EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

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 Balance Sheet 3
Consolidated Income Statement 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 31
4. Greek Economy Liquidity Support Program 35
5. Credit exposure to Greek sovereign debt 35
6. Capital Management 36
7. Financial risk management and fair value 40

7.2.1 Credit Risk 41
7.2.2 Market risk 62
7.2.3 Liquidity risk 65
7.3 Fair value of financial assets and liabilities 68

8. Net interest income 72
9. Net banking fee and commission income 73
10. Income from non banking services 73
11. Net trading income and gains less losses from investment securities 74
12. Operating expenses 74
13. Staff costs 75
14. Other impairment and non recurring income/(expenses) and provisions 76
15. Income tax and non recurring tax adjustments 77
16. Deferred income taxes 79
17. Discontinued operations 81
18. Earnings per share 85
19. Cash and balances with central banks 85
20. Cash and cash equivalents and other information on cash flow statement 86
21. Due from credit institutions 86
22. Financial instruments at fair value through profit or loss (including trading) 87
23. Derivative financial instruments and hedge accounting 87
24. Loans and advances to customers 89
25. Impairment allowance for loans and advances to customers 90

26. Investment securities....91
27. Shares in subsidiary undertakings....94
28. Structured Entities....98
29. Property, plant and equipment....100
30. Investment property....101
31. Intangible assets....102
32. Other assets....103
33. Due to central banks....105
34. Due to credit institutions....105
35. Due to customers....105
36. Debt securities in issue....106
37. Other liabilities....107
38. Standard legal staff retirement indemnity obligations....108
39. Ordinary share capital, share premium and treasury shares....109
40. Preference shares....111
41. Preferred securities....112
42. Special reserves....113
43. Transfers of financial assets....113
44. Contingent liabilities and other commitments....114
45. Operating leases....115
46. Segment information....115
47. Other significant and post balance sheet events....118
48. Related parties....119
49. Board of Directors....120
50. Dividends....121
APPENDIX – Disclosures under Law 4261/2014....122

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eurobank Ergasias S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2015 and the consolidated income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the disclosures made in note 2.1 to the consolidated financial statements, which refer to the material uncertainties associated with the current economic conditions in Greece and the ongoing developments that could adversely affect the going concern assumption.

Report on Other Legal and Regulatory Requirements

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

b) We verified the conformity and consistency of the information given in the Board of Directors' report with the accompanying consolidated financial statements in accordance with the requirements of articles 43a (par.3a), 108 and 37 of Codified Law 2190/1920.

Athens, 18 March 2016

The Certified Auditor

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

Marios Psaltis
Soel Reg. No 38081

Consolidated Balance Sheet

	Note	31 December 2015 € million	2014 € million
ASSETS			
Cash and balances with central banks	19	**1,798**	1,948
Due from credit institutions	21	**2,808**	3,059
Financial instruments at fair value through profit or loss	22	**100**	360
Derivative financial instruments	23	**1,884**	2,134
Loans and advances to customers	24	**39,893**	42,133
Investment securities	26	**16,291**	17,849
Property, plant and equipment	29	**666**	702
Investment property	30	**925**	876
Intangible assets	31	**127**	150
Deferred tax assets	16	**4,859**	3,894
Other assets	32	**2,151**	2,143
Assets of disposal groups classified as held for sale	17	**2,051**	270
Total assets		**73,553**	75,518
LIABILITIES			
Due to central banks	33	**25,267**	12,610
Due to credit institutions	34	**4,516**	10,256
Derivative financial instruments	23	**2,359**	2,475
Due to customers	35	**31,446**	40,878
Debt securities in issue	36	**150**	811
Other liabilities	37	**742**	2,020
Liabilities of disposal groups classified as held for sale	17	**1,941**	164
Total liabilities		**66,421**	69,214
EQUITY			
Ordinary share capital	39	**656**	4,412
Share premium	39	**8,055**	6,682
Reserves and retained earnings		**(3,241)**	(6,485)
Preference shares	40	**950**	950
Total equity attributable to shareholders of the Bank		**6,420**	5,559
Preferred securities	41	**43**	77
Non controlling interests		**669**	668
Total equity		**7,132**	6,304
Total equity and liabilities		**73,553**	75,518

Notes on pages 8 to 122 form an integral part of these consolidated financial statements

Consolidated Income Statement

	Note	Year ended 31 December 2015 € million	2014 € million
Interest income		**2,586**	2,870
Interest expense		**(1,123)**	(1,400)
Net interest income	8	**1,463**	1,470
Banking fee and commission income		**370**	367
Banking fee and commission expense		**(178)**	(162)
Net banking fee and commission income	9	**192**	205
Income from non banking services	10	**52**	48
Dividend income		**2**	3
Net trading income	11	**28**	(9)
Gains less losses from investment securities	11	**15**	72
Net other operating income		**10**	7
Operating income		**1,762**	1,796
Operating expenses	12	**(1,017)**	(1,035)
Profit from operations before impairments and non recurring income/(expenses) and provisions		**745**	761
Impairment losses on loans and advances	25	**(2,665)**	(2,264)
Impairment losses on intangible assets	31	**-**	(100)
Other impairment losses	14	**(87)**	(205)
Non recurring income/(expenses) and provisions	14	**(79)**	57
Share of results of associated undertakings and joint ventures		**0**	(0)
Profit/(loss) before tax		**(2,086)**	(1,751)
Income tax	15	**604**	484
Non recurring tax adjustments	15	**432**	246
Net profit/(loss) from continuