for the period the Bank participates in the program through the preference shares or the guaranteed bonds, the Government is entitled to appoint its representative to the Board of Directors, veto strategic decisions, decisions which alter substantially the legal or financial position of the Bank and require the General Assembly's approval and dividend distributions as well as restrict management remuneration.

In addition, under Law 3756/2009, as amended by Law 3844/2010 and supplemented by Laws 3965/2011, 4063/2012 and 4144/2013, banks participating in the Greek Economy Liquidity Support Program were not allowed to declare a cash dividend to their ordinary shareholders for 2008 to 2012, and are not allowed to acquire treasury shares under article 16 of the Company Law.

5. Credit exposure to Greek sovereign debt

Greek Government bonds exchanged under PSI+ in 2012

Under the Group's participation in the Greek Government Bond exchange program (PSI+), in March/April 2012, the Group received a) new Greek government bonds (nGGBs) with face value equal to 31.5% of the face amount of the old bonds, b) EFSF notes having a face amount of 15% of the face value of the old bonds and c) GDP-linked securities. All exchanged bonds were derecognised and the new GGBs, classified in the Held to Maturity portfolio, recognised at fair value with an impact of € 5.8 bn losses recorded in 2011 financial statements. In 2012 and, following the international financial community's view that the market for nGGBs is active, the Group recognised an additional valuation loss of € 428 million based on market quotes at the date of recognition. GDP-linked securities were classified as derivatives. Furthermore, due to its participation in the PSI+ exchange program, the Group incurred additional costs (extra funding cost, cost related with old GGBs hedging instruments) amounting to € 12 million, while other losses on Greek sovereign exposure amounting to € 115 million recognized by the Group in 2012, related with valuation losses for derivatives with the Greek State and for a Greek sovereign risk related financial guarantee.

Greek State's debt buyback program in 2012

Following the Eurogroup’s decisions on 27 November 2012 as part of debt reduction measures, the Greek State announced on 3 December 2012 an invitation to eligible holders of nGGBs to submit offers to exchange such securities for six months zero coupon notes to be issued by the European Financial Stability Fund (EFSF). On 18 December 2012, pursuant to the above invitation, nGGBs of aggregate face amount of € 31.9 bn were eventually exchanged for EFSF notes of face amount of € 11.3 bn.

Under its participation to the Greek state’s debt buyback program, the Group submitted for exchange the 100% of its nGGBs portfolio of total face value € 2.3 bn (carrying amount € 0.6 bn) and received EFSF notes of total face value € 0.8 bn. The transaction resulted in a pre tax gain of € 192 million recorded in fourth quarter of 2012.

Greek sovereign exposure

As at 31 December 2013, the total carrying value of Greek sovereign major exposures amounted to € 6,473 million (31 December 2012: € 6,056 million). This includes a) Treasury Bills of € 3,164 million (31 December 2012: € 3,053 million), b) GGBs of € 1,197 million maturing in 2014 and issued for the Greek State's subscription to the Preference Shares issued under Law 3723/2008 "Greek Economy Liquidity Support Program" (31 December 2012: € 904 million). These GGBs are expected to be repaid in full, c) other non PSI+ exchanged GGBs of € 859 million (31 December 2012: € 832 million), d) derivatives with the Greek State of € 634 million (31 December 2012: € 724 million) for which the Group recognized in 2013 valuation losses of € 10 million (2012: € 76 million), e) exposure of € 195 million relating with Greek Sovereign risk financial guarantee (31 December 2012: € 187 million), f) loans guaranteed by the Greek State of € 238 million (31 December 2012: € 182 million), g) loans to Greek local authorities and public organizations of € 137 million (31 December 2012: € 154 million), h) nGGBs of € 9 million included in trading portfolio (31 December 2012: € 5 million) and i) other receivables of € 40 million (31 December 2012: € 15 million).

As at 30 August 2013, the total carrying value of Greek sovereign exposures acquired from NHPB and New Proton amounted to € 1,544 million.

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, after assessing the following quantitative and qualitative information available till the publication date of the interim financial statements: a) Greece's credit rating upgrade by international rating agencies such as S&P and Fitch, which reflected the increasing prospects of stabilization and improvement of the Greek economy, b) the continuous increase in the market value of Greek bonds signaling the consequent improvement of credit spreads, c) that no credit event occurred since the PSI+ on Greek Government obligations and d) a series of additional qualitative factors enhancing the prospects for improvement of the Greek economy, such as the activity in Greek corporate bonds market, Greek authorities' planning for Greece's return to international bond markets and the investors' interest for participation in the capital increases of Greek banks in the second quarter of 2013.

6. Greek Banks' recapitalisation

Recapitalisation framework and process

Given the severity of the impact of the PSI+, on 21 February 2012 the Euro Area finance ministers allocated a total of € 50 bn of the second support program for Greece specifically for the recapitalisation of the Greek banking system. These funds were directed to the Hellenic Financial Stability Fund (HFSF) whose mandate has been extended and enhanced accordingly. € 39 bn of these funds were remitted to Greece in 2012 and the final € 11 bn in 2013.

In 2012, the Bank of Greece (BoG) assessed the viability of each Greek bank and estimated its capital needs based on the more demanding of (a) a minimum Core Tier I ratio of 9% under the baseline scenario and (b) 7% under the adverse stress scenario, throughout the period to end of 2014. Capital needs of each bank were assessed based on, inter alia, the impact of its participation in the PSI+ program, the results from the BlackRock first loan diagnostic exercise, the viability of its business plan, and a detailed timetable of mitigating actions to restore solvency. BoG and the European Central Bank (ECB) assessed that the € 50 bn is adequate to cover the capital needs, as above, of the viable Greek Banks and the resolution of the non viable ones.

In the meantime, the impact of Greek banks participation in the PSI+ was such that they required a temporary financial support from the HFSF, subject to the requirements provided by law and the presubscription agreement signed by each bank, the HFSF and the European Financial Stability Fund (EFSF) (see below).

The HFSF was established in 2010, in order to maintain the stability of the Greek banking system through ensuring that adequate resources are available to support viable banks' recapitalisation needs and participating in the capital increases for any non-subscribed part.

Banks considered viable are given the opportunity to apply for and receive Core Tier I-eligible capital from the HFSF under a certain process, ruled by Law 3864/2010 and Cabinet Act 38/9.11.2012. According to this legal framework, capital may take the form of ordinary shares, contingent convertible financial instruments or ordinary shares with restricted voting rights. Ordinary shares with restricted voting rights are only available if private investors contribute 10% of the capital raising at the rights issue. The voting rights of the HFSF for the ordinary shares it holds, if the 10% threshold mentioned above is met, is strictly limited to specific strategic decisions on the condition that the bank adheres to its restructuring plan and as long as contingent convertible financial instruments (CoCos) are not mandatorily converted to ordinary shares. The HFSF is obliged to dispose, fully or partly, of all the shares it acquires within five years from the initial rights issue covered by HFSF, if the required 10% private participation is met and within two years if not. In both cases the disposal period may be extended by the Minister of Finance. Cabinet Act 38/9.11.2012, agreed in consultation with the Troika (European Commission, ECB and IMF), provided the technical details of the banks' recapitalisation framework.

Non viable Banks were resolved by the HFSF, in an orderly manner and at the lowest cost to the State, in a way that ensures financial stability.

To ensure that the system remains well-capitalised, the BoG completed a follow-up capital needs exercise, 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 banks' restructuring plans submitted in November 2013 (note 2). On 6 March 2014, the BoG published the results of the above exercise and assessed that the capital needs for all Greek commercial banks based on the baseline scenario amounted to € 6.4 bn.

Eurobank's share capital increase

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank (the "Bank") concluded on 19 April 2012 that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier I capital should increase by € 5,839 million. The Bank, the HFSF and the EFSF signed on 28 May 2012, on 21 December 2012 and on 30 April 2013 a trilateral presubscription agreement (PSA) for the advance to the Bank of EFSF notes of face value of € 3,970 million, € 1,341 million and € 528 million, respectively (total € 5,839 million), as advance payment of its participation in the share capital increase of the Bank.

On 7 April 2013, the relevant regulatory authorities decided that National Bank of Greece (NBG) and Eurobank will be independently recapitalized in full. As a consequence, the merger process of the two Banks was suspended (note 50). Following the above decision, the Board of Directors evaluated the specificities of the exercise in relation with the attraction of capital from private investors and, in particular, the uncertainty regarding the completion or not of the merger with NBG, the ensuing inability of properly assessing the investment proposal, as well as the absence of tens of thousands of Eurobank's traditional shareholders who were substituted, due to the Voluntary Tender Offer, by NBG's stake of approximately 85% in the Bank's capital. As a consequence, the Board of Directors proposed to the Extraordinary General Meeting on 30 April 2013 that the share capital increase of € 5,839 million be fully subscribed by the HFSF.

On 30 April, the Extraordinary General Meeting approved the increase of the share capital of the Bank, in accordance with the provisions of Law 3864/2010 and Act of Cabinet 38/9.11.2012, in order to raise € 5,839 million by issuing 3,789,317,358 new ordinary shares, covered entirely by the HFSF with the contribution of bonds issued by the EFSF and owned by the HFSF (note 39). The capital increase was certified on 31 May and the listing of the new shares was completed on 19 June 2013 after obtaining the relevant approvals from Greek regulatory authorities.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve was fully recognised, while deferred tax asset's recognition was limited to 20% of Core Tier I capital. On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013. As at 31 December 2013, the Core Tier I ratio stood at 10.4% and proforma with the completion of transaction with Fairfax Financial Holdings Limited and the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio at 11.3%.

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

On 14 November 2013, the Bank announced the initiation of the process to raise approximately € 2 bn through a capital increase. On 14 January 2014, the Bank and HFSF announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework. The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified the Bank that its Core Tier I capital should increase by € 2,945 million. The Bank with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) 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 b)the Bank stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase, which constitutes a step towards further strengthening Eurobank's capital position and enhances the Bank's ability to support the Greek economy. The proposed capital increase is to be effected through a marketed equity offering. If the Bank is not able to meet its capital requirements by raising funds from the capital markets, it will need additional funding by means of new state support.

In the event that HFSF participates in the capital increase, the new State Aid rules, which were effected from 1 August 2013, will be applicable. Such rules require the prior contribution of hybrid capital holders and subordinated creditors in reducing the capital shortfall and a cap on remuneration to executives, including board members and senior management, combined with incentives ensuring that the bank is implementing its restructuring plan towards sustainable, long-term company objectives.

In addition, on 6 March 2014, the BoG notified the Bank that the capital needs under the adverse scenario amount to € 4,980 million and that the Bank should submit its plan for creating the relevant capital buffers by 15 May 2014.

Restructuring plan

The 28 May 2012 PSA (see above) was assessed as State Aid by the European Commission. Therefore, along with the other viable banks, on 31 October 2012, Eurobank submitted a draft five year restructuring plan to the HFSF, the Ministry of Finance and the European Commission. Following completion of the recapitalisation process by HFSF, the European Commission has asked that the Greek banks' plans, are revisited and resubmitted for approval. These plans should cover a period until end 2018. The approval process is in progress and is expected to be completed within the second quarter 2014. In connection with the approval of the restructuring plan, Hellenic Republic will commit that the Bank will implement in particular specific measures and actions and will achieve objectives which are integral part of said restructuring plan.

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 will monitor compliance with commitments on corporate governance and commercial operational practices, and the implementation of the restructuring plan and report to the European Commission.

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: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Group's overall risk management policies seek to minimise potential adverse effects on the Group's financial performance, financial position and cash flows.

Risk Management Organization

Risk management strategy is formulated by the Board Risk Committee (BRC) of the Board of Directors and the Group Chief Risk Officer (GCRO). Eurobank's structure, internal procedures and control mechanisms ensure the principle of independence and sufficient supervision.

The Board of Directors has delegated competences to the BRC regarding risk management strategy (e.g. risk appetite, classification of risks, assets-liabilities management and institution of risk management mechanisms) based on qualitative and quantitative analyses. The current BRC consists of four directors of whom one is executive, one is non-executive (the representative of the HFSF) and two are independent non-executives. The BRC meets at least monthly and reports to the Board on a quarterly basis.

The Group's Risk Management Division, which is headed by the GCRO, is independent from the business units and has full responsibility for monitoring operational, credit, market and liquidity risks of the Group. It comprises of the Credit Sector, Group Credit Control Sector, the International Credit Division, the Group Market & Counterparty Risk Sector (GM&CR) and Operational Risk Sector.

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.

Credit risk arises mainly from the corporate and retail lending activities of the Group, which include credit enhancement provided, such as financial guarantees and letters of credit. The Group is also exposed to credit risk arising from other activities such as investments in debt securities, trading activities, capital markets and settlement activities. Credit risk is the primary risk that the Group is exposed to; therefore it is carefully and actively managed and monitored by centralized risk units, reporting to the GCRO.

(a) Credit Risk Management

The credit approval and credit review processes are centralized on a country level. The segregation of duties ensures independence among those responsible for the customer relationship, the approval process and the 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 corporate banking credit risks including:

- Credit Committees which are authorized to approve new limits, renewals or amendments to existing limits according to their approval authority level, depending on total customer exposure, customer risk category (high, medium, low), value and type of security;
- Regional Credit Committees (RCC 1 and RCC 2) being Head Office committees which approve limits for International Operations in excess of the country's approval authority, depending also on customer's risk classification; and
- Special Handling Credit Committees (EPIX 1 and EPIX 2) which decide on credit issues and actions to be taken for specific cases of problematic loans above € 5 million and € 25 million respectively. Furthermore, a new Special Handling Committee (EPIX 3) has been established in order to review corporate customers with exposures lower than € 5 million.

Other specialized committees such as the Debt Remedial Management Committees are established to monitor certain portfolios (e.g. forborne loans, staff loans).

In December 2013, following the report of BlackRock (for Troubled Assets Review) and the instructions of Bank of Greece, a Trouble Assets Committee has been established at top management level.

Troubled Assets Committee main responsibilities are:

- to determine strategy for remedial management of problematic loans in the corporate and retail area;

- to provide guidance to Remedial / Non Performing Customers Unit;
- to monitor performance and progress across all asset classes on a monthly basis;
- to review regularly strategic initiatives.

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

Credit Sector

The Credit Sector of the Risk Management Division independently reviews credit proposals for large and medium size corporate entities and prepares an assessment (credit opinion) prior to their submission to the appropriate Credit Committees, in which it participates with a voting right. It also approves credits for retail customers (small business lending and household lending) in case the total customer exposure exceeds a predefined threshold.

International Credit Division

In order to ensure full harmonization with Group standards and in the light of increased credit risk management demands for the corporate business in International operations, the International Credit Division was established in April 2008. Its primary activities are:

- to evaluate credit proposals for business loans that exceed the approval threshold of the subsidiary bank and to submit them for approval to the Regional Credit Committees' of the parent bank, together with a risk opinion, as required;
- to prepare and revise – as needed – management acts relating to credit approval processes and approval levels;
- to maintain a uniform credit policy for international subsidiaries, in accordance with the Group's credit policies, and
- to monitor classified/ 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 as well as the "four-eyes" principle. The assessment is based on the analysis of the borrower's financial position and statistical scorecards.

The credit 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 of borrowers, 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) of the Risk Management Division measures and reports the total counterparty exposure on a group basis.

The counterparty exposure is calculated for Treasury positions: securities (bonds & equities), derivatives, repos, interbank placings, guarantees etc.

GMCRS uses a counterparty exposure measurement tool which reports the exposure per Group's entity, counterparty, product type on a daily basis with further breakdown of exposure. Risk mitigation contracts are taken into account for the calculation of the final exposure.

The same system is used for the limit utilization reporting and the limit excess monitoring. The tool is available to Bank's and subsidiaries' Treasury, 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 monitors and assesses the quality of the Group's loans portfolios (business, consumer and mortgage) and operates independently from all the business units of the Bank. The Group Credit Control Sector reports directly to the Group Chief Risk Officer.

The Group Credit Control Sector's key activities include:

- monitoring and reviewing the performance of all loan portfolios of the parent bank and its subsidiaries;

- conducting field reviews and preparing written reports to management on the quality of loans for all of the Group's lending units;
- supervising and controlling the credit risk management units of subsidiaries abroad;
- participating in the development, approval and implementation of credit risk models, designed according to the characteristics of each loan portfolio;
- qualitative and quantitative validation of credit risk models, regular monitoring of their effectiveness and reporting of results to relevant units and management;
- supervising, supporting and maintaining the Moody's Risk Advisor (MRA) used to assign borrower ratings to wholesale lending customers;
- creating, overseeing and supporting the Transactional Rating (TR) application, used for the wholesale lending portfolio, to measure the overall risk of a credit relationship, taking into account both the creditworthiness of the borrower and required collaterals;
- regular monitoring and quarterly reporting to the Board of Directors and Board Risk Committee of risk exposures, along with accompanying analyses;
- formulating the provisioning policy and regularly monitoring of the adequacy of provisions for all of the Group's loan portfolios;
- participating in the approval of new credit policies and new loan products;
- attending meetings of Credit Committees and Special Handling Committees, without voting right; and
- responsibility for the implementation of the Internal Ratings-based Approach (Basel II IRB approach) at Group level, according to the roll out plan, as well as the post implementation monitoring and reporting.

The bank's international subsidiaries in Bulgaria, Romania, Serbia, Cyprus and Ukraine apply the same credit risk management structure and control procedures as the parent bank, reporting directly to the Group Chief Risk Officer. 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.

(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 limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. The exposure to any one borrower including banks and brokers 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 Board Risk Committee. Such reports include the 20 largest exposures, major watchlisted 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 corporate banking, in order to better reflect the risk for 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.

MRA is a rating system that aggregates quantitative and qualitative information on individual obligors to perform the assessment of their creditworthiness and determine the credit rating for the obligor. It takes into account the company's financial performance, its cash flows, industry sector trends, peers' performance as well as qualitative assessment of management, the company's status, market and industry structural factors. 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 companies cannot be analyzed with MRA due to the special characteristics of their financial statement data such as insurance companies, state-owned organizations, brokerage firms, and start-ups. In such cases, an internal credit rating system is applied which similarly to MRA, combines quantitative and qualitative assessment criteria (such as size, years in business, credit history, industry sector etc).

In addition, the bank performs an overall assessment of corporate customers, based both on the borrower rating of the obligors (MRA or ICR), and the collaterals and guarantees referred to in its approved credit limit, using a 14-grade rating scale. Credit exposure is subject to detailed reviews by the appropriate approval level of the bank based on the respective rating (TR). Low risk corporate customers are reviewed at least once a year, whereas higher risk customers are reviewed either on a semi-annual (watchlist) or quarterly basis (substandard and distressed). All high risk corporate customers with exposures over € 5 million are reviewed by the Special Handling Committees (EPIX 1 and EPIX 2) on a weekly basis. A new Special Handling Committee (EPIX 3) has been established in order to review corporate customers with exposures lower than € 5 million.

For the specialized lending portfolios i.e. 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 (CRD) 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 scores are calculated automatically on a monthly basis, thus ensuring that credit risk assessments are up to date.

The models are used in the credit approval process, in credit limit management, as well as in the collections' 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 meet the requirements of the Basel II –Internal Ratings Based (IRB) approach. The bank is IRB certified since 2008 for the Greek portfolios, both corporate and retail (as detailed in Basel II, Pillar III disclosures available at the Bank's website).

The Group Credit 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 Board Risk Committee. Group 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 netting arrangements in master agreements for derivatives.

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, etc) the Group accepts only cash or liquid bonds as collaterals.

Valuation principles of collateral

In defining the maximum collateral ratio for loan products, the Group considers all relevant information available, including any collateral's 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 is 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;
- Highest and best use is determined from the perspective of market participants;
- 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.

Real estate properties for all units are valued by Eurobank Property Services S.A. (EPS), a subsidiary of the bank, which reports to the Group Chief Risk Officer. Eurobank Property Services is regulated by the Royal Institute of Chartered Surveyors (RICS) and utilizes internal or external qualified appraisers based on predefined criteria (qualifications and expertise). All appraisals take into account, among other things, the region, age and marketability of the property, and are further reviewed and countersigned by experienced staff. The valuation methodology employed is based on Internal Valuation Standards (IVS) and 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 (Prop. 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 on a monthly basis with detailed information regarding recoverability of cheques, referrals and bounced cheques, per issuer broken down by business unit (corporate and small business banking).

In case of reverse repos, the bonds received as collateral are valued on a daily basis by the official valuation system. All these are monitored via credit exposure measurement system that takes into account the specific characteristics of every contract.

Collateral policy and documentation

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

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

In the case of derivatives the Bank makes use of International Swap Derivative Association (ISDA), which limit the exposure via the application of netting and CSAs (Credit Support Annex), 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 (GMRA) 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 MTM of 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 asked by the relevant counterparty is reported along with the related documentation.

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.

Guarantees and credit derivatives

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.

The bank enters into credit derivative transactions with both retail and investment banks. The lowest counterparty rating is A, whereas the average counterparty rating is AA (Standard & Poor's rating scale).

Management of repossessed properties

The objective of the management of the repossessed assets by the Group 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.

(g) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements 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 by 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. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement. Further details on the effect of master netting arrangements on the exposure to credit risk are provided in note 7.2.1.4.

(h) Derivatives

The Group maintains control limits on net open derivative positions by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. derivatives with a positive fair value) which represents a small proportion of the contract amount of the outstanding derivatives. The credit risk exposure is managed as part of the overall lending limits with customers along with potential exposures from market movements.

The Group uses risk mitigation contracts in case of derivative transactions with financial institutions and large corporate clients. These contracts are mainly standard ISDA/CSAs contracts which ensure the netting of exposure and the exchange of collateral between the counterparties.

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

Board's Risk Committee places trading limits on the level of exposure that can be taken in relation to overnight and intraday day market positions as well as limits in longer durations. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions. Further details of the Group's derivative instruments and their measurement are provided in notes 7.4 and 24.

(i) Securities

The Group maintains control limits on positions on securities. The total exposure from securities is monitored on a daily basis by GMCRS and any excesses are reported to the management.

The main positions are: EFSF bonds, Greek post-PSI bonds and T-bills and sovereign bonds issued by countries where the Group has strategic presence. Furthermore there is also a limited position on asset backed securities and corporate bonds. Limited is also the equity portfolio which contains also position on Group’s own mutual funds.

As in the case of derivatives, Group Treasuries have direct access to an exposure tool that informs them with the current exposure per issuer and the corresponding limit utilization and availability.

7.2.1.1 Maximum exposure to credit risk before collateral held

	2013 € million	2012 € million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	**2,567**	4,693
Financial instruments at fair value through profit or loss:		
- Debt securities	**111**	403
Derivative financial instruments	**1,264**	1,888
Loans and advances to customers:		
- Wholesale lending	**19,748**	19,742
- Mortgage lending	**18,980**	14,221
- Consumer lending	**7,341**	6,378
- Small business lending	**7,429**	7,500
Less: Impairment allowance	**(7,888)**	(4,670)
Investment securities:		
- Debt securities	**18,362**	9,160
Other assets	**1,677**	1,308
Credit risk exposures relating to off-balance sheet items (note 45)	**1,748**	1,705
	71,339	62,328

The above table represents the maximum credit risk exposure to the Group at 31 December 2013 and 31 December 2012 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.

(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 are reported as "neither past due nor impaired" when no contractual payments are in arrears and there are 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, and less than 180 days past due for mortgage and wholesale exposures. For loans in this category, although not considered impaired, the Group may recognize an impairment provision.

"Impaired" loans that are individually assessed comprise wholesale exposures as well as small business loans which carry an individual impairment provision. All other retail impaired exposures carry a collective impairment provision.

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

The tables below 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 impairment allowance recognized for those non-impaired or impaired loans and advances that are either individually or collectively assessed, the total net amount, as well as the value of collateral held as security to mitigate credit risk.

For credit risk management purposes, 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. For this purpose, 2012 comparative information on collaterals have been presented on a similar basis.

	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	**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**

	31 December 2012								
	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	14,958	5,558	2,085	5,498	28,099	(850)	(2,637)	24,612	17,698
- Mortgage	*9,768*	*2,665*	-	*1,788*	*14,221*	*(0)*	*(425)*	*13,796*	*12,690*
- Consumer	*1,566*	*1,097*	-	*1,916*	*4,579*	*(0)*	*(1,468)*	*3,111*	*70*
- Credit card	*1,011*	*159*	-	*629*	*1,799*	-	*(378)*	*1,421*	*0*
- Small business	*2,613*	*1,637*	*2,085*	*1,165*	*7,500*	*(850)*	*(366)*	*6,284*	*4,938*
Wholesale Lending	12,512	3,146	3,383	-	19,041	(1,128)	(45)	17,868	9,298
- Large corporate	*7,991*	*1,170*	*752*	-	*9,913*	*(278)*	*(8)*	*9,627*	*4,059*
- SMEs	*4,521*	*1,976*	*2,631*	-	*9,128*	*(850)*	*(37)*	*8,241*	*5,239*
Public Sector	659	21	21	-	701	(9)	(1)	691	15
- Greece	*509*	*10*	*21*	-	*540*	*(9)*	*(1)*	*530*	*4*
- Other countries	*150*	*11*	-	-	*161*	-	-	*161*	*11*
Total	28,129	8,725	5,489	5,498	47,841	(1,987)	(2,683)	43,171	27,011

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, in order to differentiate and identify those with greater risk. For exposures classified as neither past due nor impaired, loans to wholesale clients are included into strong, satisfactory and watch list categories, while small business loans are generally segregated into satisfactory and watch list. Retail exposures not assessed individually, for which credit quality is not rated but is based on delinquency status, are classified as satisfactory.

The risk classification of loans and advances that are neither past due nor impaired is presented below:

	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 countries	*34*	*51*	-	*85*	*19*
Total	**5,167**	**21,431**	**760**	**27,358**	**17,747**

	31 December 2012				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	-	14,949	9	14,958	10,851
- Mortgage	-	*9,768*	*0*	*9,768*	*8,916*
- Consumer	-	*1,566*	-	*1,566*	*55*
- Credit card	-	*1,011*	-	*1,011*	*0*
- Small business	-	*2,604*	*9*	*2,613*	*1,880*
Wholesale Lending	7,403	4,426	683	12,512	5,674
- Large corporate	*4,802*	*2,935*	*254*	*7,991*	*3,033*
- SMEs	*2,601*	*1,491*	*429*	*4,521*	*2,641*
Public Sector	454	204	1	659	13
- Greece	*424*	*84*	*1*	*509*	*4*
- Other	*30*	*120*	-	*150*	*9*
Total	7,857	19,579	693	28,129	16,538

Loans and advances past due but not impaired

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

	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**

	31 December 2012								
	Retail lending				Wholesale lending		Public sector		Total past due but not impaired
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	€ million
up to 29 days	1,770	799	98	1,062	470	633	3	11	4,846
30 to 59 days	452	208	39	364	174	262	-	-	1,499
60 to 89 days	189	90	22	211	426	717	2	-	1,657
90 to 179 days	254	-	-	-	100	364	5	-	723
Total	2,665	1,097	159	1,637	1,170	1,976	10	11	8,725
Value of collateral	2,336	14	0	1,079	675	1,233	-	2	5,339

Impaired loans and advances

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

	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 ageing analysis of impaired loans and advances to customers by product line is presented below at amounts net of any impairment allowance.

For legally denounced loans, the Group ceases to monitor the delinquency status and therefore 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 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**

	31 December 2012								
	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	13	2	-	55	78	174	10	-	332
30 to 59 days	3	4	-	51	1	71	-	-	130
60 to 89 days	2	12	0	58	33	140	0	-	245
90 to 179 days	11	65	19	306	41	128	-	-	570
180 to 360 days	308	91	29	291	67	228	-	-	1,014
more than 360 days	1,076	378	226	1,318	240	1,054	-	-	4,292
Total	1,413	552	274	2,079	460	1,795	10	-	6,583
Value of collateral	1,438	0	0	1,979	351	1,365	0	-	5,133

(b) Collaterals and repossessed assets

Collaterals

The Loan-to-Value (LTV) ratio of mortgage lending reflects the gross mortgage loan amount at the balance sheet date over the market value of the mortgaged property held as collateral. The Group obtains real estate collateral values by combining professional appraisals and house price indices. Valuations are updated regularly and are performed more frequently when there is significant change in market conditions.

The LTV ratio of mortgage lending is presented below:

	2013 € million	2012 € million
Mortgages		
Less than 50%	**4,779**	3,414
50%-70%	**3,595**	2,699
71%-80%	**1,817**	1,480
81%-90%	**1,704**	1,387
91%-100%	**1,527**	1,205
101%-120%	**2,264**	1,698
121%-150%	**1,939**	1,233
Greater than 150%	**848**	680
Other Collateral	**507**	425
Total exposure	**18,980**	14,221
Average LTV	**76.15%**	75.02%

Other collateral comprises equipment, mainly machinery and vehicles. The breakdown of collateral and guarantees is presented below:

	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**

	31 December 2012				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	Received
Retail Lending	17,142	389	167	17,698	123
Wholesale Lending	6,605	1,480	1,213	9,298	166
Public sector	4	2	9	15	12
Total	23,751	1,871	1,389	27,011	301

Repossessed assets

The Group recognizes collateral assets on the balance sheet by taking possession usually through legal process of collateral held as security 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 32). 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, 29 and 30).

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 period:

	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**

	31 December 2012						
	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	504	191	(31)	(19)	473	8	1
- Residential	*222*	*53*	*(18)*	*(13)*	*204*	*2*	*0*
- Commercial	*282*	*138*	*(13)*	*(6)*	*269*	*6*	*1*
Other collateral	12	5	(2)	(1)	10	4	0

Properties that have been classified as investment property or own used in 2013 as a result of repossession or transfer from repossessed properties category, amount to € 175 million (2012: € 132 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 carrying amounts, impaired loans and advances and impairment allowance by product line, industry and geographical region:

	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)**

	31 December 2012								
	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	23,542	6,667	(3,005)	4,539	917	(483)	19	-	-
-Mortgage	*12,051*	*1,543*	*(322)*	*2,151*	*246*	*(103)*	*19*	-	-
-Consumer	*3,638*	*1,752*	*(1,330)*	*941*	*164*	*(138)*	-	-	-
-Credit card	*1,382*	*550*	*(317)*	*417*	*79*	*(61)*	-	-	-
-Small business	*6,471*	*2,822*	*(1,036)*	*1,030*	*428*	*(181)*	-	-	-
Wholesale Lending	13,468	2,576	(827)	5,141	777	(335)	432	29	(11)
-Commerce and services	*5,608*	*1,225*	*(413)*	*2,290*	*264*	*(126)*	*410*	*11*	*(11)*
-Manufacturing	*3,421*	*573*	*(204)*	*599*	*137*	*(66)*	-	-	-
-Shipping	*880*	*14*	*(5)*	*75*	*1*	*(1)*	*3*	*2*	*(0)*
-Construction	*1,979*	*532*	*(153)*	*1,163*	*331*	*(124)*	*19*	*16*	-
-Tourism	*1,112*	*156*	*(19)*	*61*	*1*	*(1)*	-	-	-
-Energy	*256*	-	*(0)*	*45*	*1*	*(0)*	-	-	-
-Other	*212*	*76*	*(33)*	*908*	*42*	*(17)*	-	-	-
Public Sector	539	21	(9)	161	-	-	-	-	-
Total	37,549	9,264	(3,841)	9,841	1,694	(818)	451	29	(11)

(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 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 actual or apparent financial difficulty of the borrower, as described in note 2.12. Other renegotiations, more of a business nature, are not considered as forbearance measures.

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 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;
- postponement of principal payment;
- 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.

Depending on the Group's overall assessment of the credit risk of the exposure and the level of the financial difficulty that the obligor faces, forbearance programs are either categorized as rescheduling or restructuring programs.

(i) Rescheduling programs

Considering the current economic environment and the trend observed mainly in the Greek banking sector where loan modifications form a wide spread practice in lending activities, the Group extends rescheduling offers on exposures with no overdue payments or at early delinquency status, either at the borrowers' request or the Group's initiative. The Group reports these programs as forbearance measures, although they may also be driven by factors of a business nature, other than the potential financial difficulty of the borrower.

Accordingly, the Group provides suitable and sustainable rescheduling options that are supportive of the borrowers in challenged circumstances, such as temporary financial difficulties, aiming to facilitate the repayment of their obligations, usually through a lower installment for an interim period.

The Group proceeds with rescheduling offers to borrowers with delinquency status up to 59 days past due for consumer unsecured exposures and 89 days past due for mortgage or small business loans. Rescheduling programs regarding wholesale exposures are offered on a selective individualized basis on borrowers that exhibit both the willingness to cooperate and the intention and ability to repay their debt in full.

Rescheduled loans are monitored for a period of twelve months and follow the classification and impairment provisioning policies of non-modified loans, as described in note 2.12, when there are no other indicators of impairment. After this period, they are classified as neither past due nor impaired, past due but not impaired or impaired, depending on their delinquency status, similar to non-modified loans, unless other indications of impairment arise, or they enter a new modification program, in which case they follow the categorization of restructured loans.

(ii) Restructuring programs

Restructuring programs involve modifications on loans of borrowers with significant financial difficulties.

In retail lending, forbearance practices apply in the case of exposures that are significantly overdue, that is with delinquency status of more than 60 days past due for consumer unsecured exposures and 90 days past due for mortgage or small business loans. In addition, individuals who are unemployed or face serious health problems as well as small businesses who face substantial financial difficulties fall under the restructuring programs irrespective of the number of days past due.

Specifically for unsecured consumer loans (including credit cards), restructuring 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 a 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, reduced or interest-only payments, reduction in interest rates, postponement of principal payment, temporary conversions to interest only payments.

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

Restructuring agreements enter a probation period of six to twelve months, depending on the portfolio and the level of risk, where the payment performance is monitored. During this period, loans are classified as past due but not impaired or impaired based on their delinquency status for retail lending and on borrower's rating for wholesale lending. At the end of the probation period the performance of the restructured borrower is re-examined:

- loans that comply with the terms of the program cease to be considered as restructured, are characterized as cured loans and revert to normal status; and
- loans that fail to perform under the new modified terms remain as impaired. These loans will continue to be disclosed as impaired until there is a significant reduction in the risk of non-payment of future cash flows and there are no other indications of impairment, which will result in the reversal of impairment, as described in note 2.12.

Restructuring is considered a trigger event to perform 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 restructuring program and level of collaterals) and the respective impairment charge is calculated.

Forborne loans are separately monitored by management through Debt Remedial Management Committees which evaluate the effectiveness of forbearance programs continuously, monitor borrower compliance with the revised terms and default rates, 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. Furthermore, borrowers subject to forbearance measures are required to repay at least one installment at the beginning of the new arrangement.

(iii) 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 2013, as part of a debt for equity restructuring, the Group acquired a minority shareholding of 10.3% of SATO S.A., a company listed on the ASE, amounting to € 4 million. Similarly in 2012, the Group acquired the remaining 70% of the share capital of Enalios Real Estate Developments S.A., amounting to € 0.2 million, which resulted in the acquisition of the controlling stake and inclusion of the company in the Group's subsidiaries (see also note 28).

(iv) Loan derecognition

A loan that is forborne under the Group's rescheduling and restructuring programs is derecognized and a new loan is recognized, 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 derecognition are described in note 2.12. Upon derecognition, any difference between the old loan and the fair value of the new loan is recognised in the income statement, as part of the impairment provision.

The following tables present forborne loans and advances to customers by type of forbearance measure and net of provision allowance:

Restructured Loans and Advances to Customers

	2013 € million	2012 € million
Forbearance measures:		
Interest only schedule	42	9
Reduced payment schedule	1,547	924
Payment moratorium/Holidays	706	456
Term extension	92	16
Arrears capitalisation	7	8
Partial debt write-off	0	0
Hybrid (i.e. combination of more than one type)	2,196	1,523
Other	40	30
Total net amount	**4,630**	2,966

Rescheduled Loans and Advances to Customers

	2013 € million	2012 € million
Forbearance measures:		
Interest only schedule	**0**	0
Reduced payment schedule	**675**	194
Payment moratorium/Holidays	**313**	281
Term extension	**110**	105
Arrears capitalisation	**2**	1
Partial debt write-off	**0**	0
Hybrid (i.e. combination of more than one type)	**1,855**	1,599
Other	**16**	-
Total net amount	**2,971**	2,180

The following tables present a summary of the credit quality of forborne loans and advances to customers:

Restructured Loans and Advances to Customers

	31 December 2013		
	Total loans & advances € million	Restructured loans & advances € million	% of restructured loans & advances
Neither past due nor impaired	**27,358**	**-**	**-**
Past due but not impaired	**9,696**	**2,612**	**26.9**
Impaired	**16,444**	**3,530**	**21.5**
Total Gross Amount	**53,498**	**6,142**	**11.5**
Individual impairment allowance	**(3,846)**	**(685)**	
Collective impairment allowance	**(4,042)**	**(827)**	
Total Net amount	**45,610**	**4,630**	**10.2**
Collateral received	**31,735**	**3,819**	

	31 December 2012		
	Total loans & advances € million	Restructured loans & advances € million	% of restructured loans & advances
Neither past due nor impaired	28,129	-	-
Past due but not impaired	8,725	1,647	18.9
Impaired	10,987	2,210	20.1
Total Gross Amount	47,841	3,857	8.1
Individual impairment allowance	(1,987)	(280)	
Collective impairment allowance	(2,683)	(611)	
Total Net amount	43,171	2,966	6.9
Collateral received	27,011	2,270	

Rescheduled Loans and Advances to Customers

	31 December 2013		
	Total loans & advances € million	**Rescheduled loans & advances € million**	**% of rescheduled loans & advances**
Neither past due nor impaired	**27,358**	**1,776**	**6.5**
Past due but not impaired	**9,696**	**889**	**9.2**
Impaired	**16,444**	**439**	**2.7**
Total Gross Amount	**53,498**	**3,104**	**5.8**
Individual impairment allowance	**(3,846)**	**(111)**	
Collective impairment allowance	**(4,042)**	**(22)**	
Total Net amount	**45,610**	**2,971**	**6.5**
Collateral received	**31,735**	**2,128**	

	31 December 2012		
	Total loans & advances € million	Rescheduled loans & advances € million	% of rescheduled loans & advances
Neither past due nor impaired	28,129	1,050	3.7
Past due but not impaired	8,725	904	10.4
Impaired	10,987	318	2.9
Total Gross Amount	47,841	2,272	4.7
Individual impairment allowance	(1,987)	(62)	
Collective impairment allowance	(2,683)	(30)	
Total Net amount	43,171	2,180	5.0
Collateral received	27,011	1,544	

The following tables present the movement of forborne loans and advances to customers:

Restructured Loans and Advances to Customers

	2013 € million
Balance at 1 January	**2,966**
Restructuring measures in the period	3,223
Restructuring measures arising from acquisitions	150
Interest income	155
Repayment of loans (partial or total)	(176)
Loans & advances that exited restructuring status	(1,261)
Impairment	(393)
Loss on derecognition:	(91)
- Fair Value of new loans recognised	*412*
- Carrying amount of old loans derecognised	*(503)*
Other	57
Balance at 31 December	**4,630**

Rescheduled Loans and Advances to Customers

	2013 € million
Balance at 1 January	**2,180**
Rescheduling measures in the period	2,019
Rescheduling measures arising from acquisitions	359
Interest income	58
Repayment of loans (partial or total)	(157)
Loans & advances that exited rescheduling status	(1,372)
Impairment	(67)
Other	(49)
Balance at 31 December	**2,971**

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

Restructured Loans and Advances to Customers

	2013 € million	2012 € million
Retail Lending	**3,158**	2,106
- Mortgage	*1,683*	*453*
- Consumer	*302*	*304*
- Credit card	*6*	*2*
- Small business	*1,167*	*1,347*
Wholesale Lending	**1,472**	860
-Large corporate	*603*	*382*
-SMEs	*869*	*478*
Total net amount	**4,630**	2,966

Rescheduled Loans and Advances to Customers

	2013 € million	2012 € million
Retail Lending	**1,626**	973
- Mortgage	*1,108*	*427*
- Consumer	*277*	*183*
- Credit card	*3*	*3*
- Small business	*238*	*360*
Wholesale Lending	**1,314**	1,207
-Large corporate	*696*	*624*
-SMEs	*618*	*583*
Public Sector	**31**	-
-Greece	*31*	-
Total net amount	**2,971**	2,180

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

Restructured Loans and Advances to Customers

	2013 € million	2012 € million
Greece	**3,970**	2,283
Rest of Europe	**660**	683
Total net amount	**4,630**	2,966

Rescheduled Loans and Advances to Customers

	2013 € million	2012 € million
Greece	**2,519**	1,648
Rest of Europe	**452**	532
Total net amount	**2,971**	2,180

7.2.1.3 Debt Securities

The following table presents an analysis of debt securities by rating agency designation at 31 December 2013 and 2012, based on Moody's ratings or their equivalent:

	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**

	31 December 2012				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	-	342	-	261	603
Aa1 to Aa3	223	327	-	182	732
A1 to A3	0	264	217	106	587
Lower than A3	179	1,680	4,669	840	7,368
Unrated	1	261	11	-	273
Total	403	2,874	4,897	1,389	9,563

Securities rated lower than A3 include: € 5,229 million related to Greek sovereign debt (2012: € 4,784 million), € 100 million related to Irish and Portuguese sovereign debt (2012: € 128 million), € 181 million related to Cypriot sovereign debt (2012: € 165 million), € 176 million related to Ukraine sovereign debt (2012: € 275 million) and € 975 million related to sovereign debt issued mainly by other Euro-zone members, European Union members and candidate members (2012: € 1,408 million).

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

	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**

	31 December 2012			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	4,794	3,055	124	7,973
Banks	10	500	0	510
Corporate	350	651	79	1,080
Total	5,154	4,206	203	9,563

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 2013 and 2012, 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 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 central 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	-	38	(37)	-	1
Total	10,828	-	10,828	(9,808)	(1,016)	4

	31 December 2012					
				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						
Derivatives financial instruments	1,804	-	1,804	(902)	(33)	869
Reverse repos with banks	132	-	132	(132)	-	-
Total	1,936	-	1,936	(1,034)	(33)	869

	31 December 2012					
				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	2,646	-	2,646	(902)	(1,738)	6
Repurchase agreements with banks	1,848	-	1,848	(1,848)	-	-
Total	4,494	-	4,494	(2,750)	(1,738)	6

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 2013 and 2012

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 reprising).

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

	2013 **€ million**	2012 € million
Interest Rate Risk	**12**	42
Foreign Exchange Risk	**2**	2
Equities Risk	**4**	5
Total VaR	**14**	42

[(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, as well as securities and derivatives held by the Group. Despite the large relative size of the loan and deposit portfolio, 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 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)**

	31 December 2012				
	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	14	330	26	43
Fixed coupon bonds	0	13	328	26	43
Variable coupon bonds	1	1	2	-	-
Investment securities	2,005	1,653	2,196	1,457	1,279
Fixed coupon bonds	1,673	849	1,161	1,457	1,279
Variable coupon bonds	332	804	1,035	-	-
Derivatives[(1)]	(1,434)	2,598	1,646	(1,263)	(1,563)

[(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 2013 and 2012

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

	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)**

	31 December 2012		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	(3)	(8)	(11)
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	(0)	(0)	(0)
Foreign exchange: -10% depreciation of functional currency over foreign currencies	10	(66)	(56)

(iii) Foreign exchange risk concentration

The following table presents the Group's exposure to foreign currency exchange risk as at 31 December 2013 and 2012:

	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	5,681	603	234	944	428	36,201	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	5,704	1,377	530	1,275	740	65,166	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	244	41	-	14	6	1,763	2,082
Total Liabilities	4,371	339	1,692	93	1,777	570	64,221	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

	31 December 2012							
	USD	CHF	RON	RSD	BGN	OTHER	EUR	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
ASSETS								
Cash and balances with central banks	19	6	291	120	296	108	1,225	2,065
Loans and advances to banks	662	458	29	2	6	168	3,368	4,693
Financial instruments at fair value through profit or loss	11	-	118	-	2	17	562	710
Derivative financial instruments	96	242	13	-	1	1	1,535	1,888
Loans and advances to customers	1,881	5,922	672	221	835	624	33,016	43,171
Investment securities	1,043	355	169	89	6	90	7,717	9,469
Other assets(1)	13	5	343	75	65	44	5,112	5,657
Total Assets	3,725	6,988	1,635	507	1,211	1,052	52,535	67,653
LIABILITIES								
Due to central and other banks	465	30	31	-	-	-	31,293	31,819
Derivative financial instruments	246	682	262	-	321	7	1,159	2,677
Due to Customers	4,791	92	1,294	79	1,244	599	22,653	30,752
Debt issued and other borrowed funds	5	-	4	-	-	-	1,356	1,365
Other Liabilities	7	-	33	-	14	4	1,637	1,695
Total Liabilities	5,514	804	1,624	79	1,579	610	58,098	68,308
Net on balance sheet position	(1,789)	6,184	11	428	(368)	442	(5,563)	(655)
Derivative forward foreign exchange position	1,860	(6,209)	308	-	289	(293)	4,093	48
Total Foreign Exchange Position	71	(25)	319	428	(79)	149	(1,470)	(607)

[(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, loan draw-downs and 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 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.

Maturity analysis of assets and assets held for managing liquidity risk

The following tables present maturity analysis of Group assets as at 31 December 2013 and 2012, 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 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

	31 December 2012				
	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	2,065	-	-	-	2,065
- Loans and advances to banks	945	129	49	1,612	2,735
- Loans and advances to customers	12,010	1,187	3,151	26,823	43,171
- Debt Securities	1,683	857	1,485	5,538	9,563
- Equity securities and Unit Linked products	-	-	-	616	616
- Derivative financial instruments	-	-	-	1,093	1,093
- Other assets[(1)]	21	18	82	5,536	5,657
	16,724	2,191	4,767	41,218	64,900

[(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 € 12 bn as at 31 December 2013 (2012: € 7.3 bn). In addition the Group holds other types of highly liquid assets, as defined by the regulator, amounting to € 1.6 bn (cash value) (2012: € 2.2 bn).

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2013 and 2012. 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 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

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

	31 December 2012				
	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	30,457	302	559	586	31,904
- Due to customers	15,975	5,309	8,450	1,452	31,186
- EMTNs	0	395	103	530	1,028
- Securitizations (redemptions and coupons)[1]	6	13	58	299	376
- Other liabilities	119	90	528	1,005	1,742
	46,557	6,109	9,698	3,872	66,236
Derivative financial instruments	132	-	-	-	132

[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	920	785
Capital expenditure	8	-
Operating lease commitments	25	23
	953	808

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 2013, the Bank's net funding from these sources totaled € 17 bn (2012: € 29 bn).

The main reasons for the decrease of ECB/BOG funding were the significant increase of Group's deposits base through the merger of NHPB and New Proton Bank, the loan and bond portfolio deleveraging, the reduction of interbank placings and posted collateral, and the significant increase of interbank secured funding (repos).

The Bank reduced also its secured funding from BOG (emergency liquidity assistance) by € 6.4 bn to € 5.6 bn (2012: € 12 bn) and succeeded a funding reallocation to lower cost sources.

The gradual recovery of private sector deposits, as a result of return to a sustainable path, and restoration of market access over the next years (IMF notes that banks are expected to be able to re-access markets before the sovereign, mainly due to their high capitalisation and low sovereign exposures post-recapitalisation), enhanced by the Bank's undertaken initiatives to strengthen its liquidity position, establish the conditions for a further substantial reduction of Eurosystem exposure in the medium term.

7.3 Capital management

Capital position pro-forma

	Pro-forma(1) 2013 € million	2013 € million	Pro-forma(2) 2012 € million
Total equity attributable to shareholders of the Bank	**4,165**	**4,165**	4,574
Add: Regulatory non-controlling interest	**415**	**214**	209
Less: Goodwill	**(116)**	**(116)**	(258)
Less: Other adjustments	**(281)**	**(287)**	(423)
Core Tier I capital	**4,183**	**3,976**	4,102
Add: Preferred securities	**77**	**77**	367
Less: Other adjustments	**-**	**-**	(48)
Total Tier I capital	**4,260**	**4,053**	4,421
Tier II capital-subordinated debt	**267**	**267**	290
Less: Other adjustments	**(9)**	**(70)**	(290)
Total Regulatory Capital	**4,518**	**4,250**	4,421
Risk Weighted Assets	**37,166**	**38,135**	37,999
Ratios:	%	%	%
Core Tier I	**11.3**	**10.4**	10.8
Tier I	**11.5**	**10.6**	11.6
Capital Adequacy Ratio	**12.2**	**11.1**	11.6

(1) *pro-forma with the completion of transaction with Fairfax Financial Holdings Limited and the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio*

(2) *pro-forma with recapitalisation amount of € 5.8 bn*

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.

During the last years the Group focused on the organic strengthening of its capital position and, excluding the impact of PSI+, managed to maintain capital ratios at levels comfortably above minimum required. This was achieved by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans. In addition, it proceeded in last years to several strategic initiatives, namely the disposal of Polish and Turkish operations (note 18), the liability management exercise of buying back preferred securities and Lower Tier II unsecured subordinated notes, the merger with Dias S.A., the transaction with Fairfax Financial Holdings Limited, the acquisition of NHPB and New Proton Bank and the implementation of Basel II IRB credit risk methodology to the acquired banks, created additional capital of € 2.7 bn.

Following the announcement by BoG of the Bank's capital needs (note 6), the Bank with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) 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 b) the Bank stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase

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.

Regulatory disclosures regarding capital adequacy and risk management, based on Bank of Greece Act 2655/2012 (Basel II, Pillar 3), are available at the Bank's website.

7.4 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 2.9(i) and 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 2013 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 bond loans.

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

	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	**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**

	31 December 2012			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	428	4	-	432
Financial instruments designated at fair value through profit or loss	278	-	-	278
Derivative financial instruments	0	1,888	-	1,888
Available-for-sale investment securities	2,870	313	-	3,183
Total financial assets	3,576	2,205	-	5,781
Financial liabilities measured at fair value:				
Derivative financial instruments	1	2,676	-	2,677
Due to customers:				
- Structured deposits	-	22	-	22
- Unit linked products	290	293	-	583
Debt issued and other borrowed funds:				
- Structured notes	-	29	-	29
Trading liabilities	3	-	-	3
Total financial liabilities	294	3,020	-	3,314

Other than the transfer of € 94 million available-for-sale and € 25 million trading bonds, mainly of Ukrainian and Serbian government, from Level 1 to Level 2 in 2013 due to decrease in the level of market activity, there were no other transfers between Level 1 and 2 and vice versa in 2013, as well as, no changes in valuation techniques used, during the year.

Following management review of the fair value hierarchy categorisation, the Group transferred in 2013 € 48 million of unquoted available-for-sale equity instruments and € 226 million of available-for-sale bond loans into Level 3, due to the significance of the unobservable inputs used in their fair value measurement.

Reconciliation of Level 3 fair value measurements

	2013 € million
Balance at 1 January	-
Transfers into Level 3	274
Transfers out of Level 3	(1)
Level 3 arising on acquisition	25
Total loss for the period included in profit or loss	(24)
Total gain for the period included in other comprehensive income	5
Purchases/(sales)	1
Balance at 31 December	280

The loss of € 24 million for the year included in profit or loss is presented in line "other impairment losses" in the Group's income statement.

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.

For the year ended 31 December 2013, the Group has switched from libor discounting to overnight index swap (OIS) discounting for collateralized derivatives (note 15).

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 unquoted available-for-sale bond loans are estimated by discounting the future cash flows, over the time period they are expected to be recovered, including the realisation of any collateral held. In valuing these loans, the Group makes assumptions on expected recoverable amounts and timing of collateral realisation. The main unobservable input used in their valuation is 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 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

	2013 € million	2012 € million
Interest income		
Customers	**2,396**	2,644
Banks	**30**	77
Trading securities	**4**	60
Other securities	**333**	667
Derivatives	**97**	627
	2,860	4,075
Interest expense		
Customers	**(983)**	(935)
Banks	**(441)**	(877)
Debt issued and other borrowed funds	**(24)**	(64)
Derivatives	**(118)**	(738)
	(1,566)	(2,614)
Total from continuing operations	**1,294**	1,461
Total from discontinued operations	**-**	84
Total	**1,294**	1,545

Interest Income recognised by quality of Loans and Advances and Product Line is further analysed below:

	31 December 2013		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	**1,223**	**232**	**1,455**
Wholesale lending	**763**	**176**	**939**
Public sector	**2**	**-**	**2**
Total interest income from customers	**1,988**	**408**	**2,396**

The unwinding of the discount of the impairment allowance (note 26) amounting to € 249 million (retail lending € 177 million, wholesale lending € 72 million) is included in interest income on impaired loans and advances to customers (2012: retail lending € 132 million, wholesale lending € 46 million).

9. Net banking fee and commission income

	2013 € million	2012 € million
Lending related fees and commissions	**107**	115
Mutual funds and assets under management related fees	**33**	36
Capital markets related fees	**30**	21
Other fees	**33**	28
Total from continuing operations	**203**	200
Total from discontinued operations	**-**	12
Total	**203**	212

10. 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).

11. Net trading income and gains less losses from investment securities

	2013 € million	2012 € million
Debt securities and other financial instruments	**78**	107
Equity securities and mutual funds	**44**	(32)
Gains/(losses) on derivative financial instruments	**(105)**	(61)
Revaluation on foreign exchange positions	**9**	15
Total from continuing operations	**26**	29
Total from discontinued operations	**-**	6
Total	**26**	35

12. Net other operating income

During the year, the Group proceeded with the sale of loans to banks amounting to € 840 million at a discount of 1.6%, with a resulting loss of € 13 million. This initiative enhanced the Group's Core Tier I ratio by reducing the Risk Weighted Assets and improved its liquidity position.

13. Operating expenses

	2013 € million	2012 € million
Staff costs (note 14)	**(589)**	(588)
Administrative expenses	**(320)**	(294)
Depreciation and impairment of property, plant and equipment	**(67)**	(75)
Amortisation and impairment of intangible assets	**(31)**	(30)
Operating lease rentals	**(64)**	(71)
Total from continuing operations	**(1,071)**	(1,058)
Total from discontinued operations	**-**	(72)
Total	**(1,071)**	(1,130)

As at 31 December 2013, the administrative expenses include € 35 million, paid to the Hellenic Deposits and Investment Guarantee Fund, related to the resolution scheme for the Group, including NHPB and New Proton Bank.

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:

	2013 € million
Statutory audit	(3.5)
Tax audit-article 82, law 2238/1994	(0.5)
Other audit related assignments	(0.4)
Non audit assignments	(0.6)
Total	(5.0)

14. Staff costs

	2013 € million	2012 € million
Wages, salaries and performance remuneration	(429)	(429)
Social security costs	(100)	(92)
Additional pension and other post employment costs	(19)	(21)
Other	(41)	(46)
Total from continuing operations	(589)	(588)
Total from discontinued operations	-	(46)
Total	(589)	(634)

The average number of employees of the Group (including those of NHPB and New Proton) during the year was 20,053 (2012: 17,662, excluding the employees of Turkish subsidiaries). As at 31 December 2013, the number of branches of the Group (including those of NHPB) amounted to 1,155.

In November 2013, the Bank launched a Voluntary Exit Scheme for its staff and the staff for most of its subsidiaries in Greece (note 49).

15. Other impairment and non recurring losses

	2013 € million	2012 € million
Impairment losses and valuation losses on investment property and repossessed properties	(132)	(54)
Impairment losses on bonds	(39)	(186)
Impairment losses on mutual funds and equities	(18)	(79)
Other impairment losses	(189)	(319)
Provision for claims in dispute	(103)	-
Voluntary Exit Scheme cost (note 49)	(87)	-
Valuation losses on derivative financial instruments	(23)	(12)
Expenses relating with NBG Voluntary Tender Offer	(17)	-
Expenses relating with the acquisition of NHPB and New Proton	(14)	-
Integration and restructuring costs	(10)	-
Restructuring costs and other non recurring losses	(254)	(12)
Total	(443)	(331)

As at 31 December 2013, the Group has recognized impairment and valuation losses on investment and repossessed properties amounting to € 132 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, mainly in Greece but also in the South-Eastern Europe, and after taking into consideration other asset-specific indicators of impairment based on technical and legal reports.

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 recognised amounted to € 23 million. As at 31 December 2012, the Group recognised credit valuation losses amounting to € 12 million related with derivative financial instruments conducted with corporate clients.

As at 31 December 2013, the Group has recognized integration and restructuring expenses amounting to € 10 million relating mainly to the closing of branches in the framework of its network rationalization.

As at 31 December 2012, the Group has recognized an impairment loss amounting to € 100 million on subordinated debt issued by Agricultural Bank of Greece (ABG) whose license was revoked in July 2012 and has since been put in liquidation.

As at 31 December 2012, the Group has recognized impairment losses amounting to € 79 million on equity securities (including mutual funds and non listed shares), for which the decline in fair value below cost was considered to be significant and/or prolonged, as a result of the continuing deterioration in the equity markets (note 2.12).

16. Income tax and non recurring tax adjustments

	2013 € million	2012 € million
Current tax	**(43)**	(42)
Deferred tax	**518**	390
Overseas taxes	**(17)**	(13)
Income tax	**458**	335
Change in nominal tax rates	**596**	-
Provisions for tax litigations and withholding tax claims	**(98)**	-
Other non recurring tax adjustments	**(169)**	-
Non recurring tax adjustments	**329**	**-**
Total tax (charge)/income from continuing operations	**787**	335
Total tax (charge)/income from discontinued operations	**-**	14
Total	**787**	349

According to Law 4110/2013, the nominal Greek corporate tax rate increased to 26% for income generated in accounting years 2013 and onwards. In addition, dividends distributed based on General Meetings held within 2013 are subject to 25% withholding tax, while dividends distributed based on General Meetings held as of 1 January 2014 onwards are subject to 10% withholding tax. The increase of the corporate tax rate mentioned above resulted in the adjustment of the Group's cumulative deferred tax as of 31 December 2013 by € 608 million, compared to that recorded as of 1 January 2013, out of which € 596 million have been recorded in 31 December 2013 income statement and € 12 million in other comprehensive income.

The nominal corporate tax rates in the countries that the Group's subsidiaries operate were changed as follows: Cyprus 12.5% (2012: 10%), Serbia 15% (2012: 10%), Ukraine 19% (2012: 21%). The effect on deferred tax asset from the above changes in the applicable tax rates was immaterial.

The Group recognised in 2013, non-recurring tax losses amounting to € 169 million related to the recent tax law change and the reassessment of subsidiaries deferred tax asset as described below.

By virtue of the recent tax law change (i.e. one off taxation of tax free reserves and taxation introduced on listed shares and derivatives, Law 4172/2013), a one off DTA release or tax charge of € 92.3 million was booked in 2013 of which € 89 million referred to the Bank and € 3.3 million to Eurobank Equities. The DTA release or tax charge is mainly triggered by the fact that the accumulated losses from listed shares and derivatives (i.e. respective losses realized up to 31 December 2013) can no longer be utilized for tax purposes.

Following the reassessment of subsidiaries' deferred tax asset, the Group recognised in 2013 income statement a non recurring loss amounting to € 77 million.

The Group recognized in 2013 a non recurring tax charge of € 98 million in relation to tax litigations and withholding tax claims against the state, of which € 57 million referred to the Bank, € 33 million to Eurobank Asset Management Mutual Fund Mngt Company, € 5 million to Eurobank Equities, € 1.3 million to Eurobank Leasing and 1.2 million to Eurobank Properties.

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 certificate for years 2011 and 2012, in accordance with article 82 of Law 2238/1994, while tax audit from external auditors is in progress for 2013. In addition, NHPB has not yet been audited for the period from 18 January 2013 until 30 June 2013, while New Proton is currently under tax audit from external auditors for the period 1 January 2013 until 30 June 2013, which are the last open tax periods, before their absorption by Eurobank in the fourth quarter of 2013. New Proton has obtained an unqualified tax certificate with a matter of emphasis for its first unaudited by tax authorities tax year ended 31 December 2012.

Greek subsidiaries which are subject to statutory audit by external auditors have obtained unqualified tax certificate for years 2011 and 2012 while tax audit for 2013 is in progress. The open tax years of foreign Group's bank subsidiaries are as follows: i) Bancpost S.A. (Romania), 2011-2013, (ii) Eurobank Cyprus Ltd, 2010-2013, (iii) Eurobank Bulgaria A.D. and Eurobank A.D. Beograd (Serbia), 2008-2013, and (iv) Eurobank Private Bank Luxembourg S.A., 2009-2013. The remaining of the Group's subsidiaries (including Greek subsidiaries), associates and joint ventures (notes 28 and 32), 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:

	2013 **€ million**	2012 € million
Profit/(loss) before tax from continuing operations	**(1,926)**	(1,694)
Tax at the applicable tax rates	**501**	339
Tax effect of:		
- income and expenses not subject to tax	**(17)**	(29)
- effect of different tax rates in different countries	**(6)**	3
- change in applicable tax rate	**596**	-
- provisions for tax litigations and withholding tax claims	**(98)**	-
- other non-recurring tax adjustments	**(169)**	-
- other	**(20)**	22
Total tax (charge)/income from continuing operations	**787**	335
Total tax (charge)/income from discontinued operations	-	14
Total	**787**	349

17. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method at the rate in effect at the time the reversal is expected to take place.

The movement on deferred income tax is as follows:

	2013 **€ million**	2012 € million
Balance at 1 January	**2,098**	1,708
Impairment on Greek sovereign exposure	**(17)**	73
Other income statement credit/(charge)	**965**	317
Available for sale investment securities	**(9)**	(37)
Cash flow hedges	**(21)**	17
Effect in other comprehensive income from the change in nominal tax rates	**12**	-
Release of DTA on losses from sale of treasury shares - tax law 4172/2013	**(34)**	-
DTA on share capital increase and LME expenses recognised in equity	**61**	(6)
Acquired DTA of NHPB Group	**4**	-
Disposal of foreign operations	**-**	8
Other	**(4)**	18
Balance at 31 December	**3,055**	2,098

Deferred income tax asset/(liability) is attributable to the following items:

	2013 € million	2012 € million
PSI+ tax related losses (tax deductible over a period of thirty years)	**1,256**	1,001
Loan impairment	**1,234**	754
Unused tax losses	**311**	47
Changes in fair value accounted through the income statement	**200**	188
Share capital increase and LME expenses	**48**	(6)
Cash flow hedges	**30**	40
Changes in fair value accounted directly to available-for-sale revaluation reserve	**(6)**	3
Sale of treasury and other shares	**-**	34
Fixed assets	**(17)**	(21)
Pensions and other post retirement benefits	**7**	7
Other	**(8)**	51
Net deferred income tax	**3,055**	2,098

The net deferred income tax is analysed as follows:

	2013 € million	2012 € million
Deferred income tax asset	**3,063**	2,106
Deferred income tax liability (note 37)	**(8)**	(8)
Net deferred income tax	**3,055**	2,098

Deferred income tax (charge)/credit in the income statement is attributable to the following items:

	2013 € million	2012 € million
Changes in fair value	**(47)**	6
Loan impairment	**241**	350
Unused tax losses	**263**	22
Change in nominal tax rates	**596**	-
DTA release due to tax law 4172/2013	**(89)**	-
Tax deductible PSI+ losses	**(45)**	-
Fixed assets	**8**	15
Pensions and other post retirement benefits	**(3)**	(4)
Other	**24**	1
Deferred income tax (charge)/credit	**948**	390

18. Discontinued operations

Disposal of Turkish operations

On 21 December 2012, the Group disposed Eurobank Tekfen A.S. and its subsidiaries to Burgan Bank of Kuwait, following the approvals from all competent authorities. The Group recognized a loss of € 31 million, before tax, arising from the recyclement of losses previously recognized in other comprehensive income (currency translation and available for sale reserve) to the income statement. Turkish operations for 2012 are presented in the International segment.

As at 31 December 2013, the Group recognized an additional loss of € 17 million, before tax, based on the Net Asset Value of Eurobank Tekfen A.S. and its subsidiaries at the closing of the transaction.

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) are combined. The Group has received € 814 million in cash, of which € 50 million have been pledged as collateral for the credit performance of the disposed mortgage loan portfolio and € 178 million received in February 2014.The remaining consideration receivable is subject to adjustments based on the Net Asset Value of Polbank at the closing of the transaction.

As at 31 December 2012, the gain on the disposal of Polish operations was adjusted with € 81 million losses, before tax (€ 65 million losses, after tax).

The results of the Group's discontinued operations are set out below. The income statement distinguishes discontinued operations from continuing operations.

	Year ended 31 December	
	2013	2012
	€ million	€ million
Net interest income	-	84
Net banking fee and commission income	-	12
Other income from discontinued operations	-	6
Operating expenses	-	(72)
Impairment losses on loans and advances	-	(18)
Profit/(loss) before tax from discontinued operations	-	12
Income tax	-	(2)
Profit/(loss) before gain on disposal	-	10
Gain/(loss) on disposal before tax	**(18)**	(112)
Income tax	**0**	16
Net profit/(loss) from discontinued operations	**(18)**	(86)
Net profit from discontinued operations attributable to non controlling interest	-	0
Net Profit/(loss) for the year from discontinued operations attributable to shareholders	**(18)**	(86)

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 Group has two categories of potentially dilutive ordinary shares: share options and convertible, subject to certain conditions, preferred securities (Series D). 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.

	Year ended 31 December	
	2013	2012
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)	**(1,177)**	(1,273)
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)	**(1,159)**	(1,186)
Weighted average number of ordinary shares in issue for basic and diluted earnings/(losses) per share	***2,871,586,813***	*55,189,171*
Earnings/(losses) per share		
- Basic and diluted earnings/(losses) per share	**(0.41)**	(23.06)
Earnings/(losses) per share from continuing operations		
- Basic and diluted earnings/(losses) per share	**(0.40)**	(21.49)

Basic and diluted losses per share from discontinued operations for 2013 amounted to € 0.01 (2012: earnings per share € 0.16).

Basic and diluted losses per share for 2012 have been adjusted taking into account the reverse split of the ordinary shares at a ratio of 10 existing shares for a new share in accordance with the decisions of the Extraordinary General Meeting held on 30 April 2013.

In addition, basic and diluted losses per share for 2012 have been decreased by € 0.09 as a result of retrospective application of IAS 19 amendment (note 38).

Share options did not have an effect on the diluted earnings per share, as their exercise price exceeded the average market price of the Bank's shares for the year. The Series D of preferred securities (note 41), 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

	2013	2012
	€ million	€ million
Cash in hand	**591**	590
Balances with central banks	**1,395**	1,475
	1,986	2,065
of which:		
Mandatory and collateral deposits with central banks	**965**	989

Mandatory deposits with central banks include (a) deposits of € 837 million (2012: € 895 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) collateral deposits for eurosystem's funding of € 60 million and (c) deposits of € 68 million (2012: € 94 million) with the Bank of England in accordance with UK regulatory requirements.

21. Cash and cash equivalents and other information on cash flow statement

Following the acquisition of NHPB and New Proton, the Bank considered a) the most appropriate method of incorporation of cash flows of acquired entities as of 1 September 2013 and b) the best practice applied by the banking industry and decided to change the method of presentation of operating cash flows of combined Group from direct to indirect for the year ended 31 December 2013. Comparative information for the year ended 31 December 2012 has been adjusted accordingly.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	2013 € million	2012 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**1,021**	1,076
Loans and advances to banks	**875**	997
Financial instruments at fair value through profit or loss	**55**	141
	1,951	2,214

Other (income)/losses on investment securities presented in operating activities are analysed as follows:

	2013 € million	2012 € million
Amortisation of premiums/discounts and accrued interest	**(123)**	(97)
(Gains)/losses from sale	**(44)**	73
Dividends	**(3)**	(4)
	(170)	(28)

22. Loans and advances to banks

	2013 € million	2012 € million
Pledged deposits with banks	**1,597**	3,216
Placements with banks	**635**	885
Current accounts and settlement balances with banks	**335**	460
Reverse repos with banks	**-**	132
	2,567	4,693

The Group's exposure in loans and advances to banks, as categorized by counterparty's geographical region, is presented in the following table:

	2013 € million	2012 € million
Greece	**78**	39
Other European countries	**2,229**	4,440
Other countries	**260**	214
Total	**2,567**	4,693

23. Financial instruments at fair value through profit or loss (including trading)

	2013 € million	2012 € million
Debt securities		
- EFSF bonds	-	223
- Greek government bonds	9	5
- Greek government treasury bills	2	0
- Other government bonds	98	170
- Other issuers	2	5
	111	403
Unit linked products	207	278
Equity securities	57	29
	264	307
Total	375	710

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 2013			31 December 2012		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
	€ million	€ million	€ million	€ million	€ million	€ million
Derivatives held for trading						
OTC currency derivatives						
- Currency forwards	**388**	**8**	**2**	832	11	8
- Currency swaps	**1,831**	**4**	**8**	2,147	11	6
- OTC currency options bought and sold	**413**	**2**	**4**	780	29	27
		14	**14**		51	41
OTC interest rate derivatives						
- Interest rate swaps	**18,000**	**1,030**	**920**	19,929	1,559	1,411
- Cross-currency interest rate swaps	**3,523**	**72**	**69**	4,342	130	118
- OTC interest rate options	**5,427**	**87**	**92**	10,384	108	156
		1,189	**1,081**		1,797	1,685
Exchange traded interest rate futures	**326**	**0**	**1**	577	0	1
		1,189	**1,082**		1,797	1,686
Other derivatives						
Other derivative contracts (see below)	**3,456**	**41**	**3**	2,828	21	7
Total derivative assets/liabilities held for trading		**1,244**	**1,099**		1,869	1,734
Derivatives designated as fair value hedges						
Interest rate swaps	**1,293**	**0**	**323**	2,582	16	490
Cross-currency interest rate swaps	**-**	**-**	**-**	24	0	16
		-	**323**		16	506
Derivatives designated as cash flow hedges						
Interest rate swaps	**1,232**	**0**	**107**	4,975	0	393
Cross-currency interest rate swaps	**6,338**	**19**	**29**	5,351	3	44
		19	**136**		3	437
Derivatives designated as net investment hedges						
Currency forwards/currency swaps	**23**	**1**	**(0)**	11	(0)	0
Total derivative assets/liabilities held for hedging purposes		**20**	**459**		19	943
Total derivatives assets/liabilities		**1,264**	**1,558**		1,888	2,677

Other derivative contracts include equity options, exchange traded index futures, exchange traded index options bought and sold, commodity swaps and credit default swaps, and warrants.

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 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**

	31 December 2012			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	779	-	-	779
Banks	0	592	302	894
Corporate	146	7	62	215
	925	599	364	1,888

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 2013 was € 323 million liability (2012: € 490 million liability). The Group recognized a loss of € 9 million (2012: € 2 million gain) 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 2013, interest rate swaps had a net fair value of € 117 million liability (2012: € 434 million liability). In 2013, the ineffectiveness recognised in income statement that arose from cash flow hedges was nil (2012: 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 € 304 million (2012: € 286 million), analysed in RON 1.3 bn (2012: RON 1.4 bn) and TRY 65 million, gave rise to currency gains for the year of € 3 million (2012: € 8 million gains), which affected positively the currency translation reserve.

25. Loans and advances to customers

	2013 € million	2012 € million
Wholesale lending	**19,748**	19,742
Mortgage lending	**18,980**	14,221
Consumer lending [1]	**7,341**	6,378
Small business lending	**7,429**	7,500
Gross loans and advances to customers	**53,498**	47,841
Less: Impairment allowance (note 26)	**(7,888)**	(4,670)
	45,610	43,171

[1] *Credit cards balances are included*

As at 30 August 2013, gross loans and advances to customers acquired from NHPB group and New Proton amounted to € 8,908 million (wholesale: € 2,255 million, mortgage: € 5,064 million, consumer: € 1,465 million, small business lending: € 124 million, note 48).

Loans and advances to customers include finance lease receivables, as detailed below:

	2013 € million	2012 € million
Gross investment in finance leases receivable:		
Not later than 1 year	**682**	326
Later than 1 year and not later than 5 years	**542**	836
Later than 5 years	**736**	900
	1,960	2,062
Unearned future finance income on finance leases	**(280)**	(334)
Net investment in finance leases	**1,680**	1,728
Less: Impairment allowance	**(305)**	(159)
	1,375	1,569
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**637**	281
Later than 1 year and not later than 5 years	**419**	705
Later than 5 years	**624**	742
	1,680	1,728
Less: Impairment allowance	**(305)**	(159)
	1,375	1,569

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 2013					
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Public € million	Total € million
Balance at 1 January	1,172	425	1,846	1,217	10	4,670
Impairment loss for the year	817	352	358	393	-	1,920
Recoveries of amounts previously written off	4	0	19	2	-	25
Amounts written off	(57)	(1)	(31)	(12)	-	(101)
Unwinding of discount	(72)	(47)	(18)	(112)	-	(249)
Foreign exchange differences and other movements	(5)	(14)	(71)	(5)	-	(95)
Arising from acquisitions	1,058	365	265	30	-	1,718
Balance at 31 December	2,917	1,080	2,368	1,513	10	7,888

	31 December 2012					
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Public € million	Total € million
Balance at 1 January	893	268	1,356	870	10	3,397
Impairment loss for the year	430	192	584	449	-	1,655
Recoveries of amounts previously written off	6	0	17	2	-	25
Amounts written off	(72)	(6)	(9)	(23)	-	(110)
Unwinding of discount	(45)	(29)	(32)	(72)	-	(178)
Foreign exchange differences and other movements	(7)	-	(70)	(6)	-	(83)
Disposal of foreign operations	(33)	-	(0)	(3)		(36)
Balance at 31 December	1,172	425	1,846	1,217	10	4,670

[1] *Credit cards balances are included*

27. Investment securities

	2013 € million	2012 € million
Available-for-sale investment securities	**3,113**	3,183
Debt securities lending portfolio	**14,862**	4,897
Held-to-maturity investment securities	**741**	1,389
	18,716	9,469

As at 30 August 2013, investment securities acquired from NHPB group and New Proton amounted to € 5,868 million (EFSF bonds: € 4,248 million, Greek government bonds: € 281 million, Greek government treasury bills: € 1,160 million, other bonds: € 86 million and equities: € 93 million, note 48).

During 2013, the Bank, in the context of its recapitalisation (note 6) received from the Hellenic Financial Stability Fund (HFSF) EFSF notes of € 5,839 million. The aforementioned notes are categorised under the Debt Securities Lending portfolio.

During 2013, the Group proceeded with the downsizing using selective sales of its "Held-to-Maturity" investment securities amounting to € 339 million (face value), as a response to the significant increase in the regulatory capital requirements of the banking industry, imposed by the Bank of Greece bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013 (note 6). The sale of the securities did not trigger tainting rules of the Group's "Held-to-Maturity" portfolio, as the significant increase in the regulatory requirements of the industry was a non-recurring event beyond the Group's control that could not have been reasonably anticipated upon initial classification of those securities.

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 amortised cost. Interest on the reclassified securities continued to be recognised in interest income using the effective interest rate method. As at 31 December 2013, the carrying amount of the reclassified securities was € 1,105 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2013 would have resulted in € 333 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 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

	31 December 2012			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Debt securities				
- EFSF bonds	181	-	-	181
- Greek government bonds	10	1,726	-	1,736
- Greek government treasury bills	706	2,347	-	3,053
- Other government bonds	1,590	543	473	2,606
- Other issuers	387	281	916	1,584
	2,874	4,897	1,389	9,160
Equity securities	309	-	-	309
Total	3,183	4,897	1,389	9,469

27.2 Movement of investment securities

	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

	31 December 2012			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Balance at 1 January	3,185	5,992	2,206	11,383
Additions, net of disposals and redemptions	214	(1,084)	(209)	(1,079)
Net gains/(losses) from changes in fair value for the year	152	-	-	152
Amortisation of premiums/discounts and interest	57	49	(9)	97
Amortisation of mark-to-market of reclassified securities	-	2	10	12
Changes in fair value due to hedging	-	(33)	-	(33)
Impairment losses	(68)	(20)	(528)	(616)
Exchange adjustments	(6)	(9)	(12)	(27)
Disposal of foreign operations	(351)	-	(69)	(420)
Balance at 31 December	3,183	4,897	1,389	9,469

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:

	2013 € million	2012 € million
Balance at 1 January	**(9)**	(194)
Net gains/(losses) from changes in fair value	**74**	152
Deferred income taxes	**(14)**	(23)
Acquired AFS reserve (NHPB and NPB), net of tax	**2**	-
	62	129
Net (gains)/losses transferred to net profit on disposal	**(74)**	(21)
Impairment losses on other investment securities transfer to net profit, net of tax	**5**	61
Deferred income taxes	**16**	3
	(53)	43
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	**58**	15
Deferred income taxes	**(9)**	(2)
	49	13
Balance at 31 December	**49**	(9)

28. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2013:

Name	Note	Percentage holding	Country of incorporation	Line of business
Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services	a	98.01	Greece	Business-to-business e-commerce, accounting and tax services
Cloud Hellas S.A.	b	55.94	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.		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
Eurobank Properties R.E.I.C.		55.94	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.	c	50.00	Greece	Credit card management and other services
Hellenic Postbank - Hellenic Post Mutual Funds Mngt Company S.A.	c	51.00	Greece	Mutual fund management
T Credit S.A.	c	100.00	Greece	Vehicle and equipment leasing
T Leasing S.A.	c	100.00	Greece	Leasing
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 Auto Leasing E.O.O.D.		100.00	Bulgaria	Vehicle leasing and rental
ERB Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
ERB Leasing E.A.D.		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
NEU 03 Property Holdings Ltd	d	100.00	Cyprus	Holding company
NEU II Property Holdings Ltd		100.00	Cyprus	Holding company
NEU III Property Holdings Ltd		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.		55.94	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.	e	100.00	Romania	Consultancy services
Eurobank Finance S.A.		100.00	Romania	Investment banking
Eurobank Property Services S.A.		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.		55.94	Romania	Real estate
Seferco Development S.A.		55.94	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.		55.94	Serbia	Real estate
EFG Istanbul Holding A.S.		100.00	Turkey	Holding company
Public J.S.C. Universal Bank		99.97	Ukraine	Banking
ERB Property Services Ukraine LLC		100.00	Ukraine	Real estate services
Anaptyxi II Holdings Ltd (1)		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi II Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I Holdings Ltd (1)		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Holdings Ltd (1)		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Byzantium Finance Plc	f	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion 2007-1 Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion Holdings Ltd (1)		-	United Kingdom	Special purpose financing vehicle (SIC 12)
ERB Hellas Plc		100.00	United Kingdom	Special purpose financing vehicle
Karta II Holdings Ltd (1)		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta II Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion II Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Holdings Ltd (1)		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Holdings Ltd (1)		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)

(1) *not consolidated due to immateriality*

Note: (i) Enalios Real Estate Development S.A., Global Fund Management S.A., Hotels of Greece S.A., Athens Insurance Brokerage Ltd, Security Services Systems Ltd are dormant/under liquidation subsidiary undertakings not consolidated due to immateriality. (ii) On 30 August 2013, following the acquisition of New Proton Bank S.A., the Group acquired 99.91% of Proton Mutual Funds Management Company S.A. The entity is under liquidation and is not consolidated due to immateriality.

(a) Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services, Greece

In October 2013, the name of Be-Business Exchanges S.A. was changed and its activities were expanded. The new name of the entity is "Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services" and provides additionally accounting and tax services.

(b) Cloud Hellas S.A., Greece

In December 2013, the Group acquired Cloud Hellas S.A, a real estate company operating in Greece. The acquired subsidiary is 100% subsidiary of Eurobank Properties R.E.I.C. (note 48).

(c) Hellenic Post Credit S.A., Hellenic Postbank - Hellenic Post Mutual Funds Mngt Company S.A., T Credit S.A. and T Leasing S.A., Greece

On 30 August 2013, following the binding agreements signed between the Bank and the Hellenic Financial Stability Fund (HFSF) on 15 July 2013, the Bank acquired by HFSF 100% of the shares and voting rights of New TT Hellenic Postbank S.A. (NHPB) and New Proton Bank S.A. (New Proton), after receiving all necessary regulatory approvals. Therefore, as of the said date, NHPB and New Proton became 100% subsidiaries of the Bank. The Group acquired, through its participation in NHPB, 50% of Hellenic Post Credit S.A., 51% of Hellenic Postbank - Hellenic Post Mutual Funds Mngt Company S.A., and 100% of T Credit S.A. and T Leasing S.A. Following the merger agreements signed between the Bank, NHBP and New Proton and after receiving all necessary regulatory approvals, the merger of the Bank with the above named subsidiaries was completed on 27

December and on 22 November 2013, respectively. The merger was effected with the absorption of NHBP and New Proton by the Bank (note 48).

(d) NEU 03 Property Holding Ltd, Cyprus

In November 2013, the Group established, as a 100% subsidiary, NEU 03 Property Holdings Ltd, a holding company operating in Cyprus.

(e) ERB ROM Consult S.A., Romania

In March 2013, the name and activity of "Eurobank Securities S.A." were changed. The new name of the entity is "ERB ROM Consult S.A." and it provides consultancy services.

(f) Byzantium Finance Plc, United Kingdom

In August 2013, following the acquisition of New TT Hellenic Postbank S.A., the Group acquired Byzantium Finance Plc, a special purpose entity for the issuance of mortgage backed notes.

(g) Anaptyxi 2006-1 Plc, Anaptyxi APC Ltd, Anaptyxi Holdings Ltd and Anaptyxi Options Ltd, United Kingdom

In January 2013, the companies were liquidated.

(h) Best Direct S.A., Greece

In February 2013, the company was liquidated.

(i) Eurobank EFG Ukraine Distribution LLC, Ukraine

In June 2013, the Group disposed of Eurobank EFG Ukraine Distribution LLC.

(j) EFG Business Services d.o.o. Beograd, Serbia

In September 2013, the company was liquidated.

29. Property, plant and equipment

	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 and/or held for sale	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	-
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	-
Balance at 31 December	(214)	(208)	(378)	(800)
Net book value at 31 December	661	53	56	770

	31 December 2012			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	779	264	450	1,493
Transfers	23	(0)	(0)	23
Additions	12	4	12	28
Disposals and write-offs	(20)	(7)	(7)	(34)
Exchange adjustments	(6)	(3)	(1)	(10)
Disposal of foreign operations	(17)	(5)	(7)	(29)
Balance at 31 December	771	253	447	1,471
Accumulated depreciation:				
Balance at 1 January	(189)	(193)	(375)	(757)
Transfers	0	0	0	0
Disposals and write-offs	14	6	7	27
Charge for the year	(25)	(18)	(22)	(65)
Exchange adjustments	1	2	1	4
Disposal of foreign operations	4	2	4	10
Balance at 31 December	(195)	(201)	(385)	(781)
Net book value at 31 December	576	52	62	690

Leasehold improvements relate to premises occupied by the Group for its own activities.

Included in the above as at 31 December 2013 is € 0.6 million (2012: € 0.01 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2013 was € 12 million (2012: € 14 million).

30. Investment property

	2013 € million	2012 € million
Cost:		
Balance at 1 January	**658**	601
Arising from acquisition of subsidiaries	**63**	-
Transfers from repossessed assets	**97**	-
Transfers from/to property plant and equipment	**(6)**	(23)
Additions	**77**	117
Disposals and write-offs	**(9)**	(1)
Impairments	**(100)**	(33)
Exchange adjustments	**(1)**	(3)
Balance at 31 December	**779**	658
Accumulated depreciation:		
Balance at 1 January	**(42)**	(33)
Transfers from/to property plant and equipment	**0**	(0)
Disposals and write-offs	**0**	(0)
Charge for the year	**(10)**	(9)
Exchange adjustments	**1**	0
Balance at 31 December	**(51)**	(42)
Net book value at 31 December	**728**	616

During the year ended 31 December 2013 an amount of € 24 million (2012: € 22 million) was recognised as rental income from investment property in income from non banking services. As at 31 December 2013 and 2012, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2013 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.

	Fair Value 2013 € million	Book Value 2013 € million
Residential		
Greece	0	0
International countries	68	67
Total	68	67
Commercial		
Greece	347	332
International countries	179	173
Total	526	505
Land Plots		
Greece	8	6
International countries	70	68
Total	78	74
Industrial		
Greece	35	29
International countries	58	53
Total	93	82
Total	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.

31. Intangible assets

	31 December 2013			31 December 2012		
	Goodwill € million	Other intangible assets € million	Total € million	Goodwill € million	Other intangible assets € million	Total € million
Cost:						
Balance at 1 January	**536**	**308**	**844**	536	300	836
Arising from acquisition of subsidiaries	**-**	**23**	**23**	-	-	-
Transfers	**-**	**2**	**2**	-	0	0
Additions	**-**	**21**	**21**	-	25	25
Disposals and write-offs	**-**	**(6)**	**(6)**	-	(2)	(2)
Impairment	**-**	**0**	**0**	-	-	-
Exchange adjustments	**-**	**(1)**	**(1)**	-	(3)	(3)
Disposal of foreign operations	**-**	**(0)**	**(0)**	-	(12)	(12)
Balance at 31 December	**536**	**347**	**883**	536	308	844
Accumulated impairment/amortisation:						
Balance at 1 January	**(279)**	**(159)**	**(438)**	(237)	(134)	(371)
Arising from acquisition of subsidiaries	**-**	**(13)**	**(13)**	-	-	-
Transfers	**-**	**0**	**0**	-	0	0
Amortisation charge for the year	**-**	**(31)**	**(31)**	-	(30)	(30)
Disposals and write-offs	**-**	**6**	**6**	-	1	1
Impairment (see below)	**(142)**	**-**	**(142)**	(42)	-	(42)
Exchange adjustments	**-**	**1**	**1**	-	1	1
Disposal of foreign operations	**-**	**0**	**0**	-	3	3
Balance at 31 December	**(421)**	**(196)**	**(617)**	(279)	(159)	(438)
Net book value at 31 December	**115**	**151**	**266**	257	149	406

Included in the above as at 31 December 2013 is € 0.3 million (2012: € 0.2 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:

	2013 € million	2012 € million
Global and Capital Markets (Eurobank Equities S.A.)	**2**	2
Wealth Management (Eurolife ERB Life Insurance S.A.)	**22**	22
International (Bulgaria, Romania, Serbia)	**91**	233
Total goodwill	**115**	257

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 2013 and 2012 were as follows:

	Eurolife ERB Life		Bulgaria		Romania		Serbia	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Discount rate (pre-tax)	**19%**	21%	**11%**	12%	**13%**	13%	**17%**	13%
Terminal value growth rate	**3%**	3%	**3%**	4%	**3%**	4%	**3%**	4%
Net loan growth	-	-	**3.4%**	3.3%	**0.0%**	2.8%	**1.7%**	4.3%
Deposit growth	-	-	**4.3%**	6.1%	**4.6%**	7.6%	**4.3%**	7.7%
Gross written premium	**6.6%**	11.4%	-	-	-	-	-	-

The volume of net loans and deposits is the main driver for the revenues and the costs of the CGUs of the International segment to which goodwill has been allocated. 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

No impairment losses of the CGUs of the Wealth Management and Global and Capital Markets segments to which goodwill has been allocated were identified during the year ended 31 December 2013.

For Eurolife ERB Life Insurance S.A., with € 22 million goodwill, the recoverable amount exceeded the carrying amount by € 127 million. No reasonably possible change in any of the above key assumptions would cause the carrying amount to exceed the recoverable amount.

For Eurobank Equities S.A., with € 2 million goodwill, the carrying amount of goodwill is not considered to be significant in comparison with the Group's total carrying amount of goodwill.

During the year ended 31 December 2012, a goodwill impairment charge amounting to € 42 million was recognised against the carrying amount of Eurobank Asset Management Mutual Fund Mngt Company S.A. which included the full amount of goodwill recognised from the acquisition of Intertrust Mutual Funds Co S.A. in 2004.

(ii) International segment

During the year ended 31 December 2013, the Group recognised 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, thus resulting in a remaining goodwill of € 91 million, € 35 million against the goodwill recognised for Serbia, and € 10 million against the goodwill recognised for Romania. As a result, the goodwill for Serbia and Romania was reduced to nil and their carrying amount was reduced to their recoverable amounts (€ 422 million for Serbia and € 344 million for Romania). The recoverable amount of Bulgaria was € 507 million.

The impairment losses resulted from reassessing the initial projections used to determine the recoverable amounts, in order to reflect the current economic conditions and more conservative growth assumptions about the Group's International operations.

During the year ended 31 December 2012, no impairment losses of the CGUs of the International segment to which goodwill has been allocated were identified.

The total goodwill impairment loss, amounting to € 142 million (2012: € 42 million), has been recognised in the separate line "Impairment losses on goodwill asset" in the Consolidated Income Statement.

32. Other assets

	2013 € million	2012 € million
Receivable from Deposit Guarantee and Investment Fund	**657**	330
Repossessed properties and relative prepayments	**558**	523
Pledged amount for a Greek sovereign risk financial guarantee	**250**	246
Income tax receivable	**223**	179
Prepaid expenses and accrued income	**67**	44
Investments in associated undertakings and joint ventures (see below)	**6**	8
Prepaid expenses for Bank's recapitalisation	**-**	154
Other assets	**480**	355
	2,241	1,839

As at 30 August 2013, total other assets include receivables acquired from NHPB group and New Proton amounting to € 447 million (of which receivable from deposits guarantee and investment fund: € 304 million, receivable from public entities: € 36 million, income tax receivable: € 20 million).

As at 31 December 2013, other assets amounting to € 480 million mainly consist of receivables from a) settlement balances with customers, b) guarantees, c) public entities, d) fraudulent and legal cases and e) insurance and brokerage activity.

The movement of the investments in associated undertakings and joint ventures is as follows:

	2013 € million	2012 € million
Balance at 1 January	**8**	8
Additions/(disposals)	**0**	0
Share capital increase	**0**	0
Currency translation reserve	**0**	-
Share of results for the year	**(3)**	(0)
Unrecognised share of losses for the year	**1**	-
Balance at 31 December	**6**	8

The financial information of the Group's associated undertakings and joint ventures as at 31 December 2013 is presented below:

Name	Note	Country of incorporation	Line of business	Percentage Holding	Assets € million	Liabilities € million	Profit/(loss) million	Group's Share of Net Assets € million	Group's Share of Profit/(loss) € million
Rosequeens Properties SRL		Romania	Real estate company	33.33	**61**	**64**	**(4)**	**0**	**(0)**
Cardlink S.A.		Greece	POS administration	50.00	**11**	**12**	**(1)**	**0**	**(1)**
Tefin S.A.	a	Greece	Motor vehicle sales financing	50.00	**6**	**1**	**0**	**3**	**0**
Sinda Enterprises Company Ltd		Cyprus	Special purpose investment vehicle	48.00	**5**	**0**	**(0)**	**2**	**0**
Femion Ltd		Cyprus	Special purpose investment vehicle	66.45	**4**	**4**	**(1)**	**0**	**(1)**
Unitfinance S.A.	a	Greece	Financing company	40.00	**3**	**0**	**0**	**1**	**0**
Rosequeens Properties Ltd		Cyprus	Special purpose investment vehicle	33.33	**0**	**0**	**0**	**0**	**0**
Odyssey GP S.a.r.l.	b	Luxembourg	Special purpose investment vehicle	20.00	**0**	**0**	**0**	**0**	**0**
					90	**81**	**(6)**	**6**	**(2)**

Note: Filoxenia S.A. is a dormant and under liquidation associated undertaking not consolidated due to immateriality.

Odyssey GP S.a.r.l. is the Group's associated undertaking.

As at 31 December 2013 all of the Group's associated undertaking and joint ventures are unlisted.

(a) Tefin S.A. and Unitfinance S.A., Greece

In December 2013, the Extraordinary General Meeting of the companies decided their liquidation.

(b) Odyssey GP S.a.r.l., Luxembourg

In February 2013, the Group acquired 20% of Odyssey GP S.a.r.l., a special purpose investment vehicle incorporated in Luxembourg.

(c) Omega Insurance and Reinsurance Brokers S.A., Greece

On 30 August 2013, following the acquisition of New Proton Bank S.A., the Group acquired 26.05% of Omega Insurance and Reinsurance Brokers S.A., the investment in which was fully impaired. The Group is not represented in the Board of Directors of the company, therefore does not exercise significant influence over it and does not account for it as an associate but as an available-for-sale financial investment.

33. Due to central banks

	2013 **€ million**	2012 € million
Secured borrowing from ECB and BoG	**16,887**	28,938
Secured borrowing from other central banks	**20**	31
Other borrowing from central banks	**-**	78
	16,907	29,047

As at 31 December 2013, the Bank has lowered its dependency on Eurosystem financing facilities to € 16.9 bn as a result of access to the repo markets, assets deleveraging, deposit gathering as well as the funding synergies from the acquisition of NHPB and New Proton.

34. Due to other banks

	2013 **€ million**	2012 € million
Secured borrowing from other banks	**9,359**	1,983
Secured borrowing from international financial institutions	**293**	336
Other borrowing from international financial institutions	**225**	252
Interbank takings	**287**	168
Current accounts and settlement balances with banks	**28**	33
	10,192	2,772

As at 30 August 2013, due to other banks include repos and interbank takings acquired from NHPB group and New Proton amounting to € 2,540 million (note 48).

As at 31 December 2013, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals EFSF bonds (note 27).

35. Due to customers

	2013 € million	2012 € million
Term deposits	**25,850**	20,947
Savings and current accounts	**13,678**	8,490
Repurchase agreements	**1,408**	378
Unit linked products	**479**	583
Other term products	**120**	354
	41,535	30,752

As at 30 August 2013, due to customers include customer deposits from NHPB group and New Proton acquisition amounting to € 11,297 million (term deposits: € 7,013 million, saving and current accounts: € 4,284 million, note 48).

As at 31 December 2013, the carrying amount of structured deposits and liabilities of unit linked products designated at fair-value-through-profit-or-loss was € 495 million (2012: € 605 million) and their fair value change was € 90 million loss (2012: € 138 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 € 2 million (2012: € 10 million).

36. Debt issued and other borrowed funds

	2013 € million	2012 € million
Medium-term notes (EMTN)	**288**	772
Subordinated	**206**	217
Securitised	**295**	376
	789	1,365

As at 30 August 2013, debt issued and other borrowed funds include notes from NHPB group and New Proton acquisition amounting to € 34 million (securitised: € 29 million and other loan notes: € 5 million)(note 48). In November 2013, the Group proceeded with the redemption of loan notes acquired by New Proton.

As at 31 December 2013, the carrying amount of structured notes designated at fair-value-through-profit-or-loss amounted to € 34 million (2012: € 29 million) and their fair value change to € 2 million gain (2012: € 19 million gain). The fair value of the structured notes takes into account the credit risk of the Group. As at 31 December 2013 the cumulative change in fair value of these instruments attributable to changes in credit risk amounted to € 7 million gain (2012: € 23 million). The fair value change of the structured notes due to market risks, 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 € 8 million (2012: € 24 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)

During the year, notes amounting to € 475 million, issued under the EMTN Program through the Group's special purpose entities, matured.

As at 31 December 2013, the EMTNs held by Group's customers, amounted to € 59 million (2012: € 281 million) were included in "Due to customers" (note 35).

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 2013, the liability amounted to € 206 million (2012: € 217 million).

In the context of the liability management exercise ("LME") decided by the Board of Directors of the Bank on 29 April 2013, the subordinated medium term notes tendered by the holders and accepted by the Group were € 22 million (note 39), including those held by the Group's clients and were included in "Due to customers".

As at 31 December 2013, the notes held by Group's customers, amounted to € 61 million (2012: € 73 million) were included in "Due to customers"(note 35).

In the event that HFSF participates in the capital increase of the Bank (note 6), the new State Aid rules, which were effected from 1 August 2013, will be applicable. Such rules require the prior contribution of preferred securities holders and subordinated creditors in reducing the capital shortfall.

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 2013, the liability amounted to € 15 million (2012: € 22 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 2013, the liability amounted to € 41 million (2012: € 51 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 2013, the liability amounted to € 56 million (2012: € 84 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 2013, the liability amounted to € 157 million (2012: € 219 million).

During the year, the Group proceeded with the repurchase of residential mortgage backed securities amounting to € 51 million, issued through the Group's special purpose entities.

Covered bonds and Government guaranteed bonds

As at 31 December 2013, the covered bonds and government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 4), totaling to € 3,800 million and € 13,932 million respectively, were fully retained by the Bank and its subsidiaries. In February 2013, government guaranteed bonds amounting to € 2,344 million, matured.

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 2014, the Group proceeded with the redemption of securitized notes acquired by NHPB at their carrying amount.

In February 2014, notes amounting to € 247 million, issued under the EMTN Program through the Group's special purpose entities, matured.

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.

In March 2014, the Group proceeded with the redemption of covered bonds amounting to € 250 million.

37. Other liabilities

	2013 € million	2012 € million
Insurance reserves	**1,189**	1,159
Other provisions	**202**	22
Deferred income and accrued expenses	**79**	56
Income taxes payable	**59**	17
Initial recognition adjustment of sovereign risk financial guarantee	**55**	59
Standard legal staff retirement indemnity obligations	**27**	33
Settlement balances with customers	**72**	15
Deferred tax liability (note 17)	**8**	8
Other liabilities	**391**	326
	2,082	1,695

As at 30 August 2013, total "other liabilities" include liabilities from NHPB group and New Proton acquisition amounting to € 135 million (of which provisions for legal cases: € 42 million, provisions for letters of guarantee: € 23 million, voluntary retirement scheme liability: € 14 million).

As at 31 December 2013, other provisions amounting to € 202 million consist of amounts for a) outstanding litigations and claims in dispute of € 154 million (note 45), b) letter of guarantees of € 23 million, c) operational risk events of € 14 million, d) untaken vacation indemnity of € 4 million and e) other provisions of € 7 million.

As at 31 December 2013, other liabilities amounting to € 391 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, e) credit card transactions under settlement and f) liabilities from insurance activity.

The movement of the Group's other provisions, is presented in the following table:

	2013 € million
Balance at 1 January	**22**
Arising from acquisitions	**70**
Amounts charged during the year	**115**
Amounts used during the year	**(3)**
Amounts reversed during the year	**(3)**
Foreign exchange and other movements	**1**
Balance at 31 December	**202**

As at 31 December 2013, other provisions include an amount of € 38 million for outstanding litigations with DEMCO S.A. In 2008 Post Credit (TT) and DEMCO S.A. concluded a shareholders' agreement whereby, amongst others, the participation of TT in the company BEST LINE CARDS S.A. 100% controlled by DEMCO was provided for. TT's participation in BEST LINCE CARDS S.A. was effected through its participation in the share capital increase with a result the two companies to become shareholders by a 50% shareholding each. The company was later renamed to HELLENIC POSTCREDIT SOCIETE ANONYME OF CREDIT FUNDING. In 2012 DEMCO terminated the agreement and sought recourse to the arbitral tribunal as provided for by the shareholders agreement. It contended that TT had violated a non-competition clause with regard to the issuance and management of credit cards. The allegation concerned the non transferring to POSTCREDIT of a small portfolio which belonged to T-Bank, which was acquired by TT on December 16, 2011 by virtue of an Act issued by the Director of the Central Bank of Greece and in line with the provisions thereof. DEMCO exercised a put option and requested TT to pay an amount of € 59.3 million on account of the transfer to TT of DEMCO's 50% shareholding in POSTCREDIT. An award was issued whereby the request was accepted and TT was condemned to pay the amount of € 33 million plus interest as from 22 June 2012 and the amount of € 0.8 million as a penal clause plus interest as from 22 May 2012.

Under the Law the arbitral award has a force of res judicata and is enforceable. TT challenged the validity of the award and filed a lawsuit for vacation before the Athens Court of Appeals scheduled to be heard on 3 April 2014. The issuance of the Judgment is expected to occur within 2014 provided the case will be heard.

38. Standard legal staff retirement indemnity obligations

Application of IAS 19 Amendment

In 2013, the Group applied retrospectively the Amendments to IAS 19 'Employee benefits' which introduce several changes to the accounting for employee benefits. The amendments amongst other, eliminate the corridor approach and require all actuarial gains and losses to be recognised directly in the other comprehensive income. Previously, the Group had elected to recognise immediately all actuarial gains and losses directly in the income statement. As a result, an amount of € 16 million and € 5 million, net of tax, were transferred from retained earnings to special reserves on 1 January 2012 and 2013, respectively, without having any impact on the Group's total equity.

The adoption of the amendments had no impact on the Group's consolidated balance sheet and cash flow statement as at 31 December 2013 nor on their comparatives.

The impact of the amendments on the consolidated income statement and consolidated statement of comprehensive income for 2012 is presented in the following tables:

	2012 € million
Operating expenses	(6)
Profit/(loss) before tax	(6)
Income tax	1
Net profit/(loss) for the year from continuing operations	(5)

	2012 € million
Actuarial gains/(losses) on post employment benefit obligations, net of tax	5
Other comprehensive income for the year	5

The impact of the application of the IAS 19 Amendment on basic and diluted earnings/(losses) per share is disclosed in note 19.

Other changes introduced by the amendment include:

(a) the replacement of the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on (i) the net defined benefit asset or liability and (ii) the discount rate used to discount post employment benefit obligation and

(b) the requirement to recognise past service cost immediately in the income statement.

The above changes did not have any material impact on the Group's consolidated financial statements.

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:

	2013 € million	2012 € million
Balance at 1 January	**33**	56
Current service cost	**3**	4
Interest cost	**2**	3
Past service cost and (gains)/losses on settlements	**86**	-
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**8**	(5)
Actuarial (gains)/losses arising from experience adjustments	**2**	(1)
Benefits paid	**(108)**	(22)
Exchange adjustments	**(0)**	(0)
Arising from acquisitions	**1**	-
Disposal of foreign operations	**-**	(2)
Balance at 31 December	**27**	33

The benefits paid by the Group, in the context of Voluntary Exist Scheme (VES), implemented in 2013, amounted to € 97.3 million. The provision for staff retirement obligations, participated on the above scheme, amounted to € 13.3 million (note 49).

Furthermore, based on Management's decision, in 2013 the standard legal staff retirement obligation of Eurobank Cyprus was amended to a defined contribution pension plan.

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	2013 %	2012 %
Discount rate	**3.9**	4.9
Future salary increases	**1.8**	1.6

As at 31 December 2013, the average duration of the standard legal staff retirement indemnity obligation was 19 years (2012: 18 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2013 is as follows:

An increase/(decrease) of the discount rate assumed, by 75 bps/(75 bps), would result in a (decrease)/increase of the standard legal staff retirement obligations by (€ 3.2 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 € 3.1 million/(€ 3.1 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.

39. Ordinary share capital, share premium and treasury shares

The par value of the Bank's shares is € 0.30 per share (2012: € 2.22). 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 2012	1,228	(2)	1,226	1,448	(9)	1,439
Purchase of treasury shares	-	(6)	(6)	-	3	3
Sale of treasury shares	-	2	2	-	9	9
Balance at 31 December 2012	1,228	(6)	1,222	1,448	3	1,451
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**

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 2012	552,948,427	(809,010)	552,139,417
Purchase of treasury shares	-	(2,716,066)	(2,716,066)
Sale of treasury shares	-	937,204	937,204
Balance at 31 December 2012	552,948,427	(2,587,872)	550,360,555
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**

On 30 April 2013, the Extraordinary General Meeting approved:

(a) the decrease of the share capital of the Bank by means of the parallel (i) increase of the nominal value of each ordinary share with voting rights and decrease of the total number of the existing ordinary shares thereof through reverse split, at a ratio of 10 old shares for each 1 new share, and (ii) decrease of the nominal value of the ordinary share of the Bank (as it resulted after the reverse split) to € 0.30, for the purpose of forming a special reserve of an equal amount of € 1,211 million, pursuant to article 4 par. 4a of Law 2190/1920. In addition, it authorized the Board of Directors to liquidate, as soon as possible, the shares formed from the aggregation of the fractional balances that may result from the reverse split and distribute to the beneficiaries the proceeds of such sale.

(b) the recapitalisation of the Bank, in accordance with the provisions of Law 3864/2010 and the Act of the Cabinet 38/9.11.2012, of € 5,839 million. The share capital increase is covered entirely by the HFSF with the contribution of bonds, issued by the EFSF and owned by the HFSF, as follows:
   i. the share capital of the Bank is increased by € 1,136.8 million by issuing 3,789,317,358 new ordinary shares with a nominal value of € 0.30 each, and
   ii. the share premium is increased by € 4,702 million.

On 27 June 2013, the Annual General Meeting approved the increase of the Bank's share capital with the amount of € 62 million, by payment in cash of € 317 million in total and the issue of new common shares, of a nominal value of € 0.30 each, via private placement to the holders of five series of preferred securities (Lower Tier I – Series A, B, C, D and E) and one series of subordinated debt instruments (Lower Tier II), with abolition of the pre-emptive rights in favour of existing common and preferred shareholders. Following the aforementioned decision of the AGM, the certification of the payment in cash of the said share capital increase by the Bank's Board of Directors at its meeting on 27 June 2013 and the filing with GEMH of the Ministry of Development and Competitiveness approval decision on 3 July 2013:

(a) the share capital of the Bank is increased by € 62 million by issuing 205,804,664 new ordinary shares with a nominal value of € 0.30 each, and

(b) the share premium is increased by € 255 million.

On 26 August 2013, the Extraordinary Shareholders General Meeting approved the increase of the Bank's share capital and share premium by € 426 million and € 255 million, respectively, by issuing 1,418,750,000 new ordinary shares with a nominal value of € 0.30 each and offer price of € 0.48 each, subscribed totally by way of contribution in kind by the HFSF and specifically by the contribution of the total number of shares of the "New TT Hellenic Postbank S.A." (NHPB) owned by HFSF, having a value of € 681 million, as derived from their valuation according to article 9, par. 4 of Law 2190/1920. The fair value of the newly issued Bank's ordinary shares was adjusted to € 860 million at the time NHPB shares were acquired, 30 August 2013, based on Eurobank's share market price of € 0.606 at the same date (note 48).

Incremental costs directly attributable to the aforementioned share capital increases amounted to € 171 million, net of tax, mainly comprising the lump sum payment to HFSF imposed by Law 4093/2012 amounting to € 114 million, net of tax and the 1% subscription fee amounting to € 35 million, net of tax, on EFSF notes advanced to the Group by HFSF on account for the subsequent recapitalisation of the Bank.

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.

40. Preference shares

	Preference Shares		
	Number of shares	2013 € million	2012 € 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 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 2013 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.

41. 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). 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 1.89% for the period 18 March 2013 to 17 March 2014. 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). 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.

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. 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 quarterly 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 a 12% discount to the share market price during the period preceding the exchange. 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). The terms and conditions of the issue are similar to preferred securities issued on 29 July 2009 and the conversion option applies from February 2015. The preferred securities are listed on the London Stock Exchange.

The movement of preferred securities issued by the Group through its Special Purpose Entity, ERB Hellas Funding Limited, is as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Series E € million	Total € million
Balance at 1 January 2013	**17**	**7**	**59**	**225**	**59**	**367**
Purchase of preferred securities (LME)	(16)	(2)	(10)	(208)	(59)	**(295)**
Issue costs transferred to retained earnings upon buy back	1	0	0	4	-	**5**
Balance at 31 December 2013	**2**	**5**	**49**	**21**	**-**	**77**

On 29 April 2013, the Board of Directors of the Bank decided to proceed with a liability management exercise ("LME") in respect of the five series of preferred securities (Lower Tier I-Series A,B,C,D,E) and the single subordinated medium term note (Lower Tier II) (the "Securities") issued by the Bank through its special purpose entities. In particular, the Board of Directors decided to execute the LME on a voluntary basis as follows:

(a) repurchase by the Bank of the tendered Securities at their nominal value; and

(b) undertaking by holders tendering Securities to participate in the new share capital increase, for cash, with the proceeds of the repurchase, at a share issue price equal to the issue price of the share capital increase of € 5,839 million which was fully subscribed by the HFSF, within the framework of Law 3864/2010, i.e. € 1.54091078902977 per share.

On 27 June 2013, the Annual General Meeting approved the aforementioned increase of the Bank's share capital with the amount of € 62 million, by payment in cash of € 317 million in total and the issue of new common shares, of a nominal value of € 0.30 each, via private placement to the holders of five series of preferred securities (Lower Tier I – Series A, B, C, D and E) and one series of subordinated debt instruments (Lower Tier II) (note 39).

In 2013, ERB Hellas Funding Ltd announced that, in accordance with the terms of Series B and C non-cumulative guaranteed non-voting exchangeable preferred securities, the non-cumulative preferred dividend on these preferred securities, which would otherwise had been payable on 2 November 2013 and 9 January 2014, respectively, would not be declared and would not be paid.

Also, in 2013, ERB Hellas Funding Ltd announced that, in accordance with the terms of Series D and E non-cumulative guaranteed non-voting exchangeable preferred securities, the non-cumulative preferred dividend on these preferred securities, which would otherwise had been payable on 29 July 2013, 29 October 2013 and 29 January 2014 for Series D and 28 August 2013, 29 November 2013 and 28 February 2014 for Series E, would not be declared and would not be paid.

Finally, in 2013, ERB Hellas Funding Ltd announced that, in accordance with the terms of Series A CMS-Linked non-cumulative guaranteed non-voting preferred securities, the non-cumulative preferred dividends on these preferred securities, which would otherwise have been payable on 18 March 2014, would not be declared and would not be paid.

As at 31 December 2013, the dividend attributable to preferred securities holders amounted to € 10 million (2012: € 32 million).

In the event that HFSF participates in the capital increase of the Bank (note 6), the new State Aid rules, which were effected from 1 August 2013, will be applicable. Such rules require the prior contribution of preferred securities holders and subordinated creditors in reducing the capital shortfall.

42. Share options

The Group has granted 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 movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31 December 2013		31 December 2012	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
Balance at 1 January	**11.38**	**3,015,066**	11.54	4,493,749
Expired and/or cancelled	**12.02**	**(2,108,170)**	11.87	(1,478,683)
Balance at 31 December and average exercise price per share	**9.90**	**906,896**	11.38	3,015,066

Share options outstanding and exercisable at the end of year have the following expiry dates and exercise prices:

	31 December 2013		31 December 2012	
Expiry date - 31 December	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
2013	**-**	**-**	13.58	1,215,121
2014	**9.90**	**906,896**	9.90	1,799,945
	9.90	**906,896**	11.38	3,015,066

The exercise price and number of shares options are subject to mathematical adjustments, by decision of the Board, if in the time period between the issuance of the options certificates and the date of their exercise changes occur in the share capital or the shares of the Bank, which alter the financial value of the options.

In this context, and following the changes to the Bank's share capital during 2013, the aforementioned exercise price and number of share options are subject to readjustments, in case an exercise date/period is to be defined. The current exercise price of the outstanding share options is much higher than the current stock market price of Bank's ordinary shares.

43. Special reserves

	31 December 2012				
	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January, as previously reported	429	1,270	(296)	(127)	1,276
Adjustments due to retrospective application of IAS 19 Amendment (note 38)	-	-	-	16	16
Balance at 1 January, as restated	429	1,270	(296)	(111)	1,292
Transfers between reserves	4	(1)	-	(210)	(207)
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	129		129
- impairment losses on other investment securities transfer to net profit, net of tax	-	-	61	-	61
- transfer to net profit, net of tax	-	-	(5)	-	(5)
Cash flow hedges					
- net changes in fair value, net of tax	-	-	(110)	-	(110)
- transfer to net profit, net of tax	-	-	46	-	46
Currency translation differences, net of hedging	-	-	-	3	3
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	5	5
Value of employee services	-	-	-	(2)	(2)
Balance at 31 December	433	1,269	(175)	(315)	1,212

	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)**	**(336)**	**1,191**
Adjustments due to retrospective application of IAS 19 Amendment (note 38)	-	-	-	21	**21**
Balance at 1 January, as restated	**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**
- impairment losses on other investment securities transfer to net profit, net of tax	-	-	5	-	**5**
- transfer to net profit, net of tax	-	-	(9)	-	**(9)**
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	-	-	-	(8)	**(8)**
Value of employee services	-	-	-	(8)	**(8)**
Balance at 31 December	**437**	**1,197**	**(46)**	**2,070**	**3,658**

In 2013, the increase of Group's other reserves by € 2,406 million is mainly attributable to : a. the forming of a special reserve of € 1,211 million following Bank's share capital decrease by reducing the ordinary shares' par value, pursuant to article 4 par. 4a of Law 2190/1920 (note 39), b. the share capital and share premium of New Proton amounting to € 910 million which have been recognized in Bank's accounts following the completion of the legal merger of New Proton with the Bank on 22 November 2013.
Statutory reserves and IAS 39 reserves are not distributable. Included in IAS 39 reserves as at 31 December 2013 is € 97 million loss (2012: € 166 million loss) relating to cash flow hedging reserve.

Non-taxed reserves are taxed when distributed. As at 31 December 2013, non-taxed reserves include an amount of € 246 million which consists of € 289 million which following Law 3513/2006 were subject to one-off taxation amounting to € 43.3 million. The Bank has contested the above taxation in the courts.

Included in other reserves as at 31 December 2013 is € 236 million loss (2012: € 214 million loss) relating to currency translation reserve, net of hedging.

44. 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 and rewards of these financial assets and therefore has not derecognised them. The related liability is recognised in Due to banks (notes 33 and 34) and Due to customers (note 35), as appropriate.

The Group enters into securitizations of various classes of loans (mortgage, credit card and small business 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 and rewards of these loans and therefore has not derecognised them. Moreover, the note holders' recourse is limited to the transferred loans. The related liability is recognised in Debt issued and other borrowed funds (note 36).

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	
	2013	2012
	€ million	€ million
Loans and advances to banks	**-**	852
Financial instruments at fair value through profit or loss	**18**	76
Loans and advances to customers	**12,782**	25,868
-securitized loans	***2,798***	*4,269*
-pledged loans under covered bond program	***4,380***	*4,445*
-pledged loans with central and other banks	***5,604***	*17,154*
Investment securities	**14,910**	6,388
	27,710	33,184

(b) As at 31 December 2013, the Government guaranteed bonds issued by the Group of total face value € 13,932 million (cash value € 8,650 million) under the second stream of Greek Economy Liquidity Support Program (note 4), which were fully retained by the Group, were pledged to central banks and international financial institutions (2012: face value € 16,276 million and cash value € 11,794 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 2013, the Group had borrowed or obtained through reverse repos, securities with fair value of € 121 million (2012: € 193 million), the majority of which had been pledged under agreements to repurchase or for obtaining Eurosystem's funding.

(d) Moreover, as at 31 December 2012 the HFSF had advanced to the Group securities with fair value € 5,343 million (face value € 5,311 million) on account for the recapitalisation of the Bank (note 6), out of which securities with fair value of € 4,550 million had been pledged under agreements to repurchase or for obtaining Eurosystem's funding.

As at 31 December 2013, 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 € 29,922 million while the associated liability from the above transactions amounted to € 28,262 million (notes 33, 34, 35 and 36) (2012: cash value € 38,086 million and liability € 32,042 million).

45. Contingent liabilities and other commitments

	2013	2012
	€ million	€ million
Guarantees and standby letters of credit	**679**	581
Other guarantees and commitments to extend credit	**1,007**	1,046
Documentary credits	**62**	78
Capital expenditure	**8**	8
	1,756	1,713

Legal Proceedings

There were a number of legal proceedings outstanding against the Group as at the year end. The Group's provision for outstanding litigations and claims in dispute amounted to € 154 million, of which € 42 million related with the acquired entities (note 48). In almost every case where a provision had been made proper remedies have been filed by the Group. Other than the aforementioned amount, no significant impact is expected on the Group's financial position from the outcome of pending lawsuits and cases in arbitration process.

46. Operating leases

Leases as lessee - Non-cancellable operating lease rental are payable as follows:

	31 December 2013		31 December 2012	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	23	-	24	1
Later than one year and no later than five years	13	-	18	1
Later than five years	3	1	4	-
	39	1	46	2

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 2013		31 December 2012	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	11	1	13	1
Later than one year and no later than five years	23	0	31	0
Later than five years	-	-	0	-
	34	1	44	1

47. Segment information

Management has determined the operating segments based on the internal reports reviewed by the Executive Board (which replaced the Strategic Planning Group (SPG) from 2 August 2013) that are used to allocate resources and to assess its 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, while the operations of NHPB are monitored as a separate segment until their operational integration with Eurobank. 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.
- NHPB: incorporating the operations of NHPB group which was acquired by the Bank on 30 August 2013. The table below presents the post combination income and expenses and the assets and liabilities of the acquired entities (after the elimination of intercompany balances) as at 31 December 2013 (note 48).
- 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.

47.1 Operating segments

	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	422	(34)	1,294
Net commission income	26	59	26	(2)	1	95	(2)	203
Other net revenue	1	6	73	(13)	2	24	(3)	90
Total external revenue	526	438	154	(79)	46	541	(39)	1,587
Inter-segment revenue	78	23	(55)	(34)	0	-	(12)	-
Total revenue	604	461	99	(113)	46	541	(51)	1,587
Operating expenses	(427)	(100)	(55)	(83)	(51)	(337)	(18)	(1,071)
Impairment losses on loans and advances	(990)	(646)	(15)	-	(0)	(269)	-	(1,920)
Profit/(loss) before tax from continuing operations before one-offs	(813)	(285)	29	(196)	(5)	(65)	(69)	(1,404)
One-offs (notes 5, 15, and 31)	(73)	(51)	(11)	34	(1)	(67)	(351)	(520)
Profit/(loss) before tax from continuing operations(1)	(886)	(336)	18	(162)	(6)	(132)	(422)	(1,926)
Profit/(loss) before tax from discontinued operations	-	-	-	-	-	-	(18)	(18)
Non controlling interest	-	-	0	-	(0)	0	1	1
Profit/(loss) before tax attributable to shareholders, after one-offs	(886)	(336)	18	(162)	(6)	(132)	(439)	(1,943)
Profit/(loss) before tax attributable to shareholders, before one-offs	(813)	(285)	29	(196)	(5)	(65)	(88)	(1,423)
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

The International segment is further analysed as follows:

	31 December 2013						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	Total € million
Net interest income	158	123	47	50	24	20	422
Net commission income	29	29	12	17	4	4	95
Other net revenue	12	0	2	0	2	8	24
Total external revenue	199	152	61	67	30	32	541
Inter-segment revenue	0	0	0	0	0	0	0
Total revenue	199	152	61	67	30	32	541
Operating expenses	(132)	(87)	(50)	(23)	(33)	(12)	(337)
Impairment losses on loans and advances	(124)	(76)	(30)	(17)	(20)	(2)	(269)
Profit/(loss) before tax from continuing operations before one-offs	(57)	(11)	(19)	27	(23)	18	(65)
One-offs (notes 5, 15, and 31)	(31)	(36)	-	-	-	-	(67)
Profit/(loss) before tax from continuing operations(1)	(88)	(47)	(19)	27	(23)	18	(132)
Non controlling interest	0	0	0	-	0	-	-
Profit/(loss) before tax attributable to shareholders, after one-offs	(88)	(47)	(19)	27	(23)	18	(132)
Profit before tax attributable to shareholders, before one-offs	(57)	(11)	(19)	27	(23)	18	(65)

	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**

	31 December 2012						
	Retail	Corporate	Wealth Management	Global & Capital Markets	International	Other and Elimination center	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net interest income	661	410	61	11	400	(82)	1,461
Net commission income	30	59	31	(19)	99	0	200
Other net revenue	(0)	(2)	42	9	32	13	94
Total external revenue	691	467	134	1	531	(69)	1,755
Inter-segment revenue	83	24	(60)	(40)	2	(9)	-
Total revenue	774	491	74	(39)	533	(78)	1,755
Operating expenses	(457)	(103)	(55)	(66)	(362)	(15)	(1,058)
Impairment losses on loans and advances	(1,059)	(294)	(4)	(0)	(298)	(0)	(1,655)
Profit/(loss) before tax from continuing operations before one-offs	(742)	94	15	(105)	(127)	(93)	(958)
One-offs (notes 5 , 15, and 31)	-	(52)	(51)	(458)	-	(175)	(736)
Profit/(loss) before tax from continuing operations[(1)]	(742)	42	(36)	(563)	(127)	(268)	(1,694)
Profit/(loss) before tax from discontinued operations	-	-	-	-	12	(112)	(100)
Non controlling interest	-	-	0	-	(1)	(13)	(14)
Profit/(loss) before tax attributable to shareholders, after one-offs	(742)	42	(36)	(563)	(116)	(393)	(1,808)
Profit/(loss) before tax attributable to shareholders, before one-offs	(742)	94	15	(105)	(116)	(218)	(1,072)
Segment assets	21,270	14,269	2,078	11,710	14,155	4,171	67,653
Segment liabilities	13,445	3,158	4,735	34,220	12,214	536	68,308

	31 December 2012						
	Romania	Bulgaria	Serbia	Cyprus	Ukraine	Luxembourg	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net interest income	139	112	50	44	29	26	400
Net commission income	30	29	12	22	4	2	99
Other net revenue	30	(1)	2	0	1	0	32
Total external revenue	199	140	64	66	34	28	531
Inter-segment revenue	(16)	2	0	10	1	5	2
Total revenue	183	142	64	76	35	33	533
Operating expenses	(148)	(88)	(53)	(23)	(39)	(11)	(362)
Impairment losses on loans and advances	(124)	(119)	(20)	(9)	(26)	0	(298)
Profit/(loss) before tax from continuing operations[(1)]	(89)	(65)	(9)	44	(30)	22	(127)
Profit/(loss) before tax from discontinued operations	-	-	-	-	-	-	12
Non controlling interest	0	0	0	-	0	-	(1)
Profit/(loss) before tax attributable to shareholders	(89)	(65)	(9)	44	(30)	22	(116)

	31 December 2012						
	Romania	Bulgaria	Serbia	Cyprus	Ukraine	Luxembourg	International
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets[(2)]	4,095	3,216	1,623	3,497	741	1,351	14,155
Segment liabilities[(2)]	3,596	2,786	1,216	3,117	722	1,146	12,214

[(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.*

47.2 Entity wide disclosures

Breakdown of the Group's revenue for each group of similar products and services is as follows:

	2013 € million	2012 € million
Lending related activities	**2,407**	2,531
Deposits, network and asset management activities	**(739)**	(562)
Capital markets	**(142)**	(275)
Insurance related activities	**36**	30
Non banking and other services	**25**	31
	1,587	1,755

48. Acquisition of subsidiaries

Acquisition of New TT Hellenic Postbank S.A. and New Proton Bank S.A.

On 15 July 2013, the Group signed a binding agreement with the Hellenic Financial Stability Fund (''HFSF'') to acquire 100% of the shares and voting rights of the New TT Hellenic Postbank (''NHPB'') for a consideration of € 681 million in the form of newly issued Eurobank ordinary shares with a minimum of 1,418,750,000 shares.

On the same day, the Group also signed a binding agreement with HFSF to acquire 100% of the shares and voting rights of the New Proton Bank S.A. ("New Proton") for a € 1 cash consideration. Prior to completion of the transaction, the HFSF covered the capital needs of New Proton by contributing € 395 million in cash.

On 30 August 2013, following the above binding agreements, the Group acquired from HFSF 100% of the shares and voting rights of NHPB and New Proton, after receiving all necessary regulatory approvals. Thus, as of the said date, NHPB and New Proton became 100% subsidiaries of the Bank.

Both transactions were approved by the Extraordinary General Meeting of Eurobank shareholders, which took place on 26 August 2013. Furthermore, on the same day the Extraordinary General Meeting of Eurobank shareholders approved the increase of the share capital of the Bank through the issuance of 1,418,750,000 new ordinary shares with a nominal value of € 0.30 and offer price € 0.48 each, subscribed by way of contribution in kind from HFSF of the total number of NHPB's shares, amounting to € 681 million. The number of the new ordinary shares issued was the minimum number of shares to be issued to HFSF pursuant to the binding agreement.

Both before and after 30 August 2013, the Group, NHPB and New Proton were all under the control of HFSF, therefore both transactions were business combinations involving entities under common control which are excluded from the scope of IFRS 3 "Business Combinations". Hence, in accordance with the Group's accounting policy, the acquisitions of NHPB and Proton were accounted for by using the pooling of interests method (also known as merger accounting).

Although the acquisition of a subsidiary in exchange for the issuance of shares in a common control transaction is not specifically addressed in IFRS, the Group has recorded the issuance of 1,418,750,000 new ordinary shares, being the consideration for the acquisition of NHPB, with reference to Eurobank's share market price as at the combination date, 30 August 2013, in accordance with IFRS definitions and principles on related areas. Accordingly, the Group has accounted for the share capital increase at the price of € 0,606 amounting to € 860 million and the difference with the nominal value amounting to € 434 million has been recorded in the share premium account.

Based on the finalised Net Asset Value of NHPB at the completion date and in accordance with the terms of the binding agreement, the consideration was reduced by € 57 million, of which € 55 million were paid by HFSF in cash in November 2013.

In order to achieve consistency of accounting policies and presentation, certain reclassifications were made to the balance sheets of NHPB group and New Proton as of the date of the business combination, which did not have an effect on the net assets acquired. The assets and liabilities of NHPB group and New Proton were recorded at their book values upon the acquisition. The book values of net assets of Eurobank Group, NHPB group and New Proton at the date of the combination were € 5,002 million, € 412 million and € 135 million respectively, resulting in combined equity of € 5,606 million (including the aforementioned consideration adjustment of € 57 million).

The results of both NHPB group and New Proton were incorporated in the Group's financial statements prospectively, as of 1 September 2013. Comparative information is not restated in the Group's consolidated financial statements.

The effect on consolidated reserves resulting from the acquisitions of NHPB group and New Proton is presented in the following table:

	NHPB group € million	New Proton € million	Total € million
Consideration after adjustments	803	0	803
Net assets acquired	411	135	546
Merger difference	(392)	135	(257)
Share capital increase	860	-	860
Net effect on shareholders' equity	468	135	603
Post combination P&L	(6)	(0)	(6)

The net effect on shareholders' equity from the merger with NHPB would not have been different, had the new shares been recorded at the issue price of € 0.48, amounting to a total of € 681 million, as the consideration and the share premium would have been equally decreased (the change in merger difference would have been offset by the change in share premium account).

The condensed Balance Sheets of the acquired entities as at the date of the business combination were as follows:

	NHPB group € million	New Proton € million
ASSETS		
Cash and balances with central banks	214	17
Loans and advances to banks	259	419
of which intercompany balances with Eurobank Group	*205*	*406*
Loans and advances to customers	6,678	512
Trading and investment securities	5,783	85
Property, plant and equipment	110	13
Other assets	414	66
Total assets	13,458	1,112
LIABILITIES		
Due to customers	10,354	954
of which intercompany balances with Eurobank Group	-	*11*
Due to other banks	2,538	5
of which intercompany balances with Eurobank Group	*3*	-
Other liabilities	154	18
Total liabilities	13,046	977
Shareholders' equity	411	135
Non controlling interest	1	-
Total equity and liabilities	13,458	1,112

The acquisition of NHPB significantly improves the asset quality, liquidity and the capital base of Eurobank Group and strengthens its strategic position in the Greek banking sector, thus enhancing its capacity to support Greek businesses and households. In addition, the significant synergies creation makes Eurobank's investment proposition more attractive.

Acquisition of Cloud Hellas S.A.

On 31 December 2013, Eurobank Properties REIC acquired 100% of the shares and voting rights of Cloud Hellas S.A for a € 3 cash consideration. The total consideration for the acquisition amounts to € 50 million, after taking into consideration the contractual obligation of the Group, arising from the framework agreement of the acquisition, to inject € 50 million through a share capital increase in the acquired company with the purpose of repaying the company's bond loan.

The aforementioned share capital increase of Cloud Hellas of € 50 m and the subsequent repayment in full of company's outstanding bond loan were completed on 27 and 28 February 2014 respectively.

Cloud Hellas S.A. owns a portfolio of four real estate properties in Athens and Thessaloniki, leased to Praktiker Hellas, Carrefour Marinopoulos and McDonald's.

The acquisition has been accounted for as a business combination using the purchase method of accounting. Consequently, the resulting gain arising on the acquisition has been determined as the difference between the fair value of the net assets of the acquiree and the total consideration transferred.

The fair value measurement of the assets and liabilities acquired has not been finalised due to the short time period between the completion of the transaction and the publication of these financial statements.

The provisional fair values of assets and liabilities acquired from Cloud Hellas S.A are presented in the table below:

	Fair value (Provisional values) € million
Assets	
Cash	6
Property, plant and equipment	63
Other assets	50
Total assets	**119**
Liabilities	
Due to other banks	56
Other liabilities	1
Total liabilities	**57**
Shareholders' equity	**62**
Total equity and liabilities	**119**

The gain on the acquisition arising from the provisional fair values is attributed to the particular circumstances of the acquisition which resulted in a low consideration compared to the fair value of the net assets acquired and the expected future benefits of the transaction.

The Group's share of the gain on the acquisition amounting to € 7 million has been recognised in the line "Other Operating Income" of the consolidated income statement.

49. Other significant and post balance sheet events

Eurobank's Voluntary Exit Scheme

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 VES was offered to all employees of Eurobank and most of its subsidiaries in Greece as well as to New Proton Bank employees, with Group service of more than 1.5 years. The total number of employees that have 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. Moreover, the Group will have an estimated annual saving, as a result of the scheme, amounting to € 55.6 million for the Bank and € 60.2 million for the Group.

Transaction with Fairfax Financial Holdings Limited on 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 preemption 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% holds at 31 December 2013) and Eurobank 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 remains above 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 Eurobank 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 was fully covered through the payment in cash and amounted to € 193 million. As a result, on 6 February 2014, 40,260,000 new common shares were issued.

Following the completion of the transaction, the Group's ownership interest to Eurobank Properties decreased from 55.94% to 33.95% without loss of control. Therefore, the transaction with Fairfax was recorded as an equity transaction with non-controlling interests.

Group's operations in Ukraine

In recent weeks, Ukraine has witnessed sharp escalation of the political crisis, with international implications. As a result, the economic situation and outlook in that country have become more challenging and subject to significant risks.

The Group operates in Ukraine through its subsidiary, Public J.S.C. Universal Bank. The subsidiary's operations are currently carried out through a network of 54 branches. The bank is active in retail and wholesale banking.

As at 31 December 2013, total assets from operations in Ukraine stood at € 665 million, of which, net loans to customers of € 462 million and a sovereign bond portfolio of € 95 million, while deposits amounted to € 285 million. In addition, Eurobank and its subsidiaries held Ukrainian government securities in their investment portfolio of € 81 million. The operating income contribution from the Group’s activities in Ukraine corresponds to 1.8% of its total operating income.

The events and the political developments that occurred in Ukraine after the reporting period may result in a decline of the relevant asset values.

Group's operations in Cyprus

On 25 March 2013, the Cypriot government reached an agreement with Troika (European Central Bank, European Commission and International Monetary Fund) on a new financial assistance program that was endorsed by the Eurogroup. The program contains a bail-out assistance package of up to € 10 bn and a bail-in scheme from unsecured depositors at specific banks, and aims to restore the viability of the domestic financial sector and facilitate the return of the Cypriot economy to a sustainable economic growth and sound public finances over the coming years.

The Group operates in Cyprus through its subsidiary, Eurobank Cyprus Ltd. The subsidiary's operations are currently carried out through a network of seven banking centers, focusing in Wholesale Banking and International Business Banking.

The total assets of the subsidiary stand at € 3.7 bn, out of which, € 1.5 bn, only, relate to assets in Cyprus. The capital base of the subsidiary amounts to € 604 million, while the capital adequacy ratio as at 31 December 2013, stood at the very strong levels of 44.95%, which, combined with the good quality of the loan portfolio, strengthen the shield toward the risks of the current economic conditions.

On 31 December 2013, the deposits of the subsidiary amounted to € 2.5 bn, while the amount of loans to € 1.1 bn, out of which, € 0.5 bn is fully cash collateralised. The subsidiary maintains strong liquidity, with cash invested in low risk short-term investments, outside Cyprus, amounting to € 1.8 bn. The subsidiary maintains high liquidity rates and buffers, significantly above the minimum regulatory limits, which enables it to withstand, even in extreme scenarios of deposits' decrease.

Details of other significant post balance sheet events are also provided in the following notes:

Note 4 – Greek Economy Liquidity Support Program.
Note 6 – Greek Bank's recapitalisation.
Note 18 – Discontinued operations.
Note 36 - Debt issued and other borrowed funds.
Note 48 – Acquisition of subsidiaries

50. National Bank of Greece S.A. Voluntary Tender Offer (VTO)

On 15 February 2013, the National Bank of Greece S.A. (NBG) acquired 84.35%, of Eurobank's voting shares following the completion of a Voluntary Tender Offer (VTO) launched on 11 January 2013. The VTO would have been followed by the merger of the two banks, the process of which initiated on 19 March 2013.

On 28 March 2013, the Bank of Greece sent letters to all viable banks, including the Bank and NGB, stating that each bank should proceed with its recapitalization by the end of April 2013 and requesting them to proceed with the relevant necessary actions. On 7 April 2013, as the joint banks' request for the extension of the recapitalization process up to 20 June 2013 was not granted, the relevant regulatory authorities with the consent of the management of both banks decided that the Bank and NBG will be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended.

In this respect, the Extraordinary General Meeting of shareholders of the Bank, convened on 30 April 2013, decided the increase of the Bank's ordinary share capital, in order to raise € 5,839 million, subscribed by way of contribution in kind from HFSF, in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012. As a result of the above mentioned share capital increase of the Bank (note 39), the percentage of the voting rights held by NBG as at 31 December 2013 was reduced below 5%.

51. Related parties

EFG Group was the controlling shareholder of the Bank, holding 44.70% of the Bank's ordinary shares and voting rights until 23 July 2012 (see also note 50 above). 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 (note 6). 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 determines 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. Subject to this agreement, the Bank's decision making bodies will continue to determine independently, amongst others, the Bank's commercial strategy and policy (including business plans and budgets) in compliance with the Restructuring Plan and the decision on day-to-day operation of the Bank will continue to rest with the Bank's competent bodies and officers, as the case may be, in accordance with their statutory, legal and fiduciary responsibilities.

The Group regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. The Group's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the table presented below.

Other than the aforementioned transactions with HFSF related Greek 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 volume of the said related party transactions and outstanding balances are as follows:

	31 December 2013			31 December 2012		
	Key management personnel (KMP)[1] € million	Entities controlled by KMP, associates & joint ventures € million	HFSF € million	Key management personnel (KMP)[1] € million	Entities controlled by KMP, associates & joint ventures € million	EFG Group € million
Loans and advances to customers net of provision	3	16	0	11	26	-
Other assets [2]	0	-	2	-	-	-
Due to customers	7	8	0	12	20	-
Other liabilities	1	-	-	1	-	-
Net interest income	(0)	0	(0)	(0)	0	1
Net banking fee and commission income	0	-	-	0	0	(0)
Impairment losses on loans and advances to customers	-	(9)	-	-	-	-
Other operating income/(expense)	(0)	(0)	-	(1)	(0)	(0)
Guarantees issued	-	-	-	0	1	-
Guarantees received	0	-	-	0	-	-

[1]Key management personnel includes directors and key management personnel of the Group and its controlling shareholder and their close family members. As at 31 December 2013, the volume of transactions and outstanding balances with key management personnel of HFSF is immaterial.

[2]Receivable from HFSF due to the consideration adjustment for the acquisition of NHPB pursuant on the terms of the relevant binding agreement (note 48).

In 2013 an impairment loss of € 8.5 million has been recorded against loan balances with a Group's joint venture. No further provisions for doubtful debts have been recognized in respect of loans given to related parties (2012: nil).

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 € 6.7 million (2012: € 6.9 million) and long-term employee benefits (excluding share-based payments) of € 0.6 million (2012: € 0.4 million). Additionally, income of € 3.7 million relating with forfeited share options has been recognized in income statement as at 31 December 2013 (2012: € 0.1 million expense).

52. Board of Directors

The three year term of the Board of Directors expired at the Annual General Meeting of the Shareholders of 27 June 2013. The General Meeting elected a new Board, the term of office of which was set to three years and expires at the Annual General Meeting which will take place in 2016:

G. A. David	Chairman, Non Executive (registered as Chairman on 27 June 2013)
E. N. Christodoulou	Chairman, Non Executive (until 27 June 2013)
G. C. Gondicas	Honorary Chairman, Non executive
E. G. A. Arapoglou	Vice Chairman, Non Executive Independent
C. I. Megalou	Chief Executive Officer
N. C. Nanopoulos	Chief Executive Officer (until 27 June 2013)
B. N. Ballis	Deputy Chief Executive Officer (until 27 June 2013)
M. H. Colakides	Deputy Chief Executive Officer (until 30 October 2013)
N. V. Karamouzis	Deputy Chief Executive Officer (until 27 June 2013)
N. K. Pavlidis	Executive (until 27 June 2013)
A. N. Frangou	Non Executive (until 27 June 2013)
N. M. Stassinopoulos	Non Executive (until 27 June 2013)
D. G. Dimopoulos	Non Executive (until 17 June 2013)
P. K. Mylonas	Non Executive (until 17 June 2013)
S. L. Lorentziadis	Non Executive Independent
D. T. Papalexopoulos	Non Executive Independent
A. J. Martinos	Non Executive Independent (until 27 June 2013)
P. V. Tridimas	Non Executive Independent (until 27 June 2013)
D. A. Georgoutsos	Non Executive (Greek State representative under Law 3723/2008)
K. H. K. Prince – Wright	Non Executive (HFSF representative under Law 3864/2010)
C. M. Glavanis	Non Executive (HFSF representative under Law 3864/2010 until 27 June 2013)

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 and 4144/2013, banks participating in the Greek Economy Liquidity Support Program were not allowed to declare a cash dividend to their ordinary shareholders for 2008 to 2012. Based on the 2013 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 (note 40).

Athens, 31 March 2014

George A. David	**Christos I. Megalou**	**Harris V. Kokologiannis**
Passport No 706574975	I.D. No AE - 011012	I.D. No AK - 021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER

IV. *Solo Financial Statements for the 2013 Financial Year (Auditor’s Report included)*

EUROBANK ERGASIAS S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

8 Othonos Street, Athens 105 57, Greece

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Company Registration No: 000223001000

Index to the Financial Statements ... Page

Independent Auditor's Report ... 1

Income Statement ... 3

Balance Sheet ... 4

Statement of Comprehensive Income ... 5

Statement of Changes in Equity ... 6

Cash Flow Statement ... 7

Notes to the Financial Statements

1. General information ... 8
2. Principal accounting policies ... 8
3. Critical accounting estimates and judgments in applying accounting policies ... 26
4. Greek Economy Liquidity Support Program ... 29
5. Credit exposure to Greek sovereign debt ... 29
6. Greek Banks' recapitalisation ... 30
7. Financial risk management and fair value ... 32
8. Net interest income ... 65
9. Net trading income and gains less losses from investment securities ... 66
10. Net other operating income ... 66
11. Operating expenses ... 66
12. Staff costs ... 67
13. Other impairment and non recurring losses ... 67
14. Income tax and non recurring tax adjustments ... 68
15. Deferred income taxes ... 69
16. Discontinued operations ... 70
17. Cash and balances with central banks ... 70
18. Cash and cash equivalents and other information on cash flow statement ... 70
19. Loans and advances to banks ... 71
20. Financial instruments at fair value through profit or loss (including trading) ... 72
21. Derivative financial instruments and hedge accounting ... 72
22. Loans and advances to customers ... 74
23. Impairment allowance for loans and advances to customers ... 75
24. Investment securities ... 76
25. Shares in subsidiary undertakings ... 78
26. Investments in associated undertakings and joint ventures ... 80
27. Property, plant and equipment ... 81
28. Investment property ... 82
29. Intangible assets ... 83
30. Other assets ... 83
31. Due to central banks ... 83
32. Due to other banks ... 84

33. Due to customers 84
34. Debt issued and other borrowed funds 84
35. Other liabilities 85
36. Standard legal staff retirement indemnity obligations 86
37. Ordinary share capital and share premium 88
38. Preference shares 89
39. Hybrid capital 90
40. Share options 91
41. Special reserves 92
42. Transfers of financial assets 93
43. Contingent liabilities and other commitments 94
44. Operating leases 95
45. Acquisition of subsidiaries 95
46. Other significant and post balance sheet events 97
47. National Bank of Greece S.A. Voluntary Tender Offer (VTO) 99
48. Related parties 99
49. Board of Directors 101
50. Dividends 101

To the shareholders of

«Eurobank Ergasias SA»

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Eurobank Ergasias SA (the "Bank"), which comprise the balance sheet as of 31 December 2013 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 Consolidated 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, 2013, 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 note 6 of the financial statements, which refers to the recent assessment of the Bank's capital needs by the Bank of Greece and the planned actions and applicable framework for the enhancement of the Bank's capital adequacy.

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, 108 and 37 of Codified Law 2190/1920.

Athens, 31 March 2014

The Certified Auditor

Kyriakos Riris

SOEL Reg. No. 12111

pwc

PricewaterhouseCoopers S.A.

Certified Auditors

268 Kifissias Avenue

152 32 Halandri

SOEL reg. no 113

Income Statement

	Note	Year ended 31 December 2013 € million	2012 Restated € million
Interest income	8	**2,119**	3,308
Interest expense	8	**(1,396)**	(2,465)
Net interest income		**723**	843
Banking fee and commission income		**215**	252
Banking fee and commission expense		**(130)**	(152)
Net banking fee and commission income		**85**	100
Income from non banking services		**7**	4
Dividend income		**3**	19
Net trading income	9	**(1)**	62
Gains less losses from investment securities	9	**18**	71
Net other operating income	10	**(39)**	(3)
Operating income		**796**	1,096
Operating expenses	11	**(674)**	(636)
Profit from operations before impairments and non recurring losses		**122**	460
Impairment losses on loans and advances	23	**(1,587)**	(1,355)
Impairment and other losses on Greek sovereign exposure	5	**65**	(363)
Impairment losses on shares in subsidiary undertakings and joint ventures	25,26	**(196)**	(42)
Other impairment losses	13	**(74)**	(308)
Restructuring costs and other non recurring losses	13	**(246)**	(12)
Profit/(loss) before tax		**(1,916)**	(1,620)
Income tax	14	**463**	314
Non recurring tax adjustments	14	**445**	-
Profit/(loss) for the year from continuing operations		**(1,008)**	(1,306)
Profit/(loss) for the year from discontinued operations	16	**1**	(62)
Net profit/(loss) for the year attributable to shareholders		**(1,007)**	(1,368)

Notes on pages 8 to 101 form an integral part of these financial statements

Balance Sheet

	Note	At 31 December 2013 € million	2012 € million
ASSETS			
Cash and balances with central banks	17	**651**	844
Loans and advances to banks	19	**8,098**	13,307
Financial instruments at fair value through profit or loss	20	**62**	92
Derivative financial instruments	21	**1,260**	1,913
Loans and advances to customers	22	**37,468**	33,434
Investment securities	24	**15,008**	4,445
Shares in subsidiary undertakings	25	**2,907**	3,025
Investment in associated undertakings and joint ventures	26	**6**	6
Property, plant and equipment	27	**314**	217
Investment property	28	**57**	68
Intangible assets	29	**71**	69
Deferred tax asset	15	**3,024**	2,037
Other assets	30	**1,743**	1,351
Total assets		**70,669**	60,808
LIABILITIES			
Due to central banks	31	**16,887**	29,016
Due to other banks	32	**12,196**	4,703
Derivative financial instruments	21	**1,554**	2,688
Due to customers	33	**33,952**	23,366
Debt issued and other borrowed funds	34	**1,461**	1,763
Other liabilities	35	**617**	569
Total liabilities		**66,667**	62,105
EQUITY			
Ordinary share capital	37	**1,641**	1,228
Share premium	37	**6,669**	1,448
Reserves and retained earnings		**(5,656)**	(5,611)
Preference shares	38	**950**	950
Total equity attributable to shareholders of the Bank		**3,604**	(1,985)
Hybrid Capital	39	**398**	688
Total equity		**4,002**	(1,297)
Total equity and liabilities		**70,669**	60,808

Notes on pages 8 to 101 form an integral part of these financial statements

Statement of Comprehensive Income

	Year ended 31 December			
	2013		2012	
			Restated	
	€ million		€ million	
Profit/(loss) for the year		**(1,007)**		(1,368)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges				
- net changes in fair value, net of tax	**21**		(111)	
- transfer to net profit, net of tax	**52**	**73**	45	(66)
Available for sale securities				
- net changes in fair value, net of tax	**26**		149	
- impairment losses on other investment securities transfer to net profit, net of tax	**(1)**		60	
- transfer to net profit, net of tax	**(6)**	**19**	6	215
		92		149
Items that will not be reclassified to profit or loss:				
- Actuarial gains/(losses) on post employment benefit obligations, net of tax		**(4)**		4
Other comprehensive income for the year		**88**		153
Total comprehensive income for the year attributable to shareholders:				
- from continuing operations	**(920)**		(1,153)	
- from discontinued operations	**1**	**(919)**	(62)	(1,215)

Notes on pages 8 to 101 form an integral part of these financial statements

	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 2012, as previously reported	1,228	1,448	971	(5,351)	950	744	(10)
Adjustments due to retrospective application of IAS 19 Amendment (note 36)	-	-	16	(16)	-	-	-
Balance at 1 January 2012, as restated	1,228	1,448	987	(5,367)	950	744	(10)
Profit/(loss) for the year	-	-	-	(1,368)	-		(1,368)
Other comprehensive income for the year	-	-	153		-	-	153
Total comprehensive income for the year ended 31 December 2012	-	-	153	(1,368)	-	-	(1,215)
(Purchase)/sale of hybrid capital, net of tax	-	-	-	23	-	(56)	(33)
Hybrid capital's dividend paid, net of tax	-	-	-	(37)	-	-	(37)
Share-based payment:							
- Value of employee services	-	-	(2)	-	-	-	(2)
Transfers between reserves	-	-	(148)	148	-	-	-
	-	-	(150)	134	-	(56)	(72)
Balance at 31 December 2012	1,228	1,448	990	(6,601)	950	688	(1,297)
Balance at 1 January 2013, as previously reported	**1,228**	**1,448**	**970**	**(6,581)**	**950**	**688**	**(1,297)**
Adjustments due to retrospective application of IAS 19 Amendment (note 36)	-	-	20	(20)	-	-	-
Balance at 1 January 2013, as restated	**1,228**	**1,448**	**990**	**(6,601)**	**950**	**688**	**(1,297)**
Profit/(loss) for the year	-	-	-	(1,007)	-	-	**(1,007)**
Other comprehensive income for the year	-	-	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, (note 45)	-	-	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**
	Note 37	Note 37	Note 41		Note 38	Note 39	

Notes on pages 8 to 101 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2013 € million	2012 Adjusted [1] € million
Cash flows from operating activities			
Profit/(loss) before income tax		**(1,916)**	(1,620)
Adjustments for :			
Impairment losses on loans and advances		**1,587**	1,355
Other impairment losses and provisions		**308**	716
Depreciation and amortisation		**48**	48
Other (income)/losses on investment securities	18	**(37)**	(201)
(Income)/losses on debt issued		**5**	(2)
(Gain)/loss on sale of subsidiary undertakings, associates and joint ventures		**26**	-
Other adjustments		**(8)**	(1)
		13	295
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**212**	1,054
Net (increase)/decrease in financial instruments at fair value through profit or loss		**28**	(5)
Net (increase)/decrease in loans and advances to banks		**5,192**	9,670
Net (increase)/decrease in loans and advances to customers		**1,582**	1,138
Net (increase)/decrease in derivative financial instruments		**(242)**	(404)
Net (increase)/decrease in other assets		**(195)**	(509)
Net increase/(decrease) in due to banks		**(6,571)**	(4,202)
Net increase/(decrease) in due to customers		**(738)**	(3,499)
Net increase/(decrease) in other liabilities		**33**	(3,389)
		(686)	149
Income taxes paid		**-**	(4)
Net cash from/(used in) operating activities		**(686)**	145
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(22)**	(26)
(Purchases)/sales and redemptions of investment securities		**853**	1,788
Acquisition of subsidiaries, associated undertakings, joint ventures and participations in capital increases		**(82)**	(120)
Disposal of subsidiareies and foreign operations		**-**	68
Merger with NHPB and NPB banks		**165**	-
Dividends from investment securities, associated undertakings and joint ventures		**3**	19
Net cash from/(used in) investing activities		**917**	1,729
Cash flows from financing activities			
(Repayments)/proceeds from debt issued and other borrowed funds		**(333)**	(2,573)
Proceeds from share capital increase		**316**	-
Expenses paid for share capital increase		**(74)**	-
Purchase of hybrid capital		**(298)**	(28)
Hybrid capital's dividend paid		**(22)**	(47)
Net cash from/(used in) financing activities		**(411)**	(2,648)
Net increase/(decrease) in cash and cash equivalents		**(180)**	(774)
Cash and cash equivalents at beginning of year	18	**1,398**	2,172
Cash and cash equivalents at end of year	18	**1,218**	1,398

[1] *The Bank has changed the method of presentation of operating cash flows from direct to indirect for the year ended 31 December 2013 (see note 18)*

Notes on pages 8 to 101 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 31 March 2014.

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 financial statements have been prepared on a going concern basis. In making its assessment of the Bank's ability to continue as a going concern, the Board of Directors has taken into consideration the impact of the following factors:

Solvency risk

The Bank has incurred substantial impairment losses as a result of the Hellenic Republic's debt restructuring (PSI+). Such losses had a respective impact on the accounting and regulatory capital of the Bank as of 31 December 2011, which fell below the minimum capital requirements as determined by the Bank of Greece (BoG).

Capital needs of the Bank were assessed in November 2012 by the BoG at the level of € 5,839 million, in order to be able to achieve the level of Core Tier I capital of 9% throughout the period to end of 2014. This assessment took into account, inter alia, the PSI impairment losses, the results of Blackrock's 2011 diagnostic review and the Bank's business plan which also included certain capital strengthening actions.

The Hellenic Financial Stability Fund (HFSF) has contributed to the Bank EFSF notes of total € 5,839 million for its participation in the share capital increase of the Bank, which qualifies as Tier I capital. In May 2013, the Bank completed the share capital increase of € 5,839 million, in accordance with the provisions of Law 3864/2010 and the Act of Cabinet 38/9.11.2012, fully subscribed by the HFSF with the contribution of bonds, issued by the EFSF and owned by the HFSF (note 6).

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve was fully recognised, while the deferred tax asset's recognition was limited to 20% of Core Tier I capital. On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013. According to the Bank's capital adequacy figures at 31 December 2013, the Core Tier I ratio stood at 11.3%, pro-forma with the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio, which is subject to BoG approval.

The capital needs of the Group were reassessed by the 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, to the extent possible, aligned to the envisaged approach of the recently commenced European Central Bank (ECB) Comprehensive Assessment (see further below). 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 asset was limited to 20% of Core Tier I. On 6 March 2014, the BoG published the results of the above exercise and assessed that the Group's capital needs amount to € 2,945 million under the baseline scenario. Based on that scenario, the Bank should submit its capital enhancement plan by 15 April 2014.

The Bank with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) 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 b) the Bank stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase (note 6).

In addition, the Bank is examining or already implementing a number of additional initiatives for further improving its capital position, such as transactions associated with the restructuring, transformation or optimisation of operations, in Greece and abroad that will generate or release capital and/or reduce Risk Weighted Assets. Finally, the implementation of a solid integration program for NHPB and New Proton (note 45), the acquisition of which was completed on 30 August 2013, is already providing substantial synergies further enhancing the capital base of the Bank.

ECB comprehensive assessment 2013-2014

In line with the provisions of the Regulation on the single supervisory mechanism (SSM Regulation), which entered into force in early November 2013, the ECB and the respective national competent authorities (NCAs) will carry out a comprehensive assessment of eurozone's most significant banks, including Eurobank. The ECB will conclude this comprehensive assessment of the banking system in October 2014, prior to assuming its new supervisory tasks in November 2014. This comprehensive assessment is an essential element of the preparations for the SSM, providing the necessary clarity on the banks that will be subject to the ECB's direct supervision. The exercise comprises a supervisory risk assessment, an asset quality review and a stress test to be conducted jointly with EBA. The integrated outcome of the comprehensive assessment may lead to a range of follow-up actions, including requirements for changes in a bank's provisions and capital.

The results of the comprehensive assessment, where necessary, will be followed by corrective measures (for example, recapitalisation, also through profit retention, equity issuance, re-orientation of funding sources, asset separation and sales). The timelines for implementing such measures will be part of the outcome of the assessment. The ECB will acknowledge and welcome corrective actions taken, also before the conclusion of the exercise, by banks and supervisory authorities, in the form of enhanced disclosure and provisioning, as well as recapitalisation, asset separation and sales, and other measures.

Capital shortfalls identified for viable banks should, first and foremost, be made up with private sources of capital. If private sources of capital are insufficient or not readily available, public backstops might need to be drawn upon, in compliance with national practices and European rules, with the overriding goal of ensuring financial stability.

Despite the fact that the methodology and benchmark capital thresholds used by the BoG in the recently concluded capital needs exercise were aligned, to the extent possible, to ECB's envisaged approach (based on publically available information as of February 2014), there is a risk that ECB may conclude on different capital needs for Eurobank.

Liquidity risk

The difficulty of the Greek banks to gain access to the international capital and money markets and the reduction of deposits due to heightened sovereign risk and deterioration of the Greek economy led to an increased reliance of the Bank to Eurosystem financing facilities. Although the dependence on Eurosystem funding has decreased by 50% compared to its peak levels, as a result of access to the repo markets, acquisition of NHPB and New Proton, deleveraging and deposit inflows, these conditions pose a significant ongoing liquidity challenge for the Bank and the Greek Banking system in general. The Bank expects, as also confirmed in the latest Troika's progress report on the second adjustment program for Greece published in July 2013, that the European Central Bank (ECB) and BoG will preserve sufficient banking system liquidity in line with Eurosystem rules, which stipulate, inter alia, that access to direct ECB, as opposed to other Eurosystem funding, is subject to the Bank maintaining a minimum level of regulatory capital.

Other economic uncertainties

The continued deterioration of the Greek economy has adversely affected the Bank's operations and presents significant risks and challenges for the years ahead. Currently, there are a number of material economic and market risks and uncertainties that impact the Greek Banking system. The main risks stem from the macroeconomic environment, the developments on the eurozone sovereign debt crisis, the impact of the significant fiscal adjustment efforts on the Greek economy and the implementation of the structural reforms agenda. The significant progress made to date could be compromised by significant delays in official financing, external shocks from the global economy as well as implementation risks, political instability and reform fatigue in Greece. The restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges for the

Greek economy. On the other hand, as Greece has taken effective action towards fiscal consolidation, has made progress in the budgetary area and with reforms in other key sectors of the economy, upside potential also exists. Particularly if, privatisation efforts, associated with the rapid improvement of the investment climate and the restoration of confidence, show resilience and are accompanied by sustained strong policy implementation.

Continuation of the recession could adversely affect the region and could lead to lower pre-provision profitability, deterioration of asset quality and reduction of deposits. In addition, increased funding cost remains a significant risk, as it is dependent on both the level of sovereign spreads as well as on foreign exchange rate risk, due to the unstable nature of some currencies. These conditions may challenge the Bank's capital adequacy position over the foreseeable future.

Notwithstanding the conditions and uncertainties mentioned above, the Directors, having considered the mitigating factors set out below, have a reasonable expectation that the Bank will complete within a specific timeframe all actions and initiatives scheduled to cover the capital shortfall arising from the recent assessment of the Bank's capital needs by BoG. Hence they are satisfied that the financial statements of the Bank can be prepared on a going concern basis:

(a) as at 31 December 2013, the Core Tier I ratio (proforma with the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio) stands at 11.3%, above the limit of 9%,

(b) that the Bank continues the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Core Tier I capital and/or reducing Risk Weighted Assets,

(c) should they become necessary, the availability of additional recapitalisation funds from HFSF that can support any capital needs on top of the amounts already provided,

(d) the existence of the comprehensive financial support program of the EC/ECB/IMF (including the € 50 bn recapitalisation facility), aiming to correct Greece competitiveness gap and restore growth, employment and public debt sustainability and secure the banking system's stability,

(e) the Greek authorities' commitment to support the banking system and create a viable and well capitalised banking sector, and

(f) the Bank's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.

The policies set out below have been consistently applied to the years 2013 and 2012, 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 2013:

IAS 1, Amendment - Presentation of Items of Other Comprehensive Income

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The adoption of the amendments did not have a material impact on the presentation of other comprehensive income in the Bank's financial statements.

IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets

The amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when investment property is measured using the fair value model in IAS 40 "Investment Property". The amendment had no impact on the Bank's financial statements.

IAS 19, Amendment - Employee Benefits

The amendments have been applied by the Bank retrospectively. As a result, the opening other comprehensive income and retained earnings as of 1 January 2012 have been accordingly restated, without affecting the Bank's total equity. In addition, the income statement for the year ended 31 December 2012 has also been restated.

The effects from the adoption of IAS 19 amendment is described in notes 36 and note 41.

IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities

The amendment requires disclosure of the effect or potential effects of netting arrangements on an entity's balance sheet. In particular, it requires information about all recognised financial instruments that are set off, according to IAS 32 "Financial Instruments: Presentation", as well as about those recognised financial instruments that, although they are not set off under IAS 32, are subject to an enforceable master netting arrangement or similar agreement.

The amendments have been applied by the Bank retrospectively. As a result, the Bank has introduced disclosures about offsetting financial assets and financial liabilities in note 7.2.1.4.

IFRS 13, Fair value measurement

IFRS 13 establishes a single framework for measuring fair value, provides a revised definition of fair value and introduces more comprehensive disclosure requirements on fair value measurement. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application (1 January 2013). There was no material impact on the financial statements of the Bank from the prospective adoption of the measurement requirements of IFRS 13. New disclosures and enhancements to existing disclosures are provided in note 7.4 and note 28.

Annual Improvements to IFRSs 2009–2011 Cycle

Improvements to IFRSs comprise amendments to a number of standards aiming to clarify:

-the requirements for comparative information in IAS 1 "Presentation of Financial Statements";

-when certain types of equipment are classified as property, plant and equipment in IAS 16 "Property Plant and Equipment";

-the accounting for the tax effect of distributions to holders of equity instruments in IAS 32 "Financial Instruments: Presentation"; and

-interim financial reporting requirements regarding total segment assets and liabilities in IAS 34 "Interim Financial Reporting".

The above improvements to IFRSs did not have a material 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 2013, 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 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2015, not yet endorsed by EU)

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 Bank's financial statements.

IAS 27, Amendment - Separate Financial Statements (effective 1 January 2014)

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 is not expected to have any impact on the Bank's financial statements.

IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2014)

The amendment replaces IAS 28 'Investments in Associates', prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

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

IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

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

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

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

The amendments restrict 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 reverses.

They also include 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.

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

IAS 39, Amendment - Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)

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 is not expected to have a material impact on the Bank's financial statements.

IFRS 9, Financial Instruments (effective 1 January 2018)

IFRS 9, Financial Instruments, is a new standard for financial instruments that is ultimately intended to replace current IAS 39 Financial Instruments: Recognition and Measurement in its entirety.

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. It requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment which is not held for trading, in other comprehensive income, with only dividend income generally recognized in profit or loss.

IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities, as well as derecognition requirements, IFRS 9 requires that, in cases where a financial liability is designated as at fair value through profit or loss, the part of a fair value change due to the reporting entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Fair value changes attributable to a financial liability's credit risk are not subsequently reclassified in profit or loss. According to IAS 39 which currently applies, the amount of the change in the fair value of the financial liability designated as fair value through profit or loss is recognized in profit or loss.

Based on IFRS 9 and IFRS 7 Amendments, Mandatory Effective Date and Transition Disclosures, issued in December 2011, entities were required to apply IFRS 9 for annual periods beginning on or after January 1, 2015, with earlier application permitted. Additionally, IFRS 9 should be applied to all financial instruments outstanding as of the effective date, as if the classification and measurement under IFRS 9 had always been applied, but comparative periods do not need to be restated.

IFRS 9 was amended in November 2013 with IFRS 9 Financial Instruments: Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 to include a new general hedge accounting model that will better reflect reporting entities' risk management activities in the financial statements and some related amendments to IAS 39 and IFRS 7. The amendments also allow entities to early adopt the provision in IFRS 9 as issued in 2010, related to the presentation of changes in an entity's own credit risk within other comprehensive income without applying the other requirements of IFRS 9 at the same time. In addition, the 1 January 2015 mandatory effective date is removed and a new mandatory effective date will be set upon completion of the impairment phase of the accounting for financial instruments. However, in February 2014, the IASB tentatively decided that the effective date for IFRS 9 shall be 1 January 2018.

Entities that adopt IFRS 9 as amended in November 2013 can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

As IFRS 9 is an ongoing IASB project, which has not yet been finalized, it remains impractical to quantify its effect, as at the date of the publication of these financial statements.

IFRS 10, Consolidated Financial Statements (effective 1 January 2014)

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 this standard is not expected to have a material impact on the Bank's financial statements.

IFRS 11, Joint Arrangements (effective 1 January 2014)

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities- Non – monetary Contributions by Ventures'. Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their type is determined by focusing on the rights and obligations of 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 is not applied by the Bank, is no longer allowed.

The adoption of this standard is not expected to have a material impact on the Bank's financial statements.

IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2014)

IFRS 12 specifies the disclosures required 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 adoption of the standard is expected to result in expanded disclosures in 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 (effective 1 January 2014)

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 Bank will adopt these amendments when it first applies IFRS 10, IFRS 11 and IFRS 12.

IFRS 10, 12 and IAS 27 Amendments - Investment Entities (effective 1 January 2014)

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 is not expected to affect Bank's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)

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";

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015, not yet endorsed by EU)

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

IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)

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 have a material impact on 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 (€). 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 are accounted at cost less any impairment losses.

A listing of Bank's associated undertakings and joint ventures is set out in note 26.

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 Bank'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 Bank incorporates the assets and liabilities of the acquiree at their pre-combination carrying amounts 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 Bank's equity.

The Bank accounts for the cost of such business combinations at the fair value of the consideration given, or if that cannot be reliably measured, the consideration received.

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 7.4. 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 21.

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 the financial asset is identified as impaired, the increase in the net present value of the written down amount due to the passage of time (unwinding), is recognised as interest income using the rate of interest that was 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

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

The policy applied by the Bank on the fair value measurement of financial instruments both before and after the adoption of IFRS 13 ''Fair Value Measurement'', is set out below.

Policy applicable from 1 January 2013

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 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.

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 7.4).

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.

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on arm's length basis.

If the market for a financial instrument is not active, the Bank establishes fair value by using a valuation technique. These include the use of recent arm's length market transactions, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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 balance sheet 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 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 exposure, objective evidence that a loan or group of loans is impaired includes observable data that comes to the attention of the Bank about the following loss events:

(a) significant financial difficulty of the obligor, 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 performance and behavior of the borrower (for example, a number of delayed contractual payments);
(d) measurable decrease in the estimated future cash flows from a group of financial assets through a negative payment pattern such as missed payments;
(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 obligors 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;

(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 corporate 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 obligor;
(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 in 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 the borrower's ability to meet its debt obligations;
(i) market related information including the status of the borrower's other debt obligations;
(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 individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. 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 corporate clients 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, while exposures that are managed on an individual basis are assessed individually for impairment.

The Bank assesses at each balance sheet date whether there is an 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 estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account for loans and advances or directly for all other financial assets, and the amount of the loss is recognised in the income statement. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of 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 the purposes of a collective evaluation of impairment, 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 debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated 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. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current 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.

Estimates of changes in future cash flows for groups of 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). The methodology and assumptions used for estimating 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 provision 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 such that the borrower can no longer pay the obligation.

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

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 provision for loan impairment 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 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 financial difficulty of the borrower. Other renegotiations, more of a business nature are not considered as forbearance measures.

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. The Bank considers a number of circumstances that may result in derecognition, including:

(a) when an uncollateralized loan becomes fully collateralized;
(b) multiple facilities are consolidated into a single new facility;
(c) the removal or addition of conversion features to the loan agreement;
(d) a change in currency of principal and/or interest denomination;
(e) a change in the ranking of the instrument; and
(f) 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 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 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 recognised at their fair value, with any resulting gain or loss treated as impairment loss 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 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 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.

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 utilized.

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

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 Securitisations

The Bank securitises 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 securitisations 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 an operation as discontinued, 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 recognised 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 impairment on an ongoing basis. The Bank first assesses whether objective evidence of impairment exists. This assessment is performed individually for loans and advances that are individually significant, and individually or 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 allowance

For loans evaluated on an individual basis, mainly the corporate 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 a debtor's financial situation and the net realizable value of any underlying collateral. In estimating individual impairment allowance, the Bank considers multiple risk factors such as industry prospects, financial condition and outlook of borrower, net realizable value of any collateral, and therefore, there is no single factor to which the Bank's individual impairment allowance as a whole is highly sensitive.

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 allowance

In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan 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 allowance, 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 portfolio 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 from which 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 best estimates 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 in the collective impairment allowance calculation for the Bank's mortgages' portfolio, would give rise to additional impairment provisions of approximately € 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 exposures, management exercises judgment to determine the applicable recovery rates which are affected by the existing economic conditions. A decrease in the estimated recovery rates used in the calculation of the collective impairment allowance of the portfolio by 5% would increase loan impairment allowance by approximately € 65 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 7.4.

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 value 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 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.

A significant portion of the Bank's deferred tax assets are tax deductible over a period up to 30 years after the reporting period. On this basis, the Bank considered its business plan and concluded that it is probable that sufficient taxable profit will be available to recover those deferred taxes.

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 36.

4. Greek Economy Liquidity Support Program

The Bank participates in the Greek Government'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 and 4093/2012 and extended by a Ministerial decision issued on 24 January 2014, as follows:

(a) First stream - preference shares
345,500,000 non-voting preference shares with nominal value of € 950 million were subscribed to by the Hellenic Republic on 21 May 2009 (note 38).

(b) Second stream - bonds guaranteed by the Hellenic Republic
As at 31 December 2013, the government guaranteed bonds, amounting to € 13,932 million, were fully retained by the Bank and its subsidiaries. In February 2013, government guaranteed bonds amounting to € 2,344 million, matured (note 34).

(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 of 29 December 2011, there were no special Greek Government bonds borrowed by the Bank.

As at 28 March 2014, the Bank borrowed special Greek Government bonds of € 1,918 million.

Under Law 3723/2008, as amended by Law 3965/2011, for the period the Bank participates in the program through the preference shares or the guaranteed bonds, the Government is entitled to appoint its representative to the Board of Directors, veto strategic decisions, decisions which alter substantially the legal or financial position of the Bank and require the General Assembly's approval and dividend distributions as well as restrict management remuneration.

In addition, under Law 3756/2009, as amended by Law 3844/2010 and supplemented by Laws 3965/2011, 4063/2012 and 4144/2013, banks participating in the Greek Economy Liquidity Support Program were not allowed to declare a cash dividend to their ordinary shareholders for 2008 to 2012, and are not allowed to acquire treasury shares under article 16 of the Company Law.

5. Credit exposure to Greek sovereign debt

Greek Government bonds exchanged under PSI+ in 2012

Under the Bank's participation in the Greek Government Bond exchange program (PSI+), in March/April 2012, the Bank received a) new Greek government bonds (nGGBs) with face value equal to 31.5% of the face amount of the old bonds, b) EFSF notes having a face amount of 15% of the face value of the old bonds and c) GDP-linked securities. All exchanged bonds were derecognised and the new GGBs, classified in the Held to Maturity portfolio, recognised at fair value with an impact of € 5.6 bn losses recorded in 2011 financial statements. In 2012 and, following the international financial community's view that the market for nGGBs is active, the Bank recognised an additional valuation loss of € 428 million based on market quotes at the date of recognition. GDP-linked securities were classified as derivatives. Furthermore, due to its participation in the PSI+ exchange program, the Bank incurred additional costs (extra funding cost, cost related with old GGBs hedging instruments) amounting to € 12 million, while other losses on Greek sovereign exposure amounting to € 115 million recognized by the Bank in 2012, related with valuation losses for derivatives with the Greek State and for a Greek sovereign risk related financial guarantee.

Greek State's debt buyback program in 2012

Following the Eurogroup's decisions on 27 November 2012 as part of debt reduction measures, the Greek State announced on 3 December 2012 an invitation to eligible holders of nGGBs to submit offers to exchange such securities for six months zero coupon notes to be issued by the European Financial Stability Fund (EFSF). On 18 December 2012, pursuant to the above invitation, nGGBs of aggregate face amount of € 31.9 bn were eventually exchanged for EFSF notes of face amount of € 11.3 bn.

Under its participation to the Greek state's debt buyback program, the Bank submitted for exchange the 100% of its nGGBs portfolio of total face value € 2.3 bn (carrying amount € 0.6 bn) and received EFSF notes of total face value € 0.8 bn. The transaction resulted in a pre tax gain of € 192 million recorded in fourth quarter of 2012.

Greek sovereign exposure

As at 31 December 2013, the total carrying value of Greek sovereign major exposures amounted to € 5,878 million (31 December 2012: € 5,339 million). This includes a) Treasury Bills of € 2,574 million (31 December 2012: € 2,347 million) booked in special purpose vehicles and guaranteed by the Bank, b) GGBs of € 1,197 million maturing in 2014 and issued for the Greek State's subscription to the Preference Shares issued under Law 3723/2008 "Greek Economy Liquidity Support Program" (31 December 2012: € 904 million). These GGBs are expected to be repaid in full, c) other non PSI+ exchanged GGBs of € 859 million (31 December 2012: € 832 million), d) derivatives with the Greek State of € 634 million (31 December 2012: € 724 million) for which the Bank recognized in 2013 valuation losses of € 10 million (2012: € 76 million), e) exposure of € 195 million relating with Greek Sovereign risk financial guarantee (31 December 2012: € 187 million), f) loans guaranteed by the Greek State of € 238 million (31 December 2012: € 182 million), g) loans to Greek local authorities and public organizations of € 132 million (31 December 2012: € 143 million), h) nGGBs of € 9 million included in trading portfolio (31 December 2012: € 5 million) and i) other receivables of € 40 million (31 December 2012: € 15 million).

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, after assessing the following quantitative and qualitative information available till the publication date of the interim financial statements: a) Greece's credit rating upgrade by international rating agencies such as S&P and Fitch, which reflected the increasing prospects of stabilization and improvement of the Greek economy, b) the continuous increase in the market value of Greek bonds signaling the consequent improvement of credit spreads, c) that no credit event occurred since the PSI+ on Greek Government obligations and d) a series of additional qualitative factors enhancing the prospects for improvement of the Greek economy, such as the activity in Greek corporate bonds market, Greek authorities' planning for Greece's return to international bond markets and the investors' interest for participation in the capital increases of Greek banks in the second quarter of 2013.

6. Greek Banks' recapitalisation

Recapitalisation framework and process

Given the severity of the impact of the PSI+, on 21 February 2012 the Euro Area finance ministers allocated a total of € 50 bn of the second support program for Greece specifically for the recapitalisation of the Greek banking system. These funds were directed to the Hellenic Financial Stability Fund (HFSF) whose mandate has been extended and enhanced accordingly. € 39 bn of these funds were remitted to Greece in 2012 and the final € 11 bn in 2013.

In 2012, the Bank of Greece (BoG) assessed the viability of each Greek bank and estimated its capital needs based on the more demanding of (a) a minimum Core Tier I ratio of 9% under the baseline scenario and (b) 7% under the adverse stress scenario, throughout the period to end of 2014. Capital needs of each bank were assessed based on, inter alia, the impact of its participation in the PSI+ program, the results from the BlackRock first loan diagnostic exercise, the viability of its business plan, and a detailed timetable of mitigating actions to restore solvency. BoG and the European Central Bank (ECB) assessed that the € 50 bn is adequate to cover the capital needs, as above, of the viable Greek Banks and the resolution of the non viable ones.

In the meantime, the impact of Greek banks participation in the PSI+ was such that they required a temporary financial support from the HFSF, subject to the requirements provided by law and the presubscription agreement signed by each bank, the HFSF and the European Financial Stability Fund (EFSF) (see below).

The HFSF was established in 2010, in order to maintain the stability of the Greek banking system through ensuring that adequate resources are available to support viable banks' recapitalisation needs and participating in the capital increases for any non-subscribed part.

Banks considered viable are given the opportunity to apply for and receive Core Tier I-eligible capital from the HFSF under a certain process, ruled by Law 3864/2010 and Cabinet Act 38/9.11.2012. According to this legal framework, capital may take the form of ordinary shares, contingent convertible financial instruments or ordinary shares with restricted voting rights. Ordinary shares with restricted voting rights are only available if private investors contribute 10% of the capital raising at the rights issue. The voting rights of the HFSF for the ordinary shares it holds, if the 10% threshold mentioned above is met, is strictly limited to specific strategic decisions on the condition that the bank adheres to its restructuring plan and as long as contingent convertible financial instruments (CoCos) are not mandatorily converted to ordinary shares. The HFSF is obliged to dispose, fully or partly, of all the shares it acquires within five years from the initial rights issue covered by HFSF, if the required 10% private participation is met and within two years if not. In both cases the disposal period may be extended by the Minister of Finance. Cabinet Act 38/9.11.2012, agreed in consultation with the Troika (European Commission, ECB and IMF), provided the technical details of the banks' recapitalisation framework.

Non viable Banks were resolved by the HFSF, in an orderly manner and at the lowest cost to the State, in a way that ensures financial stability.

To ensure that the system remains well-capitalised, the BoG completed a follow-up capital needs exercise, 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 banks' restructuring plans submitted in November 2013 (note 2). On 6 March 2014, the BoG published the results of the above exercise and assessed that the capital needs for all Greek commercial banks based on the baseline scenario amounted to € 6.4 bn.

Eurobank's share capital increase

The Bank of Greece, after assessing the business plan and the capital needs of Eurobank (the "Bank") concluded on 19 April 2012 that Eurobank is a viable bank and, on 8 November 2012, notified the Bank that its Tier I capital should increase by € 5,839 million. The Bank, the HFSF and the EFSF signed on 28 May 2012, on 21 December 2012 and on 30 April 2013 a trilateral presubscription agreement (PSA) for the advance to the Bank of EFSF notes of face value of € 3,970 million, € 1,341 million and € 528 million, respectively (total € 5,839 million), as advance payment of its participation in the share capital increase of the Bank.

On 7 April 2013, the relevant regulatory authorities decided that National Bank of Greece (NBG) and Eurobank will be independently recapitalized in full. As a consequence, the merger process of the two Banks was suspended (note 47). Following the above decision, the Board of Directors evaluated the specificities of the exercise in relation with the attraction of capital from private investors and, in particular, the uncertainty regarding the completion or not of the merger with NBG, the ensuing inability of properly assessing the investment proposal, as well as the absence of tens of thousands of Eurobank's traditional shareholders who were substituted, due to the Voluntary Tender Offer, by NBG's stake of approximately 85% in the Bank's capital. As a consequence, the Board of Directors proposed to the Extraordinary General Meeting on 30 April 2013 that the share capital increase of € 5,839 million be fully subscribed by the HFSF.

On 30 April, the Extraordinary General Meeting approved the increase of the share capital of the Bank, in accordance with the provisions of Law 3864/2010 and Act of Cabinet 38/9.11.2012, in order to raise € 5,839 million by issuing 3,789,317,358 new ordinary shares, covered entirely by the HFSF with the contribution of bonds issued by the EFSF and owned by the HFSF (note 37). The capital increase was certified on 31 May and the listing of the new shares was completed on 19 June 2013 after obtaining the relevant approvals from Greek regulatory authorities.

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core

Tier I capital, AFS reserve was fully recognised, while deferred tax asset's recognition was limited to 20% of Core Tier I capital. On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013. As at 31 December 2013, the Group's Core Tier I ratio stood at 10.4% (Bank's Core Tier I: 10.8%) and proforma with the completion of transaction with Fairfax Financial Holdings Limited and the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio at 11.3%.

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

On 14 November 2013, the Bank announced the initiation of the process to raise approximately € 2 bn through a capital increase. On 14 January 2014, the Bank and HFSF announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework. The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified the Bank that its Core Tier I capital should increase by € 2,945 million. The Bank with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) 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 b) the Bank stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase, which constitutes a step towards further strengthening Eurobank's capital position and enhances the Bank's ability to support the Greek economy. The proposed capital increase is to be effected through a marketed equity offering. If the Bank is not able to meet its capital requirements by raising funds from the capital markets, it will need additional funding by means of new state support.

In the event that HFSF participates in the capital increase, the new State Aid rules, which were effected from 1 August 2013, will be applicable. Such rules require the prior contribution of hybrid capital holders and subordinated creditors in reducing the capital shortfall and a cap on remuneration to executives, including board members and senior management, combined with incentives ensuring that the bank is implementing its restructuring plan towards sustainable, long-term company objectives.

In addition, on 6 March 2014, the BoG notified the Bank that the capital needs under the adverse scenario amount to € 4,980 million and that the Bank should submit its plan for creating the relevant capital buffers by 15 May 2014.

Restructuring plan

The 28 May 2012 PSA (see above) was assessed as State Aid by the European Commission. Therefore, along with the other viable banks, on 31 October 2012, Eurobank submitted a draft five year restructuring plan to the HFSF, the Ministry of Finance and the European Commission. Following completion of the recapitalisation process by HFSF, the European Commission has asked that the Greek banks' plans, are revisited and resubmitted for approval. These plans should cover a period until end 2018. The approval process is in progress and is expected to be completed within the second quarter 2014. In connection with the approval of the restructuring plan, Hellenic Republic will commit that the Bank will implement in particular specific measures and actions and will achieve objectives which are integral part of said restructuring plan.

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 will monitor compliance with commitments on corporate governance and commercial operational practices, and the implementation of the restructuring plan and report to the European Commission.

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: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Bank's overall risk management policies seek to minimise potential adverse effects on the Bank's financial performance, financial position and cash flows.

Risk Management Organization

Risk management strategy is formulated by the Board Risk Committee (BRC) of the Board of Directors and the Group Chief Risk Officer (GCRO). Eurobank's structure, internal procedures and control mechanisms ensure the principle of independence and sufficient supervision.

The Board of Directors has delegated competences to the BRC regarding risk management strategy (e.g. risk appetite, classification of risks, assets-liabilities management and institution of risk management mechanisms) based on qualitative and quantitative analyses. The current BRC consists of four directors of whom one is executive, one is non-executive (the representative of the HFSF) and two are independent non-executives. The BRC meets at least monthly and reports to the Board on a quarterly basis.

The Group's Risk Management Division, which is headed by the GCRO, is independent from the business units and has full responsibility for monitoring operational, credit, market and liquidity risks of the Group. It comprises of the Credit Sector, Group Credit Control Sector, the International Credit Division, the Group Market & Counterparty Risk Sector (GM&CR) and Operational Risk Sector.

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.

Credit risk arises mainly from the corporate and retail lending activities of the Bank, which include credit enhancement provided, such as financial guarantees and letters of credit. The Bank is also exposed to credit risk arising from other activities such as investments in debt securities, trading activities, capital markets and settlement activities. Credit risk is the primary risk that the Bank is exposed to; therefore it is carefully and actively managed and monitored by centralized risk units, reporting to the GCRO.

(a) Credit Risk Management

The credit approval and credit review processes are centralized on a country level. The segregation of duties ensures independence among those responsible for the customer relationship, the approval process and the 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 corporate banking credit risks including:

- Credit Committees which are authorized to approve new limits, renewals or amendments to existing limits according to their approval authority level, depending on total customer exposure, customer risk category (high, medium, low), value and type of security;
- Regional Credit Committees (RCC 1 and RCC 2) being Head Office committees which approve limits for International Operations in excess of the country's approval authority, depending also on customer's risk classification; and
- Special Handling Credit Committees (EPIX 1 and EPIX 2) which decide on credit issues and actions to be taken for specific cases of problematic loans above € 5 million and € 25 million respectively. Furthermore, a new Special Handling Committee (EPIX 3) has been established in order to review corporate customers with exposures lower than € 5 million.

Other specialized committees such as the Debt Remedial Management Committees are established to monitor certain portfolios (e.g. forborne loans, staff loans).

In December 2013, following the report of BlackRock (for Troubled Assets Review) and the instructions of Bank of Greece, a Trouble Assets Committee has been established at top management level.

Troubled Assets Committee main responsibilities are:

- to determine strategy for remedial management of problematic loans in the corporate and retail area;
- to provide guidance to Remedial / Non Performing Customers Unit;
- to monitor performance and progress across all asset classes on a monthly basis;
- to review regularly strategic initiatives.

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

Credit Sector

The Credit Sector of the Risk Management Division independently reviews credit proposals for large and medium size corporate entities and prepares an assessment (credit opinion) prior to their submission to the appropriate Credit Committees, in which it participates with a voting right. It also approves credits for retail customers (small business lending and household lending) in case the total customer exposure exceeds a predefined threshold.

International Credit Division

In order to ensure full harmonization with Bank standards and in the light of increased credit risk management demands for the corporate business in International operations, the International Credit Division was established in April 2008. Its primary activities are:

- to evaluate credit proposals for business loans that exceed the approval threshold of the subsidiary bank and to submit them for approval to the Regional Credit Committees' of the Bank, together with a risk opinion, as required;
- to prepare and revise – as needed – management acts relating to credit approval processes and approval levels;
- to maintain a uniform credit policy for international subsidiaries, in accordance with the Group's credit policies; and
- to monitor classified/ 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 as well as the "four-eyes" principle. The assessment is based on the analysis of the borrower's financial position and statistical scorecards.

The credit 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 of borrowers, 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) of the Risk Management Division measures and reports the total counterparty exposure on a group basis.

The counterparty exposure is calculated for Treasury positions: securities (bonds & equities), derivatives, repos, interbank placings, guarantees etc.

GMCRS uses a counterparty exposure measurement tool which reports the exposure per Group's entity, counterparty, product type on a daily basis with further breakdown of exposure. Risk mitigation contracts are taken into account for the calculation of the final exposure.

The same system is used for the limit utilization reporting and the limit excess monitoring. The tool is available to Bank's and subsidiaries' Treasury, 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 monitors and assesses the quality of the Group's loans portfolios (business, consumer and mortgage) and operates independently from all the business units of the Bank. The Group Credit Control Sector reports directly to the Group Chief Risk Officer.

The Group Credit Control Sector's key activities include:

- monitoring and reviewing the performance of all loan portfolios of the Bank and its subsidiaries;
- conducting field reviews and preparing written reports to management on the quality of loans for all of the Group's lending units;
- supervising and controlling the credit risk management units of subsidiaries abroad;
- participating in the development, approval and implementation of credit risk models, designed according to the characteristics of each loan portfolio;
- qualitative and quantitative validation of credit risk models, regular monitoring of their effectiveness and reporting of results to relevant units and management;
- supervising, supporting and maintaining the Moody's Risk Advisor (MRA) used to assign borrower ratings to wholesale lending customers;
- creating, overseeing and supporting the Transactional Rating (TR) application, used for the wholesale lending portfolio, to measure the overall risk of a credit relationship, taking into account both the creditworthiness of the borrower and required collaterals;
- regular monitoring and quarterly reporting to the Board of Directors and Board Risk Committee of risk exposures, along with accompanying analyses;
- formulating the provisioning policy and regularly monitoring of the adequacy of provisions for all of the Bank's loan portfolios;
- participating in the approval of new credit policies and new loan products;
- attending meetings of Credit Committees and Special Handling Committees, without voting right; and
- responsibility for the implementation of the Internal Ratings-based Approach (Basel II IRB approach) at Group level, according to the roll out plan, as well as the post implementation monitoring and reporting.

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

(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 limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. The exposure to any one borrower including banks and brokers 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 Board Risk Committee. Such reports include the 20 largest exposures, major watchlisted 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 corporate banking, in order to better reflect the risk for 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.

MRA is a rating system that aggregates quantitative and qualitative information on individual obligors to perform the assessment of their creditworthiness and determine the credit rating for the obligor. It takes into account the company's financial performance, its cash flows, industry sector trends, peers' performance as well as qualitative assessment of management, the company's status, market and industry structural factors. 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 companies cannot be analyzed with MRA due to the special characteristics of their financial statement data such as insurance companies, state-owned organizations, brokerage firms, and start-ups. In such cases, an internal credit rating system is applied which similarly to MRA, combines quantitative and qualitative assessment criteria (such as size, years in business, credit history, industry sector etc).

In addition, the bank performs an overall assessment of corporate customers, based both on the borrower rating of the obligors (MRA or ICR), and the collaterals and guarantees referred to in its approved credit limit, using a 14-grade rating scale. Credit exposure is subject to detailed reviews by the appropriate approval level of the bank based on the respective rating (TR). Low risk corporate customers are reviewed at least once a year, whereas higher risk customers are reviewed either on a semi-annual (watchlist) or quarterly basis (substandard and distressed). All high risk corporate customers with exposures over € 5 million are reviewed by the Special Handling Committees (EPIX 1 and EPIX 2) on a weekly basis. A new Special Handling Committee (EPIX 3) has been established in order to review corporate customers with exposures lower than € 5 million.

For the specialized lending portfolios i.e. 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 (CRD) 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 scores are calculated automatically on a monthly basis, thus ensuring that credit risk assessments are up to date.

The models are used in the credit approval process, in credit limit management, as well as in the collections' 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 meet the requirements of the Basel II -Internal Ratings Based (IRB) approach. The bank is IRB certified since 2008 for the Greek portfolios, both corporate and retail (as detailed in Basel II, Pillar III disclosures available at the Bank's website).

The Group Credit 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 Board Risk Committee. Group 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 netting arrangements in master agreements for derivatives.

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, etc) the Bank accepts only cash or liquid bonds as collaterals.

Valuation principles of collateral

In defining the maximum collateral ratio for loan products, the Bank considers all relevant information available, including any collateral's 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 is 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;
- Highest and best use is determined from the perspective of market participants;
- 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.

Real estate properties for all units are valued by Eurobank Property Services S.A. (EPS), a subsidiary of the bank, which reports to the Group Chief Risk Officer. Eurobank Property Services is regulated by the Royal Institute of Chartered Surveyors (RICS) and utilizes internal or external qualified appraisers based on predefined criteria (qualifications and expertise). All appraisals take into account, among other things, the region, age and marketability of the property, and are further reviewed and countersigned by experienced staff. The valuation methodology employed is based on Internal Valuation Standards (IVS) and 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 (Prop. 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 on a monthly basis with detailed information regarding recoverability of cheques, referrals and bounced cheques, per issuer broken down by business unit (corporate and small business banking).

In case of reverse repos, the bonds received as collateral are valued on a daily basis by the official valuation system. All these are monitored via credit exposure measurement system that takes into account the specific characteristics of every contract.

Collateral policy and documentation

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

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

In the case of derivatives the Bank makes use of International Swap Derivative Association (ISDA), which limit the exposure via the application of netting and CSAs (Credit Support Annex), 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 (GMRA) 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 MTM of 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 asked by the relevant counterparty is reported along with the related documentation.

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.

Guarantees and credit derivatives

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.

The bank enters into credit derivative transactions with both retail and investment banks. The lowest counterparty rating is A, whereas the average counterparty rating is AA (Standard & Poor's rating scale).

Management of repossessed properties

The objective of the management of the repossessed assets by the Bank 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.

(g) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements 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 by 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. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement. Further details on the effect of master netting arrangements on the exposure to credit risk are provided in note 7.2.1.4.

(h) Derivatives

The Bank maintains control limits on net open derivative positions by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. derivatives with a positive fair value) which represents a small proportion of the contract amount of the outstanding derivatives. The credit risk exposure is managed as part of the overall lending limits with customers along with potential exposures from market movements.

The Bank uses risk mitigation contracts in case of derivative transactions with financial institutions and large corporate clients. These contracts are mainly standard ISDA/CSAs contracts which ensure the netting of exposure and the exchange of collateral between the counterparties.

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

Board's Risk Committee places trading limits on the level of exposure that can be taken in relation to overnight and intraday day market positions as well as limits in longer durations. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions. Further details of the Bank's derivative instruments and their measurement are provided in notes 7.4 and 21.

(i) Securities

The Bank maintains control limits on positions on securities. The total exposure from securities is monitored on a daily basis by GMCRS and any excesses are reported to the management.

The main positions are: EFSF bonds, Greek post-PSI bonds and T-bills and sovereign bonds issued by countries where the Bank has strategic presence. Furthermore there is also a limited position on asset backed securities and corporate bonds. Limited is also the equity portfolio which contains also position on Group's own mutual funds.

As in the case of derivatives, Bank Treasury has direct access to an exposure tool that informs it with the current exposure per issuer and the corresponding limit utilization and availability.

7.2.1.1 Maximum exposure to credit risk before collateral held

	2013	2012
	€ million	€ million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	**8,098**	13,307
Financial instruments at fair value through profit or loss:		
- Debt securities	**49**	81
Derivative financial instruments	**1,260**	1,913
Loans and advances to customers:		
- Wholesale lending	**15,071**	13,681
- Mortgage lending	**17,019**	12,177
- Consumer lending	**5,722**	5,022
- Small business lending	**6,377**	6,377
Less: Impairment allowance	**(6,721)**	(3,823)
Investment securities:		
- Debt securities	**14,791**	4,287
Other assets	**1,403**	1,060
Credit risk exposures relating to off-balance sheet items (note 43)	**3,509**	5,021
	66,578	59,103

The above table represents the maximum credit risk exposure to the Bank at 31 December 2013 and 31 December 2012 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.

(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 are reported as "neither past due nor impaired" when no contractual payments are in arrears and there are 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, and less than 180 days past due for mortgage and wholesale exposures. For loans in this category, although not considered impaired, the Bank may recognize an impairment provision.

“Impaired” loans that are individually assessed comprise wholesale exposures as well as small business loans, which carry an individual impairment provision. All other retail impaired exposures carry a collective impairment provision.

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

The tables below 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 impairment allowance recognized for those non-impaired or impaired loans and advances that are either individually or collectively assessed, the total net amount, as well as the value of collateral held as security to mitigate credit risk.

For credit risk management purposes, 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. For this purpose, 2012 comparative information on collaterals have been presented on a similar basis.

	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*
Total	**22,088**	**8,183**	**7,239**	**6,679**	**44,189**	**(3,243)**	**(3,478)**	**37,468**	**24,975**

	31 December 2012								
	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	12,063	4,898	1,757	4,858	23,576	(758)	(2,251)	20,567	14,949
- Mortgage	*8,301*	*2,333*	-	*1,543*	*12,177*	-	*(327)*	*11,850*	*10,839*
- Consumer	*960*	*928*	-	*1,752*	*3,640*	-	*(1,345)*	*2,295*	-
- Credit card	*691*	*141*	-	*550*	*1,382*	-	*(316)*	*1,066*	-
- Small business	*2,111*	*1,496*	*1,757*	*1,013*	*6,377*	*(758)*	*(263)*	*5,356*	*4,110*
Wholesale Lending	8,910	2,140	2,101	-	13,151	(761)	(43)	12,347	4,711
- Large corporate	*5,797*	*736*	*365*	-	*6,898*	*(200)*	*(8)*	*6,690*	*1,508*
- SMEs	*3,113*	*1,404*	*1,736*	-	*6,253*	*(561)*	*(35)*	*5,657*	*3,203*
Public Sector	509	2	19	-	530	(9)	(1)	520	4
- Greece	*509*	*2*	*19*	-	*530*	*(9)*	*(1)*	*520*	*4*
Total	21,482	7,040	3,877	4,858	37,257	(1,528)	(2,295)	33,434	19,664

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, in order to differentiate and identify those with greater risk. For exposures classified as neither past due nor impaired, loans to wholesale clients are included into strong, satisfactory and watch list categories, while small business loans are generally segregated into satisfactory and watch list. Retail exposures not assessed individually, for which credit quality is not rated but is based on delinquency status are classified as satisfactory.

The risk classification of loans and advances that are neither past due nor impaired is presented below:

	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*
Total	**3,248**	**18,281**	**559**	**22,088**	**13,198**

	31 December 2012				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	-	12,054	9	12,063	8,937
- Mortgage	-	*8,301*	-	*8,301*	*7,524*
- Consumer	-	*960*	-	*960*	-
- Credit card	-	*691*	-	*691*	-
- Small business	-	*2,102*	*9*	*2,111*	*1,413*
Wholesale Lending	4,178	4,255	477	8,910	2,506
- Large corporate	*3,815*	*1,733*	*249*	*5,797*	*1,029*
- SMEs	*363*	*2,522*	*228*	*3,113*	*1,477*
Public Sector	-	506	3	509	4
- Greece	-	*506*	*3*	*509*	*4*
Total	4,178	16,815	489	21,482	11,447

Loans and advances past due but not impaired

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

	31 December 2013							
	Retail lending				Wholesale lending		Public sector	Total past due but not impaired
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	€ 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**
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**

	31 December 2012							
	Retail lending				Wholesale lending		Public sector	Total past due but not impaired
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	€ million
up to 29 days	1,573	680	88	985	258	423	-	4,007
30 to 59 days	389	173	34	322	66	204	-	1,188
60 to 89 days	154	75	19	189	331	505	2	1,275
90 to 179 days	217	-	-	-	81	272	-	570
Total	2,333	928	141	1,496	736	1,404	2	7,040
Value of collateral	2,047	-	-	977	345	845	-	4,214

Impaired loans and advances

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

	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)
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 ageing analysis of impaired loans and advances to customers by product line is presented below at amounts net of any impairment allowance.

For legally denounced loans, the Bank ceases to monitor the delinquency status and therefore 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 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**

	31 December 2012							
	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	12	2	-	50	83	188	10	345
30 to 59 days	3	4	-	50	-	-	-	57
60 to 89 days	2	11	-	53	-	-	-	66
90 to 179 days	6	55	18	277	3	85	-	444
180 to 360 days	268	83	28	257	1	159	-	796
more than 360 days	967	340	206	1,105	133	744	-	3,495
Total	1,258	495	252	1,792	220	1,176	10	5,203
Value of collateral	1,268	-	-	1,720	135	881	-	4,004

b) Collaterals and repossessed assets

Collaterals

The Loan-to-Value (LTV) ratio of mortgage lending reflects the gross mortgage loan amount at the balance sheet date over the market value of the mortgaged property held as collateral. The Bank obtains real estate collateral values by combining professional appraisals and house price indices. Valuations are updated regularly and are performed more frequently when there is significant change in market conditions.

The LTV ratio of mortgage lending is presented below:

	2013 € million	2012 € million
Mortgages		
Less than 50%	**4,448**	3,092
50%-70%	**3,209**	2,283
71%-80%	**1,586**	1,239
81%-90%	**1,492**	1,162
91%-100%	**1,342**	1,008
101%-120%	**2,076**	1,487
121%-150%	**1,590**	1,041
Greater than 150%	**792**	435
Other Collateral	**484**	430
Total exposure	**17,019**	12,177
Average LTV	**77.35%**	76.77%

Other collateral comprises equipment, mainly machinery and vehicles. The breakdown of collateral and guarantees is presented below:

	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**

	31 December 2012				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	Received
Retail Lending	14,487	303	159	14,949	117
Wholesale Lending	3,570	344	797	4,711	-
Public sector	3	1	-	4	-
Total	18,060	648	956	19,664	117

Repossessed assets

The Bank recognizes collateral assets on the balance sheet by taking possession usually through legal process of collateral held as security 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 30). 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, 27 and 28).

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 period:

	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**	**-**
- Residential	*242*	*40*	*(25)*	*(8)*	*217*	*6*	*0*
- Commercial	*96*	*16*	*(12)*	*(2)*	*84*	*-*	*(0)*

	31 December 2012						
	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	276	63	(27)	(18)	249	2	0
- Residential	*200*	*51*	*(17)*	*(12)*	*183*	*2*	*0*
- Commercial	*76*	*12*	*(10)*	*(6)*	*66*	*0*	*0*

There are no properties classified as investment property or own used, as a result of repossession or transfer from repossessed properties category, in 2012 and 2013.

(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 carrying amounts, impaired loans and advances and impairment allowance by product line, industry and geographical region:

	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)**

	31 December 2012								
	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	23,464	6,615	(3,010)	96	-	-	17	-	-
-Mortgage	*12,075*	*1,543*	*(327)*	*85*	-	-	*17*	-	-
-Consumer	*3,640*	*1,752*	*(1,346)*	*1*	-	-	-	-	-
-Credit card	*1,382*	*550*	*(316)*	-	-	-	-	-	-
-Small business	*6,367*	*2,770*	*(1,021)*	*10*	-	-	-	-	-
Wholesale Lending	12,525	2,036	(773)	585	37	(18)	39	29	(11)
-Commerce and services	*5,800*	*879*	*(345)*	*525*	*18*	*(15)*	*17*	*11*	*(11)*
-Manufacturing	*2,925*	*505*	*(183)*	*1*	*1*	-	-	-	-
-Shipping	*645*	*14*	*(5)*	*28*	-	-	*3*	*2*	-
-Construction	*1,578*	*415*	*(192)*	*31*	*18*	*(3)*	*19*	*16*	-
-Tourism	*1,097*	*156*	*(19)*	-	-	-	-	-	-
-Energy	*216*	-	-	-	-	-	-	-	-
-Other	*264*	*67*	*(29)*	-	-	-	-	-	-
Public Sector	530	19	(10)	-	-	-	-	-	-
Total	36,519	8,670	(3,793)	681	37	(18)	56	29	(11)

(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 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 actual or apparent financial difficulty of the borrower, as described in note 2.12. Other renegotiations, more of a business nature, are not considered as forbearance measures.

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 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;
- postponement of principal payment;
- 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.

Depending on the Bank's overall assessment of the credit risk of the exposure and the level of the financial difficulty that the obligor faces, forbearance programs are either categorized as rescheduling or restructuring programs.

(i) Rescheduling programs

Considering the current economic environment and the trend observed mainly in the Greek banking sector where loan modifications form a wide spread practice in lending activities, the Bank extends rescheduling offers on exposures with no overdue payments or at early delinquency status, either at the borrowers' request or the Bank's initiative. The Bank reports these programs as forbearance measures, although they may also be driven by factors of a business nature, other than the potential financial difficulty of the borrower.

Accordingly, the Bank provides suitable and sustainable rescheduling options that are supportive of the borrowers in challenged circumstances, such as temporary financial difficulties, aiming to facilitate the repayment of their obligations, usually through a lower installment for an interim period.

The Bank proceeds with rescheduling offers to borrowers with delinquency status up to 59 days past due for consumer unsecured exposures and 89 days past due for mortgage or small business loans. Rescheduling programs regarding wholesale exposures are offered on a selective individualized basis on borrowers that exhibit both the willingness to cooperate and the intention and ability to repay their debt in full.

Rescheduled loans are monitored for a period of twelve months and follow the classification and impairment provisioning policies of non-modified loans, as described in note 2.12, when there are no other indicators of impairment. After this period, they are classified as neither past due nor impaired, past due but not impaired or impaired, depending on their delinquency status, similar to non-modified loans, unless other indications of impairment arise, or they enter a new modification program, in which case they follow the categorization of restructured loans.

(ii) Restructuring programs

Restructuring programs involve modifications on loans of borrowers with significant financial difficulties.

In retail lending, forbearance practices apply in the case of exposures that are significantly overdue, that is with delinquency status of more than 60 days past due for consumer unsecured exposures and 90 days past due for mortgage or small business loans. In addition, individuals who are unemployed or face serious health problems as well as small businesses who face substantial financial difficulties fall under the restructuring programs irrespective of the number of days past due.

Specifically for unsecured consumer loans (including credit cards), restructuring 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 a 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, reduced or interest-only payments, reduction in interest rates, postponement of principal payment, temporary conversions to interest only payments.

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

Restructuring agreements enter a probation period of six to twelve months, depending on the portfolio and the level of risk, where the payment performance is monitored. During this period, loans are classified as past due but not impaired or impaired based on their delinquency status for retail lending and on borrower's rating for wholesale lending. At the end of the probation period the performance of the restructured borrower is re-examined:

- loans that comply with the terms of the program cease to be considered as restructured, are characterized as cured loans and revert to normal status; and
- loans that fail to perform under the new modified terms remain as impaired. These loans will continue to be disclosed as impaired until there is a significant reduction in the risk of non-payment of future cash flows and there are no other indications of impairment, which will result in the reversal of impairment, as described in note 2.12.

Restructuring is considered a trigger event to perform 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 restructuring program and level of collaterals) and the respective impairment charge is calculated.

Forborne loans are separately monitored by management through Debt Remedial Management Committees which evaluate the effectiveness of forbearance programs continuously, monitor borrower compliance with the revised terms and default rates, 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. Furthermore, borrowers subject to forbearance measures are required to repay at least one installment at the beginning of the new arrangement.

(iii) 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 2013, as part of a debt for equity restructuring, the Bank acquired a minority shareholding of 10.3% of SATO S.A., a company listed on the ASE, amounting to € 4 million. Similarly, in 2012, the Bank acquired the remaining 70% of the share capital of Enalios Real Estate Developments S.A., amounting to € 0.2 million, which resulted in the acquisition of the controlling stake and inclusion of the company in the Bank's subsidiaries (see also note 25).

(iv) Loan derecognition

A loan that is forborne under the Bank's rescheduling and restructuring programs is derecognized and a new loan is recognized, 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 derecognition are described in note 2.12. Upon derecognition, any difference between the old loan and the fair value of the new loan is recognised in the income statement, as part of the impairment provision.

The following tables present forborne loans and advances to customers by type of forbearance measure and net of provision allowance:

Restructured Loans and Advances to Customers

	2013 € million	2012 € million
Forbearance measures:		
Interest only schedule	**42**	9
Reduced payment schedule	**1,544**	921
Payment moratorium/Holidays	**700**	442
Term extension	**76**	15
Arrears capitalisation	**7**	8
Hybrid (i.e. combination of more than one type)	**1,265**	694
Total net amount	**3,634**	2,089

Rescheduled Loans and Advances to Customers

	2013 € million	2012 € million
Forbearance measures:		
Interest only schedule	**0**	0
Reduced payment schedule	**631**	166
Payment moratorium/Holidays	**267**	195
Term extension	**54**	99
Arrears capitalisation	**1**	1
Hybrid (i.e. combination of more than one type)	**1,431**	963
Total net amount	**2,384**	1,424

The following tables present a summary of the credit quality of forborne loans and advances to customers:

Restructured Loans and Advances to Customers

	31 December 2013		
	Total loans & advances € million	Restructured loans & advances € million	% of restructured loans & advances
Neither past due nor impaired	22,088	-	-
Past due but not impaired	8,183	2,151	26.3
Impaired	13,918	2,676	19.2
Total Gross Amount	44,189	4,827	10.9
Individual impairment allowance	(3,243)	(463)	
Collective impairment allowance	(3,478)	(730)	
Total Net amount	37,468	3,634	9.7
Collateral received	24,975	3,032	

	31 December 2012		
	Total loans & advances € million	Restructured loans & advances € million	% of restructured loans & advances
Neither past due nor impaired	21,482	-	-
Past due but not impaired	7,040	1,151	16.3
Impaired	8,735	1,636	18.7
Total Gross Amount	37,257	2,787	7.5
Individual impairment allowance	(1,528)	(132)	
Collective impairment allowance	(2,295)	(566)	
Total Net amount	33,434	2,089	6.2
Collateral received	19,664	1,609	

Rescheduled Loans and Advances to Customers

	31 December 2013		
	Total loans & advances € million	**Rescheduled loans & advances € million**	**% of rescheduled loans & advances**
Neither past due nor impaired	**22,088**	**1,468**	**6.6**
Past due but not impaired	**8,183**	**715**	**8.7**
Impaired	**13,918**	**308**	**2.2**
Total Gross Amount	**44,189**	**2,491**	**5.6**
Individual impairment allowance	**(3,243)**	**(90)**	
Collective impairment allowance	**(3,478)**	**(17)**	
Total Net amount	**37,468**	**2,384**	**6.4**
Collateral received	**24,975**	**1,648**	

	31 December 2012		
	Total loans & advances € million	Rescheduled loans & advances € million	% of rescheduled loans & advances
Neither past due nor impaired	21,482	834	3.9
Past due but not impaired	7,040	479	6.8
Impaired	8,735	168	1.9
Total Gross Amount	37,257	1,481	4.0
Individual impairment allowance	(1,528)	(44)	
Collective impairment allowance	(2,295)	(13)	
Total Net amount	33,434	1,424	4.3
Collateral received	19,664	926	

The following tables present the movement of forborne loans and advances to customers:

Restructured Loans and Advances to Customers

	2013 € million
Balance at 1 January	**2,089**
Restructuring measures in the period	2,903
Restructuring measures arising from acquisitions	143
Interest income	131
Repayment of loans (partial or total)	(67)
Loans & advances that exited restructured status	(1,208)
Impairment	(291)
Loss on derecognition:	(89)
- Fair Value of new loans recognised	*371*
- Carrying amount of old loans derecognised	*(460)*
Other	23
Balance at 31 December	**3,634**

Rescheduled Loans and Advances to Customers

	2013 € million
Balance at 1 January	**1,424**
Rescheduling measures in the period	1,636
Rescheduling measures arising from acquisitions	359
Interest income	38
Repayment of loans (partial or total)	(90)
Loans & advances that exited rescheduling status	(935)
Impairment	(45)
Other	(3)
Balance at 31 December	**2,384**

The following tables present the Bank's exposure to forborne loans and advances by product line:

Restructured Loans and Advances to Customers

	2013 € million	2012 € million
Retail Lending	**2,908**	1,835
- Mortgage	*1,621*	*391*
- Consumer	*273*	*272*
- Credit card	*0*	-
- Small business	*1,014*	*1,172*
Wholesale Lending	**726**	254
-Large corporate	*300*	*63*
-SMEs	*426*	*191*
Total net amount	**3,634**	2,089

Rescheduled Loans and Advances to Customers

	2013 € million	2012 € million
Retail Lending	**1,404**	669
- Mortgage	*969*	*218*
- Consumer	*259*	*149*
- Small business	*176*	*302*
Wholesale Lending	**949**	724
-Large corporate	*551*	*448*
-SMEs	*398*	*276*
Public Sector	**31**	31
-Greece	*31*	*31*
Total net amount	**2,384**	1,424

The following tables present the Bank's exposure to forborne loans and advances by geographical region:

Restructured Loans and Advances to Customers

	2013 € million	2012 € million
Greece	**3,634**	2,089
Total net amount	**3,634**	2,089

Rescheduled Loans and Advances to Customers

	2013 € million	2012 € million
Greece	**2,384**	1,424
Total net amount	**2,384**	1,424

7.2.1.3 Debt Securities

The following table presents an analysis of debt securities by rating agency designation at 31 December 2013 and 2012, based on Moody's ratings or their equivalent:

	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

	31 December 2012				
	Trading securities € million	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Aaa	-	144	-	219	363
Aa1 to Aa3	50	92	-	82	224
A1 to A3	0	132	141	106	379
Lower than A3	25	236	2,289	600	3,150
Unrated	6	133	113	-	252
Total	81	737	2,543	1,007	4,368

Securities rated lower than A3 include: € 3,110 million related to Greek sovereign debt (2012: € 1,732 million), € 79 million related to Ukraine sovereign debt (2012: € 182 million) and € 327 million related to sovereign debt issued mainly by other Euro-zone members, European Union members and candidate members (2012: € 635 million).

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

	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**

	31 December 2012			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,742	1,313	17	3,072
Banks	134	230	0	364
Corporate	326	590	16	932
Total	2,202	2,133	33	4,368

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 2013 and 2012, 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 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

	31 December 2012					
				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						
Derivatives financial instruments	1,826	-	1,825	(913)	(21)	891
Reverse repos with banks	135	-	135	(135)	-	-
Total	1,961	-	1,960	(1,048)	(21)	891

	31 December 2012					
				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	2,656	-	2,656	(914)	(1,737)	5
Repurchase agreements with banks	2,627	-	2,627	(2,595)	-	32
Total	5,283	-	5,283	(3,509)	(1,737)	37

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 2013 and 2012

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 reprising).

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

	2013 € million	2012 € million
Interest Rate Risk	**9**	41
Foreign Exchange Risk	**0**	1
Equities Risk	**3**	3
Total VaR	**10**	41

[(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, as well as securities and derivatives held by the Bank. Despite the large relative size of the loan and deposit portfolio, 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 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)**

	31 December 2012				
	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	3	49	17	15
Fixed coupon bonds	0	2	47	17	15
Variable coupon bonds	1	1	2	-	-
Investment securities	388	640	1,295	610	982
Fixed coupon bonds	66	6	161	610	982
Variable coupon bonds	322	634	1,134	-	-
Derivatives[(1)]	(1,254)	2,417	1,453	(1,058)	(1,556)

[(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 2013 and 2012:

	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	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	4,666	-	-	-	65	31,897	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**	**4,903**	**457**	**262**	**85**	**326**	**62,839**	**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	243	-	-	-	-	372	617
Total Liabilities	**3,134**	**269**	**291**	**-**	**378**	**339**	**62,256**	**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**

	31 December 2012							
	USD	CHF	RON	RSD	BGN	OTHER	EUR	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
ASSETS								
Cash and balances with central banks	7	1	-	-	-	80	756	844
Loans and advances to banks	877	1,083	234	1	1	245	10,866	13,307
Financial instruments at fair value through profit or loss	12	-	-	-	-	-	80	92
Derivative financial instruments	95	242	-	-	-	1	1,575	1,913
Loans and advances to customers	714	4,751	-	-	-	166	27,803	33,434
Investment securities	549	45	6	-	3	61	3,781	4,445
Other assets[(1)]	2	2	363	262	80	63	6,001	6,773
Total Assets	2,256	6,124	603	263	84	616	50,862	60,808
LIABILITIES								
Due to central and other banks	1,221	36	-	-	-	211	32,251	33,719
Derivative financial instruments	244	682	242	-	320	7	1,193	2,688
Due to Customers	2,288	25	4	-	3	168	20,878	23,366
Debt issued and other borrowed funds	4	-	-	-	-	-	1,759	1,763
Other Liabilities	2	-	-	-	-	-	567	569
Total Liabilities	3,759	743	246	-	323	386	56,648	62,105
Net on balance sheet position	(1,503)	5,381	357	263	(239)	230	(5,786)	(1,297)
Derivative forward foreign exchange position	1,501	(5,392)	(305)	-	(56)	(186)	4,480	42
Total Foreign Exchange Position	(2)	(11)	52	263	(295)	44	(1,306)	(1,255)

[(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, loan draw-downs and 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 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.

Maturity analysis of assets and assets held for managing liquidity risk

The following tables present maturity analysis of Bank’s assets as at 31 December 2013 and 2012, 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 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	1,760	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

	31 December 2012				
	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	844	-	-	-	844
- Loans and advances to banks	3,422	3,760	901	3,252	11,335
- Loans and advances to customers	8,155	219	2,106	22,954	33,434
- Debt Securities	78	8	221	4,061	4,368
- Equity Securities	-	-	-	169	169
- Derivative financial instruments	-	-	-	1,110	1,110
- Other assets[1]	7	14	64	6,688	6,773
	12,506	4,001	3,292	38,234	58,033

[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 2013 and 2012. 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 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

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

	31 December 2012				
	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	32,380	347	777	307	33,811
- Due to customers	12,360	4,154	5,915	1,208	23,637
- EMTNs	9	29	7	345	390
- Securitizations (redemptions and coupons)[(1)]	58	116	519	738	1,431
- Other liabilities	44	87	439	-	570
	44,851	4,733	7,657	2,598	59,839
Derivative financial instruments:	138	-	-	-	138

[(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	4,103	918
Capital expenditure	5	-
Operating lease commitments	26	108
	4,134	1,026

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 2013, the Bank's net funding from these sources totaled € 17 bn (2012: € 29 bn).

The main reasons for the decrease of ECB/BOG funding were the significant increase of Bank's deposits base through the merger of NHPB and New Proton Bank, the loan and bond portfolio deleveraging, the reduction of interbank placings and posted collateral and the significant increase of interbank secured funding (repos).

The Bank reduced also its secured funding from BOG (emergency liquidity assistance) by € 6.4 bn to € 5.6 bn (2012: € 12 bn) and succeeded a funding reallocation to lower cost sources.

The gradual recovery of private sector deposits, as a result of return to a sustainable path, and restoration of market access over the next years (IMF notes that banks are expected to be able to re-access markets before the sovereign, mainly due to their high capitalisation and low sovereign exposures post-recapitalisation), enhanced by the Bank's undertaken initiatives to strengthen its liquidity position, establish the conditions for a further substantial reduction of Eurosystem exposure in the medium term.

7.3 Capital management

Capital position pro-forma

	Pro-forma[1] 2013 € million	2013 € million	Pro-forma[2] 2012 € million
Total equity attributable to shareholders of the Bank	**4,002**	**4,002**	4,577
Less: Other regulatory adjustments	**(69)**	**(129)**	(290)
Total Tier I capital	**3,933**	**3,873**	4,287
Tier II capital-subordinated debt	**290**	**290**	290
Less: Other regulatory adjustments	**74**	**13**	(222)
Total Regulatory Capital	**4,297**	**4,176**	4,355
Risk Weighted Assets	**31,346**	**32,315**	32,194
Ratios:	%	%	%
Core Tier I	**11.3**	**10.8**	11.2
Tier I	**12.5**	**12.0**	13.3
Capital Adequacy Ratio	**13.7**	**12.9**	13.5

[1] *pro-forma with the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio*

[2] *pro-forma with recapitalisation amount of € 5.8 bn*

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.

During the last years the Bank focused on the organic strengthening of its capital position and, excluding the impact of PSI+, managed to maintain capital ratios at levels comfortably above minimum required. This was achieved by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans. In addition, it proceeded in last years to several strategic initiatives, namely the disposal of Polish operations (note 16), the liability management exercise of buying back preferred securities and Lower Tier II unsecured subordinated notes, the merger with Dias S.A., the acquisition of NHPB and New Proton Bank and the implementation of Basel II IRB credit risk methodology to the acquired banks, created additional capital of € 2.7 bn.

Following the announcement by BoG of the Bank's capital needs (note 6), the Bank with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) 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 b) the Bank stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase.

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.

Regulatory disclosures regarding capital adequacy and risk management, based on Bank of Greece Act 2655/2012 (Basel II, Pillar 3), are available at the Bank's website.

7.4 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 2.9(i) and 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 2013 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 bond loans.

The fair value hierarchy categorisation of the Bank's financial assets and liabilities carried at fair value is presented in the following table:

	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	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:				
Derivative financial instruments	1	1,553	-	1,554
Due to customers:				
- Structured deposits	-	152	-	152
Trading liabilities	0	-	-	0
Total financial liabilities	**1**	**1,705**	**-**	**1,706**

	31 December 2012			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	69	23	-	92
Derivative financial instruments	0	1,913	-	1,913
Available-for-sale investment securities	711	184	-	895
Total financial assets	780	2,120	-	2,900
Financial liabilities measured at fair value:				
Derivative financial instruments	1	2,687	-	2,688
Due to customers:				
- Structured deposits	-	147	-	147
Total financial liabilities	1	2,834	-	2,835

Other than the transfer of € 3 million available-for-sale bonds from Level 1 to Level 2 in 2013 due to decrease in the level of market activity, there were no other transfers between Level 1 and 2 and vice versa in 2013, as well as, no changes in valuation techniques used, during the year.

Following management review of the fair value hierarchy categorisation, the Bank transferred in 2013 € 40 million of unquoted available-for-sale equity instruments and € 117 million of available-for-sale bond loans into Level 3, due to the significance of the unobservable inputs used in their fair value measurement.

Reconciliation of Level 3 fair value measurements

	2013 **€ million**
Balance at 1 January	**-**
Transfers into Level 3	**157**
Level 3 arising on acquisition	**25**
Total gain/(loss) for the period included in profit or loss	**(19)**
Total gain/(loss) for the period included in other comprehensive income	**5**
Purchases/(sales)	**82**
Balance at 31 December	**250**

The loss of € 19 million for the year included in profit or loss is presented in line ''other impairment losses'' 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.

For the year ended 31 December 2013, the Bank has switched from libor discounting to overnight index swap (OIS) discounting for collateralized derivatives (note 13).

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 unquoted available-for-sale bond loans are estimated by discounting the future cash flows, over the time period they are expected to be recovered, including the realisation of any collateral held. In valuing these loans, the Bank makes assumptions on expected recoverable amounts and timing of collateral realisation. The main unobservable input used in their valuation is 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 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.

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

	2013 € million	2012 € million
Interest income		
Customers	**1,683**	1,868
Banks	**167**	330
Trading securities	**0**	60
Other securities	**165**	401
Derivatives	**104**	649
	2,119	3,308
Interest expense		
Customers	**(743)**	(709)
Banks	**(496)**	(948)
Debt issued and other borrowed funds	**(21)**	(30)
Derivatives	**(136)**	(778)
	(1,396)	(2,465)
Total	**723**	843

Interest Income recognised by quality of Loans and Advances and Product Line is further analysed below:

	31 December 2013		
	Interest Income on non-impaired loans and advances € million	Interest Income on impaired loans and advances € million	Total € million
Retail lending	**825**	**187**	**1,012**
Wholesale lending	**539**	**132**	**671**
Public sector	**0**	**-**	**0**
Total interest income from customers	**1,364**	**319**	**1,683**

The unwinding of the discount of the impairment allowance (note 23) amounting to € 208 million (retail lending € 148 million, wholesale lending € 60 million) is included in interest income on impaired loans and advances to customers (2012: retail lending € 132 million, wholesale lending € 46 million).

9. Net trading income and gains less losses from investment securities

	2013 € million	2012 € million
Debt securities and other financial instruments	**79**	170
Equity securities and mutual funds	**25**	3
Gains/(losses) on derivative financial instruments	**(101)**	(53)
Revaluation on foreign exchange positions	**14**	13
Total	**17**	133

10. Net other operating income

During the year, the Bank proceeded with the sale of loans to banks amounting to € 840 million at a discount of 1.6%, with a resulting loss of € 13 million. This initiative enhanced the Bank's Core Tier I ratio by reducing the Risk Weighted Assets and improved its liquidity position.

	2013 € million
Loss relating with the disposal of subsidiaries (note 25)	**(26)**
Loss relating with the sale of loans to banks	**(13)**
Other income/(losses)	**(0)**
	(39)

11. Operating expenses

	2013 € million	2012 € million
Staff costs (note 12)	**(390)**	(377)
Administrative expenses	**(189)**	(163)
Depreciation and impairment of property, plant and equipment	**(33)**	(33)
Amortisation and impairment of intangible assets	**(15)**	(15)
Operating lease rentals	**(47)**	(48)
Total	**(674)**	(636)

As at 31 December 2013, the administrative expenses include € 35 million, paid to the Hellenic Deposits and Investment Guarantee Fund, related to the resolution scheme for the Bank, including NHPB and New Proton Bank.

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:

	2013 € million
Statutory audit	**(1.3)**
Tax audit-article 82, law 2238/1994	**(0.3)**
Other audit related assignments	**(0.2)**
Non audit assignments	**(0.3)**
Total	**(2.1)**

12. Staff costs

	2013 € million	2012 € million
Wages, salaries and performance remuneration	**(275)**	(267)
Social security costs	**(73)**	(65)
Additional pension and other post employment costs	**(12)**	(13)
Other	**(30)**	(32)
Total	**(390)**	(377)

The average number of employees of the Bank (including those of NHPB and New Proton) during the year was 9,912 (2012:7,134). As at 31 December 2013, the number of branches of the Bank (including those of NHPB) amounted to 580.

In November 2013, the Bank launched a Voluntary Exit Scheme for its staff and the staff for most of its subsidiaries in Greece (note 46).

13. Other impairment and non recurring losses

	2013 € million	2012 € million
Impairment losses and valuation losses on investment property and repossessed properties	**(25)**	(43)
Impairment losses on bonds	**(39)**	(186)
Impairment losses on mutual funds and equities	**(10)**	(79)
Other impairment losses	**(74)**	(308)
Provision for claims in dispute	**(103)**	-
Voluntary Exit Scheme cost (note 46)	**(83)**	-
Valuation losses on derivative financial instruments	**(23)**	(12)
Expenses relating with NBG Voluntary Tender Offer	**(17)**	-
Expenses relating with the acquisition of NHPB and New Proton	**(14)**	-
Intergration and restructuring costs	**(6)**	-
Restructuring costs and other non recurring losses	**(246)**	(12)
Total	**(320)**	(320)

As at 31 December 2013, 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.

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. As at 31 December 2012, the Bank recognized credit valuation losses amounting to € 12 million related with derivative financial instruments conducted with corporate clients.

As at 31 December 2013, the Bank has recognised integration and restructuring expenses amounting to € 6 million relating mainly to the closing of branches in the framework of its network rationalization.

As at 31 December 2012, the Bank has recognised an impairment loss amounting to € 100 million on subordinated debt issued by Agricultural Bank of Greece (ABG) whose license was revoked in July 2012 and has since been put in liquidation.

As at 31 December 2012, the Bank has recognised impairment losses amounting to € 79 million on equity securities (including mutual funds and non listed shares), for which the decline in fair value below cost was considered to be significant and/or prolonged, as a result of the continuing deterioration in the equity markets (note 2.12).

14. Income tax and non recurring tax adjustments

	2013 € million	2012 € million
Current tax	**(8)**	(24)
Deferred tax	**471**	338
Income tax	**463**	314
Change in nominal tax rates	**591**	-
Provision for tax litigations and witholding tax claims	**(57)**	-
Other non recurring tax adjustments	**(89)**	-
Non recurring tax adjustments	**445**	-
Total tax (charge)/income from continuing operations	**908**	314
Total tax (charge)/income from discontinued operations	**-**	15
Total	**908**	329

According to Law 4110/2013, the nominal Greek corporate tax rate increased to 26% for income generated in accounting years 2013 and onwards. In addition, dividends distributed based on General Meetings held within 2013 are subject to 25% withholding tax, while dividends distributed based on General Meetings held as of 1 January 2014 onwards are subject to 10% withholding tax. The increase of the corporate tax rate mentioned above resulted in the adjustment of the Bank's cumulative deferred tax as of 31 December 2013 by € 602 million, compared to that recorded as of 1 January 2013, out of which € 591 million have been recorded in 31 December 2013 income statement and € 12 million in other comprehensive income.

By virtue of the recent tax law change (i.e. one off taxation of tax free reserves and taxation introduced on listed shares and derivatives, Law 4172/2013), a one off DTA release of € 89 million was booked in 2013. The DTA release is mainly triggered by the fact that the accumulated losses from listed shares and derivatives (i.e. respective losses realized up to 31 December 2013) can no longer be utilized for tax purposes.

The Bank recognized in 2013 a non recurring tax charge of € 57 million in relation to tax litigations and withholding tax claims against the state.

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 certificate for years 2011 and 2012, in accordance with article 82 of Law 2238/1994, while tax audit from external auditors is in progress for 2013. In addition, NHPB has not yet been audited for the period from 18 January 2013 until 30 June 2013, while New Proton is currently under tax audit from external auditors for the period 1 January 2013 until 30 June 2013, which are the last open tax periods, before their absorption by Eurobank in the fourth quarter of 2013. New Proton has obtained an unqualified tax certificate with a matter of emphasis for its first unaudited by tax authorities tax year ended 31 December 2012.

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 € million	2012 € million
Profit/(loss) before tax from continuing operations	**(1,916)**	(1,620)
Tax at the applicable tax rates	**498**	324
Tax effect of:		
- income and expenses not subject to tax	**(25)**	(1)
- change in applicable tax rate	**591**	-
- other	**(10)**	(9)
- provision for tax litigations and witholding tax claims	**(57)**	-
- other non recurring tax adjustments	**(89)**	-
Total tax (charge)/income from continuing operations	**908**	314
Total tax (charge)/income from discontinued operations	**-**	15
Total	**908**	329

15. Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method at the rate in effect at the time the reversal is expected to take place.

The movement on deferred income tax is as follows:

	2013 € million	2012 € million
Balance at 1 January	**2,037**	1,718
Impairment on Greek sovereign exposure	**(17)**	73
Other income statement credit/(charge)	**990**	264
Available for sale investment securities	**(5)**	(53)
Cash flow hedges	**(21)**	17
Effect in other comprehensive income from the change in nominal tax rates	**12**	-
Release of DTA on losses from sale of treasury shares - tax law 4172/2013	**(34)**	-
DTA on share capital increase and LME expenses recongnised in equity	**61**	(6)
Aquired DTA of NHPB	**3**	-
Disposal of foreign operations	**-**	15
Other	**(2)**	9
Balance at 31 December	**3,024**	2,037

Deferred income tax asset is attributable to the following items:

	2013 € million	2012 € million
PSI+ tax related losses (tax deductible over a period of thirty years)	**1,256**	1,001
Loan impairment	**1,253**	772
Unused tax losses	**274**	4
Changes in fair value accounted through the income statement	**190**	196
Share capital increase and LME expenses	**48**	(6)
Cash flow hedges	**30**	40
Changes in fair value accounted directly to available-for-sale revaluation reserve	**(7)**	(2)
Sale of treasury and other shares	**-**	34
Fixed assets	**(12)**	(14)
Pensions and other post retirement benefits	**6**	6
Other	**(14)**	6
Net deferred income tax	**3,024**	2,037

Deferred income tax (charge)/credit in the income statement is attributable to the following items:

	2013 € million	2012 € million
Changes in fair value	**(51)**	(15)
Loan impairment	**250**	336
Unused tax losses	**269**	4
Change in nominal tax rates	**591**	-
DTA release due to tax law 4172/2013	**(89)**	-
Tax deductible PSI+ losses	**(45)**	-
Fixed assets	**7**	6
Pensions and other post retirement benefits	**(3)**	(4)
Other	**44**	10
Deferred income tax (charge)/credit	**973**	337

16. 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) are combined. The Bank has received € 814 million in cash, of which € 50 million have been pledged as collateral for the credit performance of the disposed mortgage loan portfolio and € 178 million received in February 2014. The remaining consideration receivable is subject to adjustments based on the Net Asset Value of Polbank at the closing of the transaction.

As at 31 December 2012, the gain on the disposal of Polish operations was adjusted with € 77 million losses, before tax (€ 62 million losses, after tax).

The results of the Bank's discontinued operations are set out below. The income statement distinguishes discontinued operations from continuing operations.

	Year ended 31 December	
	2013	2012
	€ million	€ million
Gain/(loss) on disposal before tax	**1**	(77)
Income tax	**(0)**	15
Net profit/(loss) for the year from discontinued operations attributable to shareholders	**1**	(62)

17. Cash and balances with central banks

	2013	2012
	€ million	€ million
Cash in hand	**398**	392
Balances with central banks	**253**	452
	651	844
of which:		
Mandatory and collateral deposits with central banks	**207**	251

Mandatory deposits with central banks include (a) deposits of € 79 million (2012: € 157 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) collateral deposits for eurosystem's funding of € 60 million and (c) deposits of € 68 million (2012: € 94 million) with the Bank of England in accordance with UK regulatory requirements.

18. Cash and cash equivalents and other information on cash flow statement

Following the acquisition of NHPB and New Proton, the Bank considered a) the most appropriate method of incorporation of cash flows of acquired entities as of 1 September 2013 and b) the best practice applied by the banking industry and decided to change the method of presentation of operating cash flows from direct to indirect for the year ended 31 December 2013. Comparative information for the year ended 31 December 2012 has been adjusted accordingly.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	2013 € million	2012 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**444**	593
Loans and advances to banks	**773**	803
Financial instruments at fair value through profit or loss	**1**	2
	1,218	1,398

Other (income)/losses on investment securities presented in operating activities are analysed as follows:

	2013 € million	2012 € million
Amortisation of premiums/discounts and accrued interest	**(13)**	(41)
(Gains)/losses from sale	**(21)**	(141)
Dividends	**(3)**	(19)
	(37)	(201)

19. Loans and advances to banks

	2013 € million	2012 € million
Pledged deposits with banks	**6,572**	11,299
Placements with banks	**1,274**	1,591
Current accounts and settlement balances with banks	**249**	282
Reverse repos with banks	**3**	135
	8,098	13,307

	2013 € million	2012 € million
Included in loans and advances to banks were unsubordinated amounts due from:		
-subsidiary undertakings	**5,614**	8,876
Included in loans and advances to banks were subordinated amounts due from:		
-subsidiary undertakings	**350**	427

The Bank's exposure in loans and advances to banks, as categorized by counterparty's geographical region, is presented in the following table:

	2013 € million	2012 € million
Greece	**32**	10
Other European countries	**7,819**	13,172
Other countries	**247**	125
Total	**8,098**	13,307

20. Financial instruments at fair value through profit or loss (including trading)

	2013 € million	2012 € million
Debt securities		
- EFSF bonds	-	49
- Greek government bonds	9	5
- Greek government treasury bills	2	0
- Other issuers	38	27
	49	81
Equity securities	13	11
Total	62	92

21. Derivative financial instruments and hedge accounting

21.1 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 2013			31 December 2012		
	Contract/ notional amount	Fair values Assets	Liabilities	Contract/ notional amount	Fair values Assets	Liabilities
	€ million	€ million	€ million	€ million	€ million	€ million
Derivatives held for trading						
OTC currency derivatives						
- Currency forwards	347	8	1	870	11	8
- Currency swaps	3,603	6	9	4,025	15	17
- OTC currency options bought and sold	430	2	4	781	29	28
		16	14		55	53
OTC interest rate derivatives						
- Interest rate swaps	18,077	1,025	931	21,266	1,564	1,426
- Cross-currency interest rate swaps	3,522	72	69	4,530	147	117
- OTC interest rate options	5,430	87	92	10,384	108	156
		1,184	1,092		1,819	1,699
Exchange traded interest rate futures	326	0	1	577	0	1
		1,184	1,093		1,819	1,700
Other derivatives						
Other derivative contracts (see below)	3,410	41	3	2,902	20	7
Total derivative assets/liabilities held for trading		1,241	1,110		1,894	1,760
Derivatives designated as fair value hedges						
Interest rate swaps	1,293	0	284	2,322	16	443
Cross-currency interest rate swaps	-	-	-	24	0	16
		-	284		16	459
Derivatives designated as cash flow hedges						
Interest rate swaps	1,232	-	131	5,031	0	425
Cross-currency interest rate swaps	6,338	19	29	5,351	3	44
		19	160		3	469
Total derivative assets/liabilities held for hedging purposes		19	444		19	928
Total derivatives assets/liabilities		1,260	1,554		1,913	2,688

Other derivative contracts include equity options, exchange traded index futures, exchange traded index options bought and sold, commodity swaps and credit default swaps, and warrants.

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 2013			
	Greece	Other European countries	Other countries	Total
	€ million	€ million	€ million	€ million
Sovereign	669	-	-	669
Banks	-	342	177	519
Corporate	46	-	26	72
	715	342	203	1,260

	31 December 2012			
	Greece	Other European countries	Other countries	Total
	€ million	€ million	€ million	€ million
Sovereign	779	-	-	779
Banks	0	614	301	915
Corporate	146	4	69	219
	925	618	370	1,913

21.2 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 2013 was € 284 million liability (2012: € 443 million liability). The Bank recognized a loss of € 8 million (2012: € 1 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 2013, interest rate swaps had a net fair value of € 141 million liability (2012: € 466 million liability). In 2013, the ineffectiveness recognised in income statement that arose from cash flow hedges was € nil (2012: € nil).

22. Loans and advances to customers

	2013	2012
	€ million	€ million
Wholesale lending	**15,071**	13,681
Mortgage lending	**17,019**	12,177
Consumer lending [(1)]	**5,722**	5,022
Small business lending	**6,377**	6,377
Gross loans and advances to customers	**44,189**	37,257
Less: Impairment allowance (note 23)	**(6,721)**	(3,823)
	37,468	33,434

[(1)] *Credit cards balances are included*

The contribution of absorbed entities NHPB and New Proton in the above balances is presented in note 45.

Loans and advances to customers include finance lease receivables due to the merger of New Proton Bank, as detailed below:

	2013 € million
Gross investment in finance leases receivable:	
Not later than 1 year	29
Later than 1 year and not later than 5 years	16
Later than 5 years	10
	55
Unearned future finance income on finance leases	(4)
Net investment in finance leases	51
Less: provision for impairment losses	(9)
	42
The net investment in finance leases is analysed as follows:	
Not later than 1 year	28
Later than 1 year and not later than 5 years	14
Later than 5 years	9
	51
Less: provision for impairment losses	(9)
	42

23. 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 2013					
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Public € million	Total € million
Balance at 1 January	804	327	1,661	1,021	10	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)
Unwinding of discount	(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	2,392	964	2,057	1,298	10	6,721

	31 December 2012					
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Public € million	Total € million
Balance at 1 January	590	206	1,218	720	10	2,744
Impairment loss for the year	293	152	527	383	-	1,355
Recoveries of amounts previously written off	-	-	8	-	-	8
Amounts written off	(32)	(3)	(3)	(10)	-	(48)
Unwinding of discount	(45)	(29)	(32)	(72)	-	(178)
Foreign exchange differences and other movements	(2)	1	(57)	-	-	(58)
Balance at 31 December	804	327	1,661	1,021	10	3,823

[1] *Credit cards balances are included*

24. Investment securities

	2013 € million	2012 € million
Available-for-sale investment securities	**1,219**	895
Debt securities lending portfolio	**13,375**	2,543
Held-to-maturity investment securities	**414**	1,007
	15,008	4,445

The contribution of absorbed entities NHPB and New Proton in the above balances is presented in note 45.

During 2013, the Bank, in the context of its recapitalisation (note 6) received from the Hellenic Financial Stability Fund (HFSF) EFSF notes of € 5,839 million. The aforementioned notes are categorised under the Debt Securities Lending portfolio.

During 2013, the Bank proceeded with the downsizing using selective sales of its "Held-to-Maturity" investment securities amounting to € 299 million (face value), as a response to the significant increase in the regulatory capital requirements of the banking industry, imposed by the Bank of Greece bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013 (note 6). The sale of the securities did not trigger tainting rules of the Bank's "Held-to-Maturity" portfolio, as the significant increase in the regulatory requirements of the industry was a non-recurring event beyond the Bank's control that could not have been reasonably anticipated upon initial classification of those securities.

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 amortised cost. Interest on the reclassified securities continued to be recognised in interest income using the effective interest rate method. As at 31 December 2013, the carrying amount of the reclassified securities was € 955 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2013 would have resulted in € 321 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

24.1 Classification of investment securities by type

	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**

	31 December 2012			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Debt securities				
- EFSF bonds	79	-	-	79
- Greek government bonds	9	1,727	-	1,736
- Greek government treasury bills	-	-	-	-
- Other government bonds	455	514	232	1,201
- Other issuers	194	302	775	1,271
	737	2,543	1,007	4,287
Equity securities	158	-	-	158
Total	895	2,543	1,007	4,445

24.2 Movement of investment securities

	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**

	31 December 2012			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Balance at 1 January	1,052	3,402	1,492	5,946
Additions, net of disposals and redemptions	(320)	(859)	44	(1,135)
Net gains/(losses) from changes in fair value for the year	186	-	-	186
Amortisation of premiums/discounts and interest	(5)	54	(8)	41
Amortisation of mark-to-market of reclassified securities	-	2	10	12
Changes in fair value due to hedging	-	(30)	-	(30)
Impairment losses	(23)	(20)	(528)	(571)
Exchange adjustments	5	(6)	(3)	(4)
Balance at 31 December	895	2,543	1,007	4,445

24.3 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:

	2013 € million	2012 € million
Balance at 1 January	**8**	(207)
Net gains/(losses) from changes in fair value	**34**	186
Deferred income taxes	**(8)**	(37)
Acquired AFS reserve (NHPB & NPB), net of tax	**2**	-
	28	149
Net (gains)/losses transferred to net profit on disposal	**(51)**	(5)
Impairment losses on other investment securities transfer to net profit, net of tax	**(1)**	60
Deferred income taxes	**11**	1
	(41)	56
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	**43**	12
Deferred income taxes	**(9)**	(2)
	34	10
Balance at 31 December	**29**	8

25. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2013:

Name	Note	Percentage holding	Country of incorporation	Line of business
Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services	a	98.01	Greece	Business-to-business e-commerce, accounting and tax services
ERB Insurance Services S.A.		95.00	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.		99.44	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
Eurobank Properties R.E.I.C.		55.56	Greece	Real estate
Eurobank Property Services S.A.		100.00	Greece	Real estate services
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.	b	50.00	Greece	Credit card management and other services
Hellenic Postbank - Hellenic Post Mutual Funds	b	51.00	Greece	Mutual fund management
T Leasing S.A.	b	100.00	Greece	Leasing
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

Name	Note	Percentage holding	Country of incorporation	Line of business
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.		99.00	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.		80.00	Romania	Real estate services
Eurolife ERB Asigurari De Viata S.A. (1)		9.90	Romania	Insurance services
Eurolife ERB Asigurari Generale S.A. (1)		9.34	Romania	Insurance 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
Anaptyxi II Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi II Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Andromeda Leasing I Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Byzantium Finance Plc	c	-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion 2007-1 Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion APC Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Daneion Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
ERB Hellas Plc		99.99	United Kingdom	Special purpose financing vehicle
Karta II Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Karta II Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion II Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion III Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Holdings Ltd		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion IV Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)
Themeleion Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle (SIC 12)

(1) not direct control by the Bank

Note: (i) Enalios Real Estate Development S.A., Global Fund Management S.A., Hotels of Greece S.A., Athens Insurance Brokerage Ltd, Security Services Systems Ltd are dormant/under liquidation subsidiary undertakings. (ii) On 30 August 2013, following the acquisition of New Proton Bank S.A., the Bank acquired 99.91% of Proton Mutual Funds Management Company S.A. The entity is under liquidation.

(a) Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services, Greece

In October 2013, the name of Be-Business Exchanges S.A. was changed and its activities were expanded. The new name of the entity is "Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services" and provides additionally accounting and tax services.

(b) Hellenic Post Credit S.A., Hellenic Postbank - Hellenic Post Mutual Funds Mngt Company S.A. and T Leasing S.A., Greece

On 30 August 2013, following the binding agreements signed between the Bank and the Hellenic Financial Stability Fund (HFSF) on 15 July 2013, the Bank acquired by HFSF 100% of the shares and voting rights of New TT Hellenic Postbank S.A. (NHPB) and New Proton Bank S.A. (New Proton), after receiving all necessary regulatory approvals. Therefore, as of the said date, NHPB and New Proton became 100% subsidiaries of the Bank. The Bank acquired, through its participation in NHPB, 50% of Hellenic Post Credit S.A., 51% of Hellenic Postbank - Hellenic Post Mutual Funds Mngt Company S.A., and 100% of T Leasing S.A. Following the merger agreements signed between the Bank, NHBP and New Proton and after receiving all necessary regulatory approvals, the merger of the Bank with the above named subsidiaries was completed on 27 December and on 22 November 2013, respectively. The merger was effected with the absorption of NHBP and New Proton by the Bank (note 45).

(c) Byzantium Finance Plc, United Kingdom

In August 2013, following the acquisition of New TT Hellenic Postbank S.A., the Bank acquired Byzantium Finance Plc, a special purpose entity for the issuance of mortgage backed notes.

(d) Anaptyxi 2006-1 Plc, Anaptyxi APC Ltd, Anaptyxi Holdings Ltd and Anaptyxi Options Ltd, United Kingdom

In January 2013, the companies were liquidated.

(e) Eurobank EFG Ukraine Distribution LLC, Ukraine

In June 2013, the Bank disposed of Eurobank EFG Ukraine Distribution LLC.

Impairment in Subsidiaries undertakings

During the year ended 31 December 2013 and 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:

	2013 € million
Eurobank Ergasias Leasing S.A.	**120**
Bancpost S.A.	**31**
Eurobank A.D. Beograd	**26**
Be-Business Exchanges S.A.	**12**
Global Fund Management S.A	**3**
Eurobank Finance S.A. - Romania	**3**
	195

An impairment charge amounting to € 42 million was recognised as at 31 December 2012 against the carrying amount of Eurobank Asset Management Mutual Fund Mngt Company S.A. which includes goodwill arising from acquisition of Intertrust Mutual Funds Co S.A. in 2004. Accordingly, as a result of reassessing the projections used to determine the recoverable amount under the current economic environment, investment cost was reduced.

26. Investments in associated undertakings and joint ventures

The following is a listing of the Bank's associated undertakings and joint ventures as at 31 December 2013:

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.	b	Luxembourg	Special purpose investment vehicle	20.00

Odyssey GP S.a.r.l. is the Bank's associated undertaking.

As at 31 December 2013 all of the Bank's associated undertaking and joint ventures are unlisted.

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.

(a) Tefin S.A. and Unitfinance S.A., Greece

In December 2013, the Extraordinary General Meeting of the companies decided their liquidation.

(b) Odyssey GP S.a.r.l., Luxembourg

In February 2013, the Bank acquired 20% of Odyssey GP S.a.r.l., a special purpose investment vehicle incorporated in Luxembourg.

(c) Omega Insurance and Reinsurance Brokers S.A., Greece

On 30 August 2013, following the acquisition of New Proton Bank S.A., the Bank acquired 26.05% of Omega Insurance and Reinsurance Brokers S.A., the investment in which was fully impaired. The Bank is not represented in the Board of Directors of the company, therefore does not exercise significant influence over it and does not account for it as an associate but as an available-for-sale financial investment.

27. Property, plant and equipment

	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)
Impairment	(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

	31 December 2012			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	276	112	332	720
Transfers	0	0	-	0
Additions	6	1	7	14
Disposals and write-offs	(9)	(4)	(2)	(15)
Impairments	-	-	-	-
Balance at 31 December	273	109	337	719
				-
Accumulated depreciation:				
Balance at 1 January	(114)	(90)	(284)	(488)
Transfers	0	(0)	-	-
Disposals and write-offs	9	2	4	15
Charge for the year	(10)	(5)	(14)	(29)
Balance at 31 December	(115)	(93)	(294)	(502)
Net book value at 31 December	158	16	43	217

Leasehold improvements relate to premises occupied by the Bank for its own activities.

28. Investment property

	2013 € million	2012 € million
Cost:		
Balance at 1 January	**72**	98
Transfers from/ to property plant and equipment	**4**	0
Additions	**0**	0
Impairments	**(14)**	(26)
Balance at 31 December	**62**	72
Accumulated depreciation:		
Balance at 1 January	**(4)**	(2)
Transfers from/ to property plant and equipment	**(0)**	-
Charge for the year	**(1)**	(2)
Balance at 31 December	**(5)**	(4)
Net book value at 31 December	**57**	68

During the year ended 31 December 2013 an amount of € 1 million (2012: € 1 million) was recognised as rental income from investment property in income from non banking services. As at 31 December 2013 and 2012, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2013 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.

	Fair Value 2013 € million	Book Value 2013 € million
Class of Property		
Commercial	63	53
Land Plots	5	4
Total	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.

29. Intangible assets

	2013 € million	2012 € million
Cost:		
Balance at 1 January	**137**	126
Arising from acquisitions	**11**	-
Additions & transfers	**9**	11
Disposal and write-offs	**(0)**	(0)
Balance at 31 December	**157**	137
Accumulated amortisation:		
Balance at 1 January	**(68)**	(53)
Arising from acquisitions	**(2)**	-
Transfers	**(0)**	-
Amortisation charge for the year	**(16)**	(15)
Disposals and write-offs	**(0)**	(0)
Balance at 31 December	**(86)**	(68)
Net book value at 31 December	**71**	69

30. Other assets

	2013 € million	2012 € million
Receivable from Deposit Guarantee and Investment Fund	**657**	330
Repossessed properties and relative prepayments	**340**	291
Pledged amount for a Greek sovereign risk financial guarantee	**250**	246
Prepaid expenses for Bank's recapitalisation	**-**	154
Income tax receivable	**203**	163
Prepaid expenses and accrued income	**50**	25
Other assets	**243**	142
	1,743	1,351

The contribution of absorbed entities NHPB and New Proton in the above balances is presented in note 45.

As at 31 December 2013, other assets amounting to € 243 million mainly consist of receivables from a) settlement balances with customers, b) guarantees, c) public entities and d) fraudulent and legal cases.

31. Due to central banks

	2013 € million	2012 € million
Secured borrowing from ECB and BoG	**16,887**	28,938
Other borrowing from central banks	**-**	78
	16,887	29,016

As at 31 December 2013, the Bank has lowered its dependency on Eurosystem financing facilities to € 16.9 bn as a result of access to the repo markets, assets deleveraging, deposit gathering as well as the funding synergies from the acquisition of NHPB and New Proton.

32. Due to other banks

	2013 € million	2012 € million
Secured borrowing from other banks	**10,551**	2,710
Secured borrowing from international financial institutions	**237**	236
Interbank takings	**1,332**	1,612
Current accounts and settlement balances with banks	**76**	145
	12,196	4,703

The contribution of absorbed entities NHPB and New Proton in the above balances is presented in note 45.

As at 31 December 2013, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals EFSF bonds (note 24).

33. Due to customers

	2013 € million	2012 € million
Term deposits	**21,899**	15,669
Savings and current accounts	**10,646**	7,302
Repurchase agreements	**1,407**	395
	33,952	23,366

The contribution of absorbed entities NHPB and New Proton in the above balances is presented in note 45.

As at 31 December 2013, the carrying amount of structured deposits designated at fair-value-through-profit-or-loss was € 152 million (2012: € 147 million) and their fair value change was € 48 million loss (2012: € 46 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.

34. Debt issued and other borrowed funds

	2013 € million	2012 € million
Securitised	**1,117**	1,418
Medium-term notes (EMTN)	**344**	344
Covered bonds	**0**	0
Government guranteed bonds	**0**	1
	1,461	1,763

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 2013, the liability amounted to € 15 million (2012: € 22 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 2013, the liability amounted to € 41 million (2012: € 51 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 2013, the liability amounted to € 56 million (2012: € 84 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 2013, the liability amounted to € 157 million (2012: € 393 million).

As at 31 December 2013, securitised notes include residential mortgage backed securities amounting to € 26 million, acquired by NHPB (note 45).

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 2013 the liability amounted to € 822 million (2012: € 868 million).

Consumer Loan Asset Backed Securities

During the year, the Bank proceeded with the repurchase and redemption of securities, issued through its special purpose entities mentioned above, of € 224 million and € 47 million, respectively. From the amount of the securities repurchased/redeemed € 220 million, was prior held by the Bank's subsidiaries.

Medium-term notes (EMTN)

As at 31 December 2013, the notes issued by the Bank under the EMTN program, totaling to € 344 million, were fully retained by its subsidiaries.

Covered bonds and Government guaranteed bonds

As at 31 December 2013, the covered bonds and government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 4), totaling to € 3,800 million and € 13,932 million respectively, were fully retained by the Bank and its subsidiaries. In February 2013, government guaranteed bonds amounting to € 2,344 million, matured.

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 2014, the Bank proceeded with the redemption of securitized notes acquired by NHPB at their carrying amount.

In March 2014, the Board of Directors of the Bank decided the substitution of the issuer ERB Hellas (Cayman Islands) Ltd (Eurobank's SPV) with the Bank in relation to the Lower Tier II unsecured subordinated notes.

In March 2014, the Bank proceeded with the redemption of covered bonds amounting to € 250 million.

35. Other liabilities

	2013 € million	2012 € million
Provision for financial guarantees [1]	**75**	306
Other provisions	**185**	14
Deferred income and accrued expenses	**56**	32
Standard legal staff retirement indemnity obligations	**21**	29
Other liabilities	**280**	188
	617	569

[1] *includes an amount of € 20 million (2012: € 247 million) relating with a financial guarantee in favour of the Bank's subsidiaries. In 2013, the Bank acquired from its subsidiaries part of the financial assets guaranteed and therefore, the respective provision amounting to € 243 million reduced the carrying of the financial assets acquired.*

The contribution of absorbed entities NHPB and New Proton in the above balances is presented in note 45.

As at 31 December 2013, other provisions amounting to € 185 million consist of amounts for a) outstanding litigations and claims in dispute of € 149 million (note 43) b) letter of guarantees of € 23 million c) operational risk events of € 9 million d) untaken vacation indemnity of € 2 million and e) other provisions of € 2 million.

As at 31 December 2013, other liabilities amounting to € 280 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:

	2013 € million
Balance at 1 January	**14**
Arising from acquisitions	**66**
Amounts charged during the year	**108**
Amounts used during the year	**(2)**
Amounts reversed during the year	**(1)**
Balance at 31 December	**185**

As at 31 December 2013, other provisions include an amount of € 38 million for outstanding litigations with DEMCO S.A. In 2008 Post Credit (TT) and DEMCO S.A. concluded a shareholders' agreement whereby, amongst others, the participation of TT in the company BEST LINE CARDS S.A. 100% controlled by DEMCO was provided for. TT's participation in BEST LINCE CARDS S.A. was effected through its participation in the share capital increase with a result the two companies to become shareholders by a 50% shareholding each. The company was later renamed to HELLENIC POSTCREDIT SOCIETE ANONYME OF CREDIT FUNDING. In 2012 DEMCO terminated the agreement and sought recourse to the arbitral tribunal as provided for by the shareholders agreement. It contended that TT had violated a non-competition clause with regard to the issuance and management of credit cards. The allegation concerned the non transferring to POSTCREDIT of a small portfolio which belonged to T-Bank, which was acquired by TT on December 16, 2011 by virtue of an Act issued by the Director of the Central Bank of Greece and in line with the provisions thereof. DEMCO exercised a put option and requested TT to pay an amount of € 59.3 million on account of the transfer to TT of DEMCO's 50% shareholding in POSTCREDIT. An award was issued whereby the request was accepted and TT was condemned to pay the amount of € 33 million plus interest as from 22 June 2012 and the amount of € 0.8 million as a penal clause plus interest as from 22 May 2012.

Under the Law the arbitral award has a force of res judicata and is enforceable. TT challenged the validity of the award and filed a lawsuit for vacation before the Athens Court of Appeals scheduled to be heard on 3 April 2014. The issuance of the Judgment is expected to occur within 2014 provided the case will be heard.

36. Standard legal staff retirement indemnity obligations

Application of IAS 19 Amendment

In 2013, the Bank applied retrospectively the Amendments to IAS 19 'Employee benefits' which introduce several changes to the accounting for employee benefits. The amendments amongst other, eliminate the corridor approach and require all actuarial gains and losses to be recognised directly in the other comprehensive income. Previously, the Bank had elected to recognise immediately all actuarial gains and losses directly in the income statement. As a result, an amount of € 16 million and € 4 million, net of tax, were transferred from retained earnings to special reserves on 1 January 2012 and 2013, respectively, without having any impact on the Bank's total equity.

The adoption of the amendments had no impact on the Bank's balance sheet and cash flow statement as at 31 December 2013 nor on their comparatives.

The impact of the amendments on the income statement and statement of comprehensive income for 2012 is presented in the following tables:

	2012 € million
Operating expenses	(5)
Profit/(loss) before tax	(5)
Income tax	1
Net profit/(loss) for the year	(4)

	2012 € million
Actuarial gains/(losses) on post employment benefit obligations, net of tax	4
Other comprehensive income for the year	4

Other changes introduced by the amendment include:

(a) the replacement of the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on (i) the net defined benefit asset or liability and (ii) the discount rate used to discount post employment benefit obligation and

(b) the requirement to recognise past service cost immediately in the income statement.

The above changes did not have any material impact on the Bank's financial statements.

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:

	2013 € million	2012 € million
Balance at 1 January	**29**	47
Current service cost	**2**	2
Interest cost	**1**	3
Past service cost and (gains)/losses on settlements	**82**	(1)
Remeasurements:		
Actuarial (gains)/losses arizing from changes in financial assumptions	**4**	-
Actuarial (gains)/losses arizing from experience adjustments	**2**	(5)
Benefits paid	**(100)**	(17)
Arising from acquisition	**1**	-
Balance at 31 December	**21**	29

The benefits paid by the Bank, in the context of Voluntary Exist Scheme (VES), implemented in 2013, amounted to € 93.6 million. The provision for staff retirement obligations, participated on the above scheme, amounted to € 13.2 million (note 46).

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	2013 %	2012 %
Discount rate	**3.8**	4.9
Future salary increases	**1.6**	1.1

As at 31 December 2013, the average duration of the standard legal staff retirement idemnity obligation was 19 years (2012: 17years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2013 is as follows:

An increase /(decrease) of the discount rate assumed, by 75 bps/(75 bps), would result in a (decrease)/ increase of the standard legal staff retirement obligations by € (2.4 million)/2.4 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 € 2.7 million/ (€ 2.7 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.

37. Ordinary share capital and share premium

The par value of the Bank's shares is € 0.30 per share (31 December 2012: € 2.22). All shares are fully paid. The movement of ordinary share capital and share premium is as follows:

	Ordinary share capital € million	Share premium € million
Balance at 31 December 2012	1,228	1,448
Balance at 1 January 2013	**1,228**	**1,448**
Share capital decrease by reducing the ordinary shares' par value	**(1,211)**	-
Share capital increase following recapitalisation, net of expenses	**1,136**	**4,537**
Share capital increase following LME, net of expenses	**62**	**254**
Share capital increase following acquisition of NHPB, net of expenses	**426**	**430**
Balance at 31 December 2013	**1,641**	**6,669**

The following is an analysis of the movement in the number of shares issued by the Bank:

	Number of issued ordinary shares
Balance at 31 December 2012	552,948,427
Balance at 1 January 2013	**552,948,427**
Share capital decrease through reverse split (10 old shares for each 1 new share)	**(497,653,584)**
Share capital increase following recapitalisation	**3,789,317,358**
Share capital increase following LME	**205,804,664**
Share capital increase following acquisition of NHPB	**1,418,750,000**
Balance at 31 December 2013	**5,469,166,865**

On 30 April 2013, the Extraordinary General Meeting approved:

(a) the decrease of the share capital of the Bank by means of the parallel (i) increase of the nominal value of each ordinary share with voting rights and decrease of the total number of the existing ordinary shares thereof through reverse split, at a ratio of 10 old shares for each 1 new share, and (ii) decrease of the nominal value of the ordinary share of the Bank (as it resulted after the reverse split) to € 0.30, for the purpose of forming a special reserve of an equal amount of € 1,211 million, pursuant to article 4 par. 4a of Law 2190/1920. In addition, it authorized the Board of Directors to liquidate, as soon as possible, the shares formed from the aggregation of the fractional balances that may result from the reverse split and distribute to the beneficiaries the proceeds of such sale.

(b) the recapitalisation of the Bank, in accordance with the provisions of Law 3864/2010 and the Act of the Cabinet 38/9.11.2012, of € 5,839 million. The share capital increase is covered entirely by the HFSF with the contribution of bonds, issued by the EFSF and owned by the HFSF, as follows:

i. the share capital of the Bank is increased by € 1,136.8 million by issuing 3,789,317,358 new ordinary shares with a nominal value of € 0.30 each, and
ii. the share premium is increased by € 4,702 million.

On 27 June 2013, the Annual General Meeting approved the increase of the Bank's share capital with the amount of € 62 million, by payment in cash of € 317 million in total and the issue of new common shares, of a nominal value of € 0.30 each, via private placement to the holders of five series of preferred securities (Lower Tier I – Series A, B, C, D and E) and one series of subordinated debt instruments (Lower Tier II), with abolition of the pre-emptive rights in favour of existing common and preferred shareholders. Following the aforementioned decision of the AGM, the certification of the payment in cash of the said share capital increase by the Bank's Board of Directors at its meeting on 27 June 2013 and the filing with GEMH of the Ministry of Development and Competitiveness approval decision on 3 July 2013:

(a) the share capital of the Bank is increased by € 62 million by issuing 205,804,664 new ordinary shares with a nominal value of € 0.30 each, and
(b) the share premium is increased by € 255 million.

On 26 August 2013, the Extraordinary Shareholders General Meeting approved the increase of the Bank's share capital and share premium by € 426 million and € 255 million, respectively, by issuing 1,418,750,000 new ordinary shares with a nominal value of € 0.30 each and offer price of € 0.48 each, subscribed totally by way of contribution in kind by the HFSF and specifically by the contribution of the total number of shares of the "New TT Hellenic Postbank S.A." (NHPB) owned by HFSF, having a value of € 681 million, as derived from their valuation according to article 9, par. 4 of Law 2190/1920. The fair value of the newly issued Bank's ordinary shares was adjusted to € 860 million at the time NHPB shares were acquired, 30 August 2013, based on Eurobank's share market price of € 0.606 at the same date (note 45).

Incremental costs directly attributable to the aforementioned share capital increases amounted to € 171 million, net of tax, mainly comprising the lump sum payment to HFSF imposed by Law 4093/2012 amounting to € 114 million, net of tax and the 1% subscription fee amounting to € 35 million, net of tax, on EFSF notes advanced to the Bank by HFSF on account for the subsequent recapitalisation of the Bank.

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.

38. Preference shares

	Preference Shares		
	Number of shares	2013 € million	2012 € 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 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 2013 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.

39. Hybrid capital

On 18 March 2005, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 200 million hybrid capital in the form of preferred securities which represents Lower Tier I capital for the Bank (Tier I Series A). 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 had been determined at 1.89% for the period 18 March 2013 to 17 March 2014. 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 hybrid capital in the form of preferred securities which represents Lower Tier I capital for the Bank (Tier I Series B). 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 hybrid capital in the form of preferred securities which represents 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 hybrid capital in the form of preferred securities which is consolidated and form a single series with the existing € 150 million preferred securities issued on 9 November 2005.

On 29 July 2009, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 300 million hybrid capital in the form of preferred securities which represents 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 capital. 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 quarterly 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 a 12% discount to the share market price during the period preceding the exchange. 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 hybrid capital in the form of preferred securities which represents Tier I capital for the Bank (Tier I Series E). The terms and conditions of the issue are similar to preferred securities issued on 29 July 2009 and the conversion option applies from February 2015. The preferred securities are listed on the London Stock Exchange.

The movement of hybrid capital issued by the Bank through its Special Purpose Entity, ERB Hellas Funding Limited, is as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Series E € million	Total € million
Balance at 1 January 2013	**87**	**153**	**164**	**225**	**59**	**688**
Purchase of hybrid capital (LME)	(16)	(2)	(10)	(208)	(59)	**(295)**
Issue costs transferred to retained earnings upon buy back	1	0	0	4	-	**5**
Balance at 31 December 2013	**72**	**151**	**154**	**21**	**-**	**398**

On 29 April 2013, the Board of Directors of the Bank decided to proceed with a liability management exercise ("LME") in respect of the five series of preferred securities (Lower Tier I-Series A,B,C,D,E) and the single subordinated medium term note (Lower Tier II) (the "Securities") issued by the Bank through its special purpose entities. In particular, the Board of Directors decided to execute the LME on a voluntary basis as follows:

(a) repurchase by the Bank of the tendered Securities at their nominal value; and

(b) undertaking by holders tendering Securities to participate in the new share capital increase, for cash, with the proceeds of the repurchase, at a share issue price equal to the issue price of the share capital increase of € 5,839 million which was fully subscribed by the HFSF, within the framework of Law 3864/2010, i.e. € 1.54091078902977 per share.

On 27 June 2013, the Annual General Meeting approved the aforementioned increase of the Bank's share capital with the amount of € 62 million, by payment in cash of € 317 million in total and the issue of new common shares, of a nominal value of € 0.30 each, via private placement to the holders of five series of preferred securities (Lower Tier I – Series A, B, C, D and E) and one series of subordinated debt instruments (Lower Tier II) (note 37).

In 2013, ERB Hellas Funding Ltd (Eurobank's SPV) announced that, in accordance with the terms of Series B and C non-cumulative guaranteed non-voting exchangeable preferred securities, the non-cumulative preferred dividend on these preferred securities, which would otherwise had been payable on 2 November 2013 and 9 January 2014, respectively, would not be declared and would not be paid.

Also, in 2013, ERB Hellas Funding Ltd announced that, in accordance with the terms of Series D and E non-cumulative guaranteed non-voting exchangeable preferred securities, the non-cumulative preferred dividend on these preferred securities, which would otherwise had been payable on 29 July 2013, 29 October 2013 and 29 January 2014 for Series D and 28 August 2013, 29 November 2013 and 28 February 2014 for Series E, would not be declared and would not be paid.

Finally, in 2013, ERB Hellas Funding Ltd announced that, in accordance with the terms of Series A CMS-Linked non-cumulative guaranteed non-voting preferred securities, the non-cumulative preferred dividends on these preferred securities, which would otherwise have been payable on 18 March 2014, would not be declared and would not be paid.

As at 31 December 2013, the dividend attributable to hybrid capital's holders amounted to € 14 million (2012: € 45 million).

In the event that HFSF participates in the capital increase of the Bank (note 6), the new State Aid rules, which were effected from 1 August 2013, will be applicable. Such rules require the prior contribution of preferred securities holders in reducing the capital shortfall.

40. Share options

The Bank has granted 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 movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31 December 2013		31 December 2012	
	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
Balance at 1 January	**11.38**	**3,015,066**	11.54	4,493,749
Expired and/or cancelled	**12.02**	**(2,108,170)**	11.87	(1,478,683)
Balance at 31 December and average exercise price per share	**9.90**	**906,896**	11.38	3,015,066

Share options outstanding and exercisable at the end of year have the following expiry dates and exercise prices:

	31 December 2013		31 December 2012	
Expiry date - 31 December	Exercise price in € per share	Number of share options	Exercise price in € per share	Number of share options
2013	-	-	13.58	1,215,121
2014	**9.90**	**906,896**	9.90	1,799,945
	9.90	**906,896**	11.38	3,015,066

The exercise price and number of shares options are subject to mathematical adjustments, by decision of the Board, if in the time period between the issuance of the options certificates and the date of their exercise changes occur in the share capital or the shares of the Bank, which alter the financial value of the options.

In this context, and following the changes to the Bank's share capital during 2013, the aforementioned exercise price and number of share options are subject to readjustments, in case an exercise date/period is to be defined. The current exercise price of the outstanding share options is much higher than the current stock market price of Bank's ordinary shares.

41. Special reserves

	31 December 2012				
	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January, as previously reported	204	1,165	(301)	(97)	971
Adjustments due to retrospective application of IAS 19 Amendment (note 2)	-	-	-	16	16
Balance at 1 January, as restated	204	1,165	(301)	(81)	987
Transfers between reserves	-	(3)	-	(145)	(148)
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	149	-	149
- impairment losses on other investment securities transfer to net profit, net of tax	-		60		60
- transfer to net profit, net of tax	-	-	6	-	6
Cash flow hedges					
- net changes in fair value, net of tax	-	-	(111)	-	(111)
- transfer to net profit, net of tax	-	-	45	-	45
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	4	4
Value of employee services	-	-	-	(2)	(2)
Balance at 31 December	204	1,162	(152)	(224)	990

	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)**	**(244)**	**970**
Adjustments due to retrospective application of IAS 19 Amendment (note 2)	-	-	-	20	20
Balance at 1 January, as restated	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
- impairment losses on other investment securities transfer to net profit, net of tax	-	-	(1)	-	(1)
- transfer to net profit, net of tax	-	-	(6)	-	(6)
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**

In 2013, the increase of Bank's other reserves by € 2,431 million is mainly attributable to: a. the forming of a special reserve of € 1,211 million following Bank's share capital decrease by reducing the ordinary shares' par value, pursuant to article 4 par. 4a of Law 2190/1920 (note 37) b. the share capital and share premium of New Proton amounting to € 910 million which have been recognized in Bank's accounts following the completion of the legal merger of New Proton with the Bank on 22 November 2013.

Statutory reserves and IAS 39 reserves are not distributable. Included in IAS 39 reserves as at 31 December 2013 is € 87 million loss (2012: € 159 million loss) relating to cash flow hedging reserve.

Non-taxed reserves are taxed when distributed. As at 31 December 2013, non-taxed reserves include an amount of € 246 million which consists of € 289 million which following Law 3513/2006 were subject to one-off taxation amounting to € 43.3 million. The Bank has contested the above taxation in the courts.

42. 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 and rewards of these financial assets and therefore has not derecognised them. The related liability is recognised in Due to banks (notes 31 and 32) and Due to customers (note 33), as appropriate.

   The Bank enters into securitizations of various classes of loans (mortgage, credit card and small business 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 and rewards of these loans and therefore has not derecognised them. Moreover, the note holders' recourse is limited to the transferred loans. The related liability is recognised in Debt issued and other borrowed funds (note 34).

   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	
	2013	2012
	€ million	€ million
Loans and advances to banks	**-**	852
Financial instruments at fair value through profit or loss	**47**	55
Loans and advances to customers	**12,766**	25,145
-securitized loans [(1)]	***2,798***	*3,558*
-pledged loans under covered bond program	***4,380***	*4,445*
-pledged loans with central and other banks	***5,588***	*17,142*
Investment securities	**13,258**	3,784
	26,071	29,836

[(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 (2012: € 0,9 bn).

b) As at 31 December 2013, the Government guaranteed bonds issued by the Bank of total face value € 13,932 million (cash value € 8,650 million) under the second stream of Greek Economy Liquidity Support Program (note 4), which were fully retained by the Bank and its subsidiaries, were pledged to central banks and international financial institutions.(2012: face value € 16,276 million and cash value € 11,794 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 2013, the Bank had borrowed or obtained through reverse repos, securities with fair value of € 1,872 million (2012: € 3,498 million), the majority of which had been pledged under agreements to repurchase or for obtaining Eurosystem's funding.

d) Moreover, as at 31 December 2012 the HFSF had advanced to the Bank securities with fair value € 5,343 million (face value € 5,311 million) on account for the recapitalisation of the Bank (note 6), out of which securities with fair value of € 5,338 million had been pledged under agreements to repurchase or for obtaining Eurosystem's funding.

As at 31 December 2013, 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 € 31,859 million while the associated liability from the above transactions amounted to € 30,199 million (notes 31, 32, 33 and 34) (2012: cash value € 39,742 million and liability € 33,697 million).

43. Contingent liabilities and other commitments

	2013	2012
	€ million	€ million
Guarantees and standby letters of credit	**2,851**	4,115
Other guarantees and commitments to extend credit	**645**	893
Documentary credits	**13**	13
Capital expenditure	**4**	5
	3,513	5,026

Legal Proceedings

There were a number of legal proceedings outstanding against the Bank as at the year end. The Bank's provision for outstanding litigations and claims in dispute amounted to € 149 million, of which € 42 million related with the acquired entities (note 45). In almost every case where a provision had been made proper remedies have been filed by the Bank. Other than the aforementioned amount, no significant impact is expected on the Bank's financial position from the outcome of pending lawsuits and cases in arbitration process.

44. Operating leases

Leases as lessee - Non-cancellable operating lease rentals are payable as follows:

	Land and buildings	
	2013	2012
	€ million	€ million
Not later than one year	**27**	26
Later than one year and no later than five years	**41**	57
Later than five years	**51**	51
	119	134

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	
	2013	2012
	€ million	€ million
Not later than one year	**1**	1
Later than one year and no later than five years	**1**	0
Later than five years	**-**	0
	2	1

45. Acquisition of subsidiaries

Acquisition of New TT Hellenic Postbank S.A. and New Proton Bank S.A.

On 15 July 2013, the Bank signed a binding agreement with the Hellenic Financial Stability Fund (''HFSF'') to acquire 100% of the shares and voting rights of the New Hellenic PostBank (''NHPB'') for a consideration of € 681 million in the form of newly issued Eurobank ordinary shares with a minimum of 1,418,750,000 shares.

On the same day, the Bank also signed a binding agreement with HFSF to acquire 100% of the shares and voting rights of the New Proton Bank S.A. ("New Proton") for a € 1 cash consideration. Prior to completion of the transaction, the HFSF covered the capital needs of New Proton by contributing € 395 million in cash.

On 30 August 2013, following the above binding agreements, the Bank acquired from HFSF 100% of the shares and voting rights of NHPB and New Proton, after receiving all necessary regulatory approvals. Thus, as of the said date, NHPB and New Proton became 100% subsidiaries of the Bank.

Both transactions were approved by the Extraordinary General Meeting of Eurobank shareholders, which took place on 26 August 2013. Furthermore, on the same day the Extraordinary General Meeting of Eurobank shareholders approved the increase of the share capital of the Bank through the issuance of 1,418,750,000 new ordinary shares with a nominal value of € 0.30 and offer price € 0.48 each, subscribed by way of contribution in kind from HFSF of the total number of NHPB's shares, amounting to € 681 million. The number of the new ordinary shares issued was the minimum number of shares to be issued to HFSF pursuant to the binding agreement.

Both before and after 30 August 2013, the Bank, NHPB and New Proton were all under the control of HFSF. Although the acquisition of a subsidiary in exchange for the issuance of shares in a common control transaction is not specifically addressed in IFRS, the Bank has recorded the issuance of 1,418,750,000 new ordinary shares, being the consideration for the acquisition of NHPB, with reference to Eurobank's share market price as at the combination date, 30 August 2013, in accordance with IFRS definitions and principles on related areas. Accordingly, the Bank has accounted for the share capital increase at the price of € 0.606 amounting to € 860 million and the difference with the nominal value amounting to € 434 million has been recorded in the share premium account.

Based on the finalised Net Asset Value of NHPB at the completion date and in accordance with the terms of the binding agreement, the consideration was reduced by € 57 million, of which € 55 million were paid by HFSF in cash in November 2013.

On 15 October 2013, the Bank signed Draft Merger Agreements with New Proton and NHPB. The completion of the legal mergers took place on 22 November 2013 for New Proton and on 27 December for NHPB, after receiving all necessary regulatory approvals.

The legal mergers were effected with the absorption of New Proton and NHPB by the Bank in accordance with the provisions of article 16 of Law 2515/1997 and articles 69 and 78 of Company Law 2190/1920, by consolidating the assets and liabilities of the merging banks, on the basis of the legal merger balance sheets of each bank as at 30 June 2013.

In accordance with the Bank's accounting policy, the mergers with New Proton and NHPB were accounted for by using the pooling of interests method (also known as merger accounting), whereby the net assets of the absorbed entities were recognised on the basis of the balance sheet as of the business combination date for the Group, 30 August 2013, as control was obtained as of that date, with any difference between the Bank's investment cost and the carrying amount of the merged net assets of each bank recorded in the Bank's equity. Consequently, the results of both NHPB and New Proton were incorporated in the Bank's financial statements retrospectively as of 1 September 2013. Comparative information is not restated in the Bank's financial statements.

In order to achieve consistency of accounting policies and presentation, certain reclassifications were made to the balance sheets of NHPB and New Proton as of the date of the business combination, which did not have an effect on the net assets acquired. The assets and liabilities of NHPB and New Proton were recorded at their book values upon the respective merger dates.

The effect on the Bank's reserves resulting from the mergers of NHPB and New Proton is presented in the following table:

	NHPB € million	New Proton € million	Total € million
Investment cost after adjustments	803	0	803
Net assets absorbed (total comprehensive income until as at 31 August 2013)	406	135	541
Merger difference	(397)	135	(262)
Share capital increase	860	-	860
Net effect on shareholders' equity	**463**	**135**	**598**
Post combination P&L [1]	**(4)**	**(0)**	**(4)**
Post combination other comprehensive income(OCI) [1]	**8**	**0**	**8**

[1] The legal and operational merger of NPB were completed on 22 November and 6 December 2013 respectively, while the legal merger of NHPB was completed on 27 December 2013. Hence, post combination P&L and OCI refer to the period 1 September until 31 October for New Proton and 1 September until 30 November for NHPB.

The net effect on shareholders' equity from the merger with NHPB would not have been different, had the new shares been recorded at the issue price of € 0.48, amounting to a total of € 681 million, as the consideration and the share premium would have been equally decreased (the change in merger difference would have been offset by the change in share premium account).

The latest available condensed balance sheets prior to the mergers of New Proton and NHPB as at 31 October and 30 November 2013 respectively, are as follows:

	NHPB € million	New Proton € million
ASSETS		
Cash and balances with central banks	**183**	**17**
Loans and advances to banks	**3,134**	**504**
of which intercompany balances with Eurobank	*3,090*	*495*
Loans and advances to customers	**6,498**	**497**
Trading and investment securities	**5,682**	**93**
Property, plant and equipment	**107**	**13**
Other assets	**429**	**63**
Total assets	**16,033**	**1,187**
LIABILITIES		
Due to customers	**10,293**	**912**
Due to other banks	**5,200**	**124**
of which intercompany balances with Eurobank	*2,954*	*86*
Other liabilities	**130**	**16**
Total liabilities	**15,623**	**1,052**
Net assets as at 31 August 2013	**406**	**135**
Post combination total comprehensive income	**4**	**(0)**
Total equity and liabilities	**16,033**	**1,187**

The acquisition of NHPB significantly improves the asset quality, liquidity and the capital base of Eurobank and strengthens its strategic position in the Greek banking sector, thus enhancing its capacity to support Greek businesses and households. In addition, the significant synergies creation makes Eurobank's investment proposition more attractive.

46. Other significant and post balance sheet events

Eurobank's Voluntary Exit Scheme

A Voluntary Exit Scheme (VES) was designed and implemented for the Bank's employees in Greece, having as a main objective to increase the operating efficiency. The VES was offered to all employees of Eurobank as well as to New Proton Bank employees, with Group service of more than 1.5 years. The total number of employees that have opted for the scheme was 965, while the total cost for the VES was approximately € 82.9 million, net of provisions for retirement benefits. Moreover, the Bank will have an estimated annual saving, as a result of the scheme, amounting to € 55.6 million.

Transaction with Fairfax Financial Holdings Limited on 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 preemption 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% holds at 31 December 2013) and Eurobank 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 remains above 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 Eurobank 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 was fully covered through the payment in cash and amounted to € 193 million. As a result, on 6 February 2014, 40,260,000 new common shares were issued.

Following the completion of the transaction, the Bank's ownership interest to Eurobank Properties decreased from 55.56% to 33.47%, while Group's ownership decreased from 55.94% to 33.95% without loss of control.

Group's operations in Ukraine

In recent weeks, Ukraine has witnessed sharp escalation of the political crisis, with international implications. As a result, the economic situation and outlook in that country have become more challenging and subject to significant risks.

The Group operates in Ukraine through its subsidiary, Public J.S.C. Universal Bank. The subsidiary's operations are currently carried out through a network of 54 branches. The bank is active in retail and wholesale banking.

As at 31 December 2013, total assets from operations in Ukraine stood at € 665 million, of which, net loans to customers of € 462 million and a sovereign bond portfolio of € 95 million, while deposits amounted to € 285 million. In addition, Eurobank and its subsidiaries held Ukrainian government securities in their investment portfolio of € 81 million. The operating income contribution from the Group's activities in Ukraine corresponds to 1.8% of its total operating income.

The events and the political developments that occurred in Ukraine after the reporting period may result in a decline of the relevant asset values.

Group's operations in Cyprus

On 25 March 2013, the Cypriot government reached an agreement with Troika (European Central Bank, European Commission and International Monetary Fund) on a new financial assistance program that was endorsed by the Eurogroup. The program contains a bail-out assistance package of up to € 10 bn and a bail-in scheme from unsecured depositors at specific banks, and aims to restore the viability of the domestic financial sector and facilitate the return of the Cypriot economy to a sustainable economic growth and sound public finances over the coming years.

The Bank operates in Cyprus through its subsidiary, Eurobank Cyprus Ltd. The subsidiary's operations are currently carried out through a network of seven banking centers, focusing in Wholesale Banking and International Business Banking.

The total assets of the subsidiary stand at € 3.7 bn, out of which, € 1.5 bn, only, relate to assets in Cyprus. The capital base of the subsidiary amounts to € 604 million, while the capital adequacy ratio as at 31 December 2013, stood at the very strong levels of 44.95%, which, combined with the good quality of the loan portfolio, strengthen the shield toward the risks of the current economic conditions.

On 31 December 2013, the deposits of the subsidiary amounted to € 2.5 bn, while the amount of loans to € 1.1 bn, out of which, € 0.5 bn is fully cash collateralised. The subsidiary maintains strong liquidity, with cash invested in low risk short-term investments, outside Cyprus, amounting to € 1.8 bn. The subsidiary maintains high liquidity rates and buffers, significantly above the minimum regulatory limits, which enables it to withstand, even in extreme scenarios of deposits' decrease.

Details of other significant post balance sheet events are also provided in the following notes:

Note 4 - Greek Economy Liquidity Support Program
Note 6 - Greek Bank's recapitalisation

Note 16 - Discontinued operations
Note 34 - Debt issued and other borrowed funds

47. National Bank of Greece S.A. Voluntary Tender Offer (VTO)

On 15 February 2013, the National Bank of Greece S.A. (NBG) acquired 84.35%, of Eurobank’s voting shares following the completion of a Voluntary Tender Offer (VTO) launched on 11 January 2013. The VTO would have been followed by the merger of the two banks, the process of which initiated on 19 March 2013.

On 28 March 2013, the Bank of Greece sent letters to all viable banks, including the Bank and NGB, stating that each bank should proceed with its recapitalization by the end of April 2013 and requesting them to proceed with the relevant necessary actions. On 7 April 2013, as the joint banks’ request for the extension of the recapitalization process up to 20 June 2013 was not granted, the relevant regulatory authorities with the consent of the management of both banks decided that the Bank and NBG will be independently recapitalized in full. As a consequence, the merger process of the two banks was suspended.

In this respect, the Extraordinary General Meeting of shareholders of the Bank, convened on 30 April 2013, decided the increase of the Bank’s ordinary share capital, in order to raise € 5,839 million, subscribed by way of contribution in kind from HFSF, in accordance with Law 3864/2010 and Act of Cabinet 38/9.11.2012. As a result of the above mentioned share capital increase of the Bank (note 37), the percentage of the voting rights held by NBG as at 31 December 2013 was reduced below 5%.

48. Related parties

EFG Group was the controlling shareholder of the Bank, holding 44.70% of the Bank's ordinary shares and voting rights until 23 July 2012 (see also note 47 above). 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 (note 6). 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 determines 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. Subject to this agreement, the Bank’s decision making bodies will continue to determine independently, amongst others, the Bank’s commercial strategy and policy (including business plans and budgets) in compliance with the Restructuring Plan and the decision on day-to-day operation of the Bank will continue to rest with the Bank’s competent bodies and officers, as the case may be, in accordance with their statutory, legal and fiduciary responsibilities.

The Bank regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. The Bank’s transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the table presented below.

Other than the aforementioned transactions with HFSF related Greek 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 volume of the said related party transactions and outstanding balances are as follows:

	31 December 2013				31 December 2012			
	Subsidiaries € million	**Key management personnel (KMP)[1] € million**	**Entities controlled by KMP, associates & joint ventures € million**	**HFSF € million**	Subsidiaries € million	Key management personnel (KMP)[1] € million	Entities controlled by KMP, associates & joint ventures € million	EFG Group € million
Loans and advances to banks	**5,964**	**-**	**-**	**-**	9,303	-	-	-
Financial Instruments at fair value through P&L	**36**	**-**	**-**	**-**	23	-	-	-
Derivative Financial instruments assets	**16**	**-**	**-**	**-**	47	-	-	-
Investment Securities	**136**	**-**	**-**	**-**	102	-	-	-
Loans & advances to customers, net of provision	**1,899**	**3**	**16**	**0**	1,684	11	26	-
Other assets[2]	**17**	**-**	**-**	**2**	17	-	-	-
Due to banks	**2,514**	**-**	**-**	**-**	2,491	-	-	-
Derivative Financial instruments liabilities	**3**	**-**	**-**	**-**	16	-	-	-
Due to customers	**1,710**	**6**	**8**	**0**	2,809	7	19	-
Debt issued and other borrowed funds	**2,364**	**-**	**-**	**-**	2,597	-	-	-
Other liabilities	**19**	**-**	**-**	**-**	18	-	-	-
Net interest income	**23**	**(0)**	**0**	**(0)**	1	(0)	1	2
Net banking fee and commission income	**23**	**0**	**0**	**-**	50	0	0	(0)
Dividend income	**2**	**-**	**-**	**-**	19	-	-	-
Net trading income	**(6)**	**-**	**-**	**-**	16	-	-	-
Other operating income/(expense)	**(18)**	**-**	**(0)**	**-**	(15)	-	(0)	0
Impairment losses on loans and advances to customer and collectors fees	**(21)**	**-**	**(9)**	**-**	(24)	-	-	-
Guarantees issued	**2,217**	**-**	**-**	**-**	4,695	-	0	-
Guarantees received	**-**	**0**	**-**	**-**	-	0	-	-

[1] Key management personnel includes directors and key management personnel of the Bank and its controlling shareholder and their close family members. As at 31 December 2013, the volume of transactions and outstanding balances with key management personnel of HFSF is immaterial.

[2] Receivable from HFSF due to the consideration adjustment for the acquisition of NHPB pursuant on the terms of the relevant binding agreement (note 45).

In 2013 an impairment loss of € 8.5 million has been recorded against loan balances with a Bank's joint venture (2012: Nil). In addition, the Bank through the absorption of NHPB in December 2013, acquired a loan to a NHPB's subsidiary, for which an impairment allowance of € 50 million has been recognised. No further provisions for doubtful debts have been recognized in respect of loans given to related parties.

In relation to the letters of guarantee issued to the Bank's subsidiaries, the Bank has received cash collateral of € 475 million as at 31 December 2013 (2012: € 1,276 million), which is included in due to customers above.

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 € 6.3 million (2012: € 6.3 million) and long-term employee benefits (excluding share-based payments) of € 0.6 million (2012: € 0.4 million). Additionally, income of € 3.7 million relating with forfeited share options has been recognized in income statement as at 31 December 2013 (2012: € 0.1 million expense).

49. Board of Directors

The three year term of the Board of Directors expired at the Annual General Meeting of the Shareholders of 27 June 2013. The General Meeting elected a new Board, the term of office of which was set to three years and expires at the Annual General Meeting which will take place in 2016:

G. A. David	Chairman, Non Executive (registered as Chairman on 27 June 2013)
E. N. Christodoulou	Chairman, Non Executive (until 27 June 2013)
G. C. Gondicas	Honorary Chairman, Non executive
E. G. A. Arapoglou	Vice Chairman, Non Executive Independent
C. I. Megalou	Chief Executive Officer
N. C. Nanopoulos	Chief Executive Officer (until 27 June 2013)
B. N. Ballis	Deputy Chief Executive Officer (until 27 June 2013)
M. H. Colakides	Deputy Chief Executive Officer (until 30 October 2013)
N. V. Karamouzis	Deputy Chief Executive Officer (until 27 June 2013)
N. K. Pavlidis	Executive (until 27 June 2013)
A. N. Frangou	Non Executive (until 27 June 2013)
N. M. Stassinopoulos	Non Executive (until 27 June 2013)
D. G. Dimopoulos	Non Executive (until 17 June 2013)
P. K. Mylonas	Non Executive (until 17 June 2013)
S. L. Lorentziadis	Non Executive Independent
D. T. Papalexopoulos	Non Executive Independent
A. J. Martinos	Non Executive Independent (until 27 June 2013)
P. V. Tridimas	Non Executive Independent (until 27 June 2013)
D. A. Georgoutsos	Non Executive (Greek State representative under Law 3723/2008)
K. H. K. Prince – Wright	Non Executive (HFSF representative under Law 3864/2010)
C. M. Glavanis	Non Executive (HFSF representative under Law 3864/2010 until 27 June 2013)

50. 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 and 4144/2013, banks participating in the Greek Economy Liquidity Support Program were not allowed to declare a cash dividend to their ordinary shareholders for 2008 to 2012. Based on the 2013 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 (note 38).

Athens, 31 March 2014

George A. David	**Christos I. Megalou**	**Harris V. Kokologiannis**
Passport No 706574975	I.D. No AE - 011012	I.D. No AK - 021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER

V. Summary Financial (Solo and Consolidated) Data and Information for the Year from 1 January to 31 December 2013

EUROBANK ERGASIAS S.A.
FINANCIAL DATA AND INFORMATION FOR THE YEAR
from 1 January to 31 December 2013
(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 Development and Competitiveness
Date of approval of the annual financial statements (from which data were compiled):	31 March 2014
Certified Public Accountant-Auditor:	Kyriakos Riris
Audit Firm:	PricewaterhouseCoopers S.A.
Auditors' opinion :	Unqualified - emphasis of matter
Company's website:	www.eurobank.gr

Board of directors:

George A. David	Chairman, Non Executive
George C. Gondicas	Honorary Chairman, Non executive
Efstratios-Georgios A. Arapoglou	Vice Chairman, Non Executive Independent
Christos. I. Megalou	Chief Executive Officer
Spyros L. Lorentziadis	Non Executive Independent
Dimitri T. Papalexopoulos	Non Executive Independent
Dimitrios A. Georgoutsos	Non Executive (Greek State representative under Law 3723/2008)
Kenneth Howard K. Prince – Wright	Non Executive (HFSF representative under Law 3864/2010)

INCOME STATEMENT

Amounts in euro million

Bank 1 Jan-31 Dec 2013	Bank 1 Jan-31 Dec 2012		Group 1 Jan-31 Dec 2013	Group 1 Jan-31 Dec 2012
723	843	Net interest income	**1,294**	1,461
85	100	Net banking fee and commission income	**203**	200
-	-	Net insurance income	**36**	30
7	4	Income from non banking services	**34**	32
3	19	Dividend income	**3**	4
(1)	62	Net trading income	**(15)**	51
18	71	Gains less losses from investment securities	**41**	(22)
(39)	(3)	Net other operating income	**(9)**	(1)
796	1,096	**Operating income**	**1,587**	1,755
(674)	(636)	Operating expenses	**(1,071)**	(1,058)
122	460	**Profit from operations before impairments and non recurring losses**	**516**	697
(1,587)	(1,355)	Impairment losses on loans and advances	**(1,920)**	(1,655)
65	(363)	Impairment and other losses on Greek sovereign exposure	**65**	(363)
(196)	(42)	Impairment losses on shares in subsidiary undertakings and joint ventures/ Goodwill	**(142)**	(42)
(74)	(308)	Other impairment losses	**(189)**	(319)
(246)	(12)	Restructuring costs and other non recurring losses	**(254)**	(12)
-	-	Share of results of associated undertakings and joint ventures	**(2)**	(0)
(1,916)	(1,620)	**Profit/(loss) before tax**	**(1,926)**	(1,694)
463	314	Income tax	**458**	335
445	-	Non recurring tax adjustments	**329**	-
(1,008)	(1,306)	**Profit/(loss) for the year from continuing operations**	**(1,139)**	(1,359)
1	(62)	Profit/(loss) for the year from discontinued operations	**(18)**	(86)
(1,007)	(1,368)	**Net profit/(loss) for the year**	**(1,157)**	(1,445)
-	-	Net profit/(loss) for the year attributable to non controlling interest	**(3)**	13
(1,007)	(1,368)	**Net profit/(loss) for the year attributable to shareholders**	**(1,154)**	(1,458)
(0.3601)	(24.9693)	**Basic earnings/(losses) per share**	**(0.4098)**	(23.0618)
(0.3605)	(23.8462)	**Basic earnings/(losses) per share from continuing operations**	**(0.4037)**	(21.4882)

BALANCE SHEET

Amounts in euro million

Bank 31 Dec 2013	Bank 31 Dec 2012		Group 31 Dec 2013	Group 31 Dec 2012
		ASSETS		
651	844	Cash and balances with central banks	**1,986**	2,065
8,098	13,307	Loans and advances to banks	**2,567**	4,693
62	92	Financial instruments at fair value through profit or loss	**375**	710
1,260	1,913	Derivative financial instruments	**1,264**	1,888
37,468	33,434	Loans and advances to customers	**45,610**	43,171
1,219	895	Available-for-sale investment securities	**3,113**	3,183
414	1,007	Held-to-maturity investment securities	**741**	1,389
13,375	2,543	Debt securities lending portfolio	**14,862**	4,897
2,907	3,025	Shares in subsidiary undertakings	**-**	-
6	6	Investments in associated undertakings and joint ventures	**6**	8
314	217	Property, plant and equipment	**770**	690
57	68	Investment property	**728**	616
71	69	Intangible assets	**266**	406
3,024	2,037	Deferred tax asset	**3,063**	2,106
1,743	1,351	Other assets	**2,235**	1,831
70,669	60,808	**Total assets**	**77,586**	67,653
		LIABILITIES		
16,887	29,016	Due to central banks	**16,907**	29,047
12,196	4,703	Due to other banks	**10,192**	2,772
1,554	2,688	Derivative financial instruments	**1,558**	2,677
33,952	23,366	Due to customers	**41,535**	30,752
1,461	1,763	Debt issued and other borrowed funds	**789**	1,365
617	569	Other liabilities	**2,082**	1,695
66,667	62,105	**Total liabilities**	**73,063**	68,308
		EQUITY		
1,641	1,228	Ordinary share capital	**1,641**	1,228
950	950	Preference shares	**950**	950
6,669	1,448	Share premium	**6,669**	1,448
-	-	Less: treasury shares	**(0)**	(3)
(5,656)	(5,611)	Reserves and retained earnings	**(5,095)**	(4,922)
3,604	(1,985)	**Total equity attributable to shareholders of the Bank**	**4,165**	(1,299)
398	688	Hybrid capital-preferred securities	**77**	367
-	-	Non controlling interest	**281**	277
4,002	(1,297)	**Total**	**4,523**	(655)
70,669	60,808	**Total equity and liabilities**	**77,586**	67,653

STATEMENT OF COMPREHENSIVE INCOME

Amounts in euro million

Bank 1 Jan-31 Dec 2013	Bank 1 Jan-31 Dec 2012		Group 1 Jan-31 Dec 2013	Group 1 Jan-31 Dec 2012
(1,007)	(1,368)	**Net profit/(loss) for the year**	**(1,157)**	(1,445)
92	149	IAS 39 revaluation reserve	**127**	121
-	-	Foreign currency translation	**(22)**	2
(4)	4	Actuarial gains/(losses) on post employment benefit obligations	**(8)**	5
(919)	(1,215)	**Total comprehensive income, net of tax**	**(1,060)**	(1,317)
		Attributable to:		
		Shareholders		
(920)	(1,153)	- from continuing operations	**(1,039)**	(1,285)
1	(62)	- from discontinued operations	**(18)**	(44)
-	-	Non controlling interest from continuing operations	**(3)**	12

STATEMENT OF CHANGES IN EQUITY

Amounts in euro million

Bank 1 Jan-31 Dec 2013	Bank 1 Jan-31 Dec 2012		Group 1 Jan-31 Dec 2013	Group 1 Jan-31 Dec 2012
(1,297)	(10)	**Balance at 1 January**	**(655)**	875
(1,007)	(1,368)	Profit/(loss) for the year	**(1,157)**	(1,445)
88	153	Other comprehensive income for the year	**97**	128
5,673	-	Share capital increase following recapitalisation, net of expenses	**5,673**	-
316	-	Share capital increase following LME, net of expenses	**316**	-
856	-	Share capital increase following acquisition of NHPB, net of expenses	**856**	-
(262)	-	Acquisition of NHPB group and NPB	**(256)**	-
-	-	Acquisitions/changes in participating interests in subsidiary undertakings	**6**	(2)
-	-	Dividends distributed by subsidiaries attributable to non controlling interest	**-**	(11)
(323)	(70)	Hybrid capital/Preferred securities	**(317)**	(196)
-	-	(Purchase)/sale of treasury shares, net of tax	**2**	(2)
(34)	-	Deferred tax release on losses from sale of treasury shares	**(34)**	-
(8)	(2)	Other	**(8)**	(2)
4,002	(1,297)	**Balance at 31 December**	**4,523**	(655)

CASH FLOW STATEMENT

Amounts in euro million

Bank 1 Jan - 31 Dec 2013	Bank 1 Jan - 31 Dec 2012		Group 1 Jan - 31 Dec 2013	Group 1 Jan - 31 Dec 2012
(686)	145	Net cash from/(used in) continuing operating activities	**(2,174)**	(941)
917	1,729	Net cash from/(used in) continuing investing activities	**2,597**	1,594
(411)	(2,648)	Net cash from/(used in) continuing financing activities	**(681)**	(1,506)
-	-	Effect of exchange rate changes on cash and cash equivalents	**(5)**	(16)
(180)	(774)	**Net increase/(decrease) in cash and cash equivalents from continuing operations**	**(263)**	(869)
-	-	Net cash flows from discontinued operating activities	**-**	(281)
-	-	Net cash flows from discontinued investing activities	**-**	240
-	-	**Net increase/(decrease) in cash and cash equivalents from discontinued operations**	**-**	(41)
1,398	2,172	**Cash and cash equivalents at beginning of year**	**2,214**	3,124
1,218	1,398	**Cash and cash equivalents at end of year**	**1,951**	2,214

Notes:

1. The accounting policies applied for the preparation of the financial statements as at 31 December 2013, are consistent with those stated in the published annual financial statements of the Bank and the Group for the year ended 31 December 2012, after taking into consideration the amendments stated in note 2 of the financial statements. Following the retrospective application of the amendments to IAS 19 “Employee benefits”, the income statement for 2012 was restated by a loss of € 4m and € 5m after tax for the Bank and the Group respectively, against an equivalent increase in other comprehensive income (notes 36 and 38 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 2013 is mentioned in notes 28 and 32 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 consolidated for the first time in the fourth quarter of 2013 are (i) Cloud Hellas S.A. which was acquired in December 2013 and (ii) NEU 03 Property Holdings Ltd which was established in November 2013 (b) The companies that were included in consolidated financial statements on 31 December 2013 but not consolidated on 31 December 2012, were: (i) New TT Hellenic Postbank S.A. (“NHPB”) and New Proton Bank S.A. (“New Proton”) acquired as at 30 August 2013 and merged with the Bank on 27 December and 22 November 2013, respectively (ii) NHPB subsidiaries (iii) the special purpose investment vehicle Odyssey GP S.a.r.l. which was acquired in the first quarter of 2013 and is consolidated under the equity method (c) On 31 December 2013, the following companies are not included in the consolidated financial statements: (i) Anaptyxi 2006-1 Plc, Anaptyxi APC Ltd, Anaptyxi Holdings Ltd and Anaptyxi Options Ltd which were liquidated in the first quarter of 2013 (ii) Eurobank EFG Ukraine Distribution LLC which was disposed of in the second quarter of 2013 and (iii) EFG Business Services d.o.o. Beograd which was liquidated in the third quarter of 2013. The companies that are not included in the consolidated financial statements of 31 December 2013 and the reasons for their exclusion are mentioned in notes 28 and 32 of the Group's financial statements.
4. As at 31 December 2013 the Group’s provision for outstanding litigations against the Group and claims in dispute amounted to € 154m, of which € 42m related to the aforementioned acquired entities, NHPB and New Proton. Other than the aforementioned amounts, no significant impact is expected on the Bank’s and the Group's financial position from the outcome of pending lawsuits and cases in arbitration process.
5. 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 certificate for years 2011 and 2012, in accordance with article 82 of Law 2238/1994. Information in relation to open tax years/ periods of Group’s companies is provided in note 16 of the Group's financial statements.
6. The total number of employees as at 31 December 2013 was 9,009 for the Bank including employees of NHPB and New Proton (31 December 2012:7,185) and 18,819 for the Group including employees of NHPB group and New Proton (31 December 2012: 17,427). In November 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 (notes 46 and 49 of the Bank's and the Group's financial statements, respectively).
7. The number of treasury shares held by subsidiaries of the Bank as at 31 December 2013 was 173,600 at a cost of € 99 th.
8. The Group’s related party transactions, excluding the key management personnel (“KMP”), are as follows: receivables € 18m, liabilities € 8m, expenses € 9.3m and revenues € 0.8m. The Bank’s related party transactions, excluding the KMP, are as follows: receivables € 8,086m, liabilities € 6,618m, guarantees issued € 2,217m, expenses € 243m and revenues € 237m. The transactions of the Group with the KMP are as follows: compensation € 7.3m, receivables € 3m, liabilities € 8m, guarantees received € 0.3m, expenses € 0.4m and revenues € 0.2m. The transactions of the Bank with the KMP are as follows: compensation € 6.9m, receivables € 3m, liabilities € 6m, guarantees received € 0.3m, expenses € 0.2m and revenues € 0.1m (notes 51 and 48 of the Group’s and the Bank’s financial statements, respectively).
9. On 30 April 2013, the Extraordinary General Meeting (EGM) approved: (a) the decrease of the share capital of the Bank by means of the parallel (i) increase of the nominal value of each ordinary share with voting rights and decrease of the total number of the existing ordinary shares thereof through reverse split, at a ratio of 10 old shares for each 1 new share and (ii) decrease of the nominal value of the ordinary share of the Bank (as it resulted after the reverse split) to € 0.30, (b) the recapitalisation of the Bank by € 5,839 million, covered entirely by the Hellenic Financial Stability Fund (HFSF) with the contribution of bonds, issued by the European Financial Stability Facility (EFSF) (notes 6 and 37 of the Bank's financial statements and notes 6 and 39 the Group's financial statements).
10. On 27 June 2013, the Annual General Meeting approved the increase of the Bank’s share capital with the amount of € 62 million, by payment in cash of € 317 million in total and the issue of new common shares, of a nominal value of € 0.30 each, via private placement to the holders of five series of preferred securities (Lower Tier I – Series A, B, C, D and E) and one series of subordinated debt instruments (Lower Tier II). In addition, the General Meeting elected a new Board, the term of office of which was set to three years (notes 39 and 52 of the Group’s financial statements).
11. On 30 August 2013, following the binding agreements signed on 15 July 2013, the Group acquired from HFSF 100% of the shares and voting rights of NHPB and New Proton, after receiving all necessary regulatory approvals. The EGM of 26 August 2013 approved the increase of the share capital of the Bank through the issuance of 1,418,750,000 new ordinary shares with a nominal value of € 0.30 and offer price € 0.48 each, subscribed by way of contribution in kind from HFSF of the total number of NHPB's shares, amounting to € 681 m. The results of NHPB group and New Proton were incorporated in the Group’s financial statements prospectively, as of 1 September 2013 (notes 37 and 45 of the Bank’s financial statements and notes 39 and 48 of Group’s financial statements).
12. As at 31 December 2013, following the completion of Eurobank’s recapitalization by HFSF and the aforementioned share capital increases, the HFSF held 95,23% of Eurobank’s ordinary shares and voting rights.
13. On 17 October 2013, Eurobank and Fairfax Financial Holdings Limited (“Fairfax”) concluded final binding documentation and received certain key regulatory approvals regarding their cooperation as shareholders of Eurobank Properties. Following the completion of the transaction, in the first quarter of 2014, the Group's ownership interest to Eurobank Properties decreased from 55.94% to 33.95% without loss of control. The basic terms of the agreement are provided in notes 46 and 49 of the Bank's and the Group's financial statements respectively.
14. The Bank of Greece (“BoG”) reassessed the capital needs of the Group 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. Accordingly, on 6 March 2014 the BoG notified the Bank that its Core Tier I capital should increase by € 2,945 million. The Bank with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby: a) 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 b) stated that it intends to cover the remaining capital needs of € 2,864 million through a share capital increase. The emphasis of matter, stated in Auditor’s report, refers to the aforementioned assessment of the Group’s capital needs by the BOG, the applicable framework and planned actions for the enhancement of the Group’s capital adequacy and the existing uncertainties until the finalisation of such actions (notes 2 and 6 of the Bank’s and the Group’s financial statements).

Athens, 31 March 2014

George A. David	**Christos I. Megalou**	**Harris V. Kokologiannis**
Passport No 706574975	I.D. No AE - 011012	I.D. No AK - 021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER

VI. Reference Table to the Information released during the Financial Year 2013

Date	Announcement	Web Address
Regulatory Announcements		
4/1/2013	Announcement - Comments on press publications	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
11/1/2013	Reasoned opinion of the Board of the Directors of Eurobank Ergasias S.A. on the voluntary public offer of National Bank of Greece S.A.	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
22/2/2013	Notification in accordance with article 14 of L. 3556/2007	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
25/2/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
19/3/2013	Announcement date of the Full Year 2012 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
19/3/2013	Announcement - Initiation of Merger Process	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
19/3/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
28/3/2013	Reply to the Hellenic Capital Market Commission's request dated 27.3.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
8/4/2013	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
10/4/2013	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
11/4/2013	Reply to the Hellenic Capital Market Commission's request dated 10.4.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
22/4/2013	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
22/4/2013	Invitation to Extraordinary General Meeting of Shareholders on 30 April 2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
23/4/2013	Reply to the Hellenic Capital Market Commission's request dated 23.4.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
30/4/2013	Extraordinary General Shareholders' Meeting 30.04.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
30/4/2013	Resolutions of the Bank's Extraordinary Shareholders General Meeting of 30.4.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
1/5/2013	Invitation to Extraordinary General Meeting	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE

	of Shareholders on 30 May 2013	
1/5/2013	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
27/5/2013	Liability Management Exercise / Share Capital Increase	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
28/5/2013	Announcement date of the First Quarter 2013 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
28/5/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
3/6/2013	Invitation to Annual General Meeting of Shareholders on 27.06.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
10/6/2013	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
10/6/2013	Announcement of the Publication of the Prospectus	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
11/6/2013	Liability Management Exercise – Offers expiration deadline extension	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
11/6/2013	Listing of new shares following reverse split and share capital increase	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
12/6/2013	Liability Management Exercise (Series C) / Share Capital Increase	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
17/6/2013	Liability Management Exercise - Announcement of results	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
17/6/2013	Liability Management Exercise series C - Maximum purchase amount	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
18/6/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
19/6/2013	Eurobank and Fairfax Financial Holdings announce transaction to strengthen and enhance the operations of Eurobank Properties	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
19/6/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
20/6/2013	Notification in accordance with article 14 of L. 3556/2007	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
20/6/2013	Liability Management Exercise – Final	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE

	Results Announcement	
26/6/2013	Liability Management Exercise – Change to the Debt Settlement Date	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
26/6/2013	Liability Management Exercise Series C – Change to the Debt Settlement Date	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
27/6/2013	Resolutions of the Bank's Annual General Shareholders Meeting of 27.6.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
27/6/2013	Press Release - Annual General Shareholders Meeting and Meeting of the Board of Directors of 27.6.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
2/7/2013	Liability Management Exercise – Change to Equity Settlement Date	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
2/7/2013	Liability Management Exercise Series C – Change to Equity Settlement Date	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
3/7/2013	Liability management exercise – Listing of new shares	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
9/7/2013	Notification in accordance with article 14 of L. 3556/2007	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
9/7/2013	Eurobank submits binding offer for the acquisition of New Hellenic Postbank S.A.	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
9/7/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
11/7/2013	Announcement of Distribution of the Proceeds from the Sale of Fractional Rights	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
11/7/2013	Eurobank submits binding offer for the acquisition of New Proton Bank S.A.	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
12/7/2013	Eurobank is the preferred bidder for New Proton Bank	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE

13/7/2013	Eurobank is the preferred bidder for New Post Bank	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
15/7/2013	Press Release	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
31/7/2013	Invitation to Extraordinary General Meeting of Shareholders on 26 August 2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&lang=en&Code=ANNOUNCE
2/8/2013	Announcement - Reformation of the Strategic Planning Group and the Executive Committee of Eurobank	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
9/8/2013	Announcement date of the Second Quarter 2013 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
26/8/2013	Resolutions of the Bank's Extraordinary Shareholders General Meeting of 26.8.2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
2/9/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
3/9/2013	Investor Presentation	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
30/9/2013	Announcement – Initiation of Merger Process	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
7/10/2013	Announcement - Initiation of Merger Process	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
18/10/2013	Announcement – Eurobank and Fairfax Financial Holdings jointly proceed to strengthening and enhancing the operations of Eurobank Properties	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
18/10/2013	Merger Eurobank with New PROTON	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
23/10/2013	Merger Eurobank with New TT	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
31/10/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
5/11/2013	Announcement-Appointment of Chief Risk Officer and reformation of the Executive Board and the Management Committee	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
11/11/2013	Announcement of the Publication of the Prospectus	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
12/11/2013	Announcement - Listing of new	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE

	shares following the share capital increase	
13/11/2013	Announcement date of the Third Quarter 2013 Results	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
14/11/2013	Announcement Initiation of Share Capital Increase Process	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
21/11/2013	Organizational Change in the Small Business Banking General Division	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
22/11/2013	Merger Eurobank – New Proton	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
2/12/2013	Appointment of new General Manager Reformation of the Management Committee	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
9/12/2013	Analyst Presentation	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
20/12/2013	Announcement Reformation of the Management Committee	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
23/12/2013	Reply to the Hellenic Capital Market Commission's request dated December 20, 2013	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
27/12/2013	Merger between Eurobank and New TT Hellenic Postbank	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
27/12/2013	Appointment of new General Manager - Reformation of the Executive Board and Management Committee	http://www.eurobank.gr/online/home/news.aspx?mid=514&Code=ANNOUNCE
Press Releases		
11/1/2013	Reasoned opinion of the Board of the Directors of Eurobank on the voluntary public offer of NBG	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
15/1/2013	Eurobank Equities: Ten years of leadership in the Greek Stock Market	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
22/1/2013	Eurobank Asset Management M.F.M.C.'s leading presence in 2012	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS

13/2/2013	egg - enter•grow•go : A comprehensive, innovative program to support youth entrepreneurship	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
7/3/2013	Eurobank ranked among the most accurate forecasters in Reuters FX Poll	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
14/3/2013	"Greece Innovates"! with the 20 participants shortlisted in the 2nd round of the Applied Research & Innovation Competition	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
20/3/2013	Exportgate Event	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
27/3/2013	Full Year 2012 Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
8/4/2013	Recapitalization	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
10/4/2013	Recapitalization	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
16/4/2013	Greece Innovates! Showcase of shortlisted proposals	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
22/4/2013	BoD decisions on recapitalization	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
30/4/2013	Extraordinary General Meeting	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
1/5/2013	Liability Management Exercise – Share Capital Increase	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
9/5/2013	egg - enter•grow•go: The evaluation of the proposals for the 1st cycle of the Programme has been completed	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
29/5/2013	Go International Moscow	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
31/5/2013	First Quarter 2013 Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
18/6/2013	Liability Management Exercise	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
19/6/2013	Announcement Eurobank Properties – Fairfax	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
19/6/2013	Announcement	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
27/6/2013	Press Release - Annual General Shareholders Meeting and Meeting of the Board of Directors of 27.6.2013	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
15/7/2013	TT-PROTON	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
30/8/2013	Second Quarter	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS

	2013 results	
6/9/2013	Interbank transactions at no charge for Eurobank, New Hellenic Postbank and New Proton Bank	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
17/9/2013	“Greece Innovates!” Competition Award Ceremony	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
10/10/2013	Important Notice on Transactions	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
16/10/2013	New age for electronic payments with contactless technology by Eurobank	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
29/11/2013	3Q 2013 Results	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
11/12/2013	Eurobank completes the operational merger of Proton Bank	http://www.eurobank.gr/online/home/news.aspx?mid=707&Code=PRESS
Financial Results		
27/3/2013	FY 2012 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/Eurobank%20FY2012%20Results%20Press%20Release.pdf
27/3/2013	Presentation FY 2012 Results	http://www.eurobank.gr/Uploads/pdf/4Q%202012%20Results%20presentation.pdf
29/3/2013	Consolidated Financial Statements 2012	http://www.eurobank.gr/Uploads/pdf/Annual%20Report%202012.pdf
29/3/2013	Summary Financial Data and Information for the year ended 31 December 2012	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_31.12.12.pdf
29/3/2013	Annual Financial Report for the year ended 31 December 2012	http://www.eurobank.gr/Uploads/pdf/REPORT2012T4SITE.pdf
29/3/2013	Consolidated Basel II Pillar 3 Report	http://www.eurobank.gr/Uploads/pdf/Pillar_3_2012.pdf
31/5/2013	1Q 2013 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/Eurobank%201Q13%20Results%20Press%20Release.pdf
31/5/2013	Presentation - 1Q 2013 Results	http://www.eurobank.gr/Uploads/pdf/1Q%202013%20results%20presentation%20-%20Final.pdf
31/5/2013	1Q 2013 Consolidated Interim Financial Statement	http://www.eurobank.gr/Uploads/pdf/Interim%20report%2031%20March%202013.pdf
31/5/2013	Summary Financial Data and Information for the period ended 31 March 2013	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_31.03.13.pdf
30/8/2013	1H 2013 Results – Press Release	http://www.eurobank.gr/online/home/viewNews2.aspx?id=1870&code=PRESS&lang=en
30/8/2013	1H 2013 Consolidated Interim Financial	http://www.eurobank.gr/Uploads/pdf/INTERIM_REPORT_ENG_30.06.2013.pdf

	Statement	
30/8/2013	Summary Financial Data and Information for the period ended 30 June 2013	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_30.06.2013.pdf
30/8/2013	Financial Report for the six months ended 30 June 2013	http://www.eurobank.gr/Uploads/pdf/REPORT2012T2SITE.pdf
29/11/2013	3Q 2013 Results – Press Release	http://www.eurobank.gr/Uploads/pdf/Eurobank%203Q13%20Results%20Press%20Release.pdf
29/11/2013	9M 2013 Consolidated Interim Financial Statement	http://www.eurobank.gr/Uploads/pdf/Interim%20report%2030%20September%202013.pdf
29/11/2013	Summary Financial Data and Information for the period ended 30 September 2013	http://www.eurobank.gr/Uploads/pdf/PRESS_ENG_30.09.13.pdf
16/12/2013	2013 EBA Transaparency Exercise	http://www.eurobank.gr/Uploads/pdf/eba2013en.pdf
Annual Report – Annual Financial Report for the year ended 31 December 2013		
29/3/2013	Annual Financial Report for the year ended 31 December 2012	http://www.eurobank.gr/Uploads/pdf/REPORT2012T4SITE.pdf
26/6/2013	Annual Report 2012	http://www.eurobank.gr/Uploads/pdf/EU%202012%20ENGLISH%20WEB.pdf
Announcements of Transactions		
2013	Transactions' announcements according to article 13 of l.3340/2005 and article 6 of Capital Market Commission's Regulation 3/347/2005.	http://www.eurobank.gr/Uploads/pdf/ACKNOWLEDGEMENTS_2013.pdf

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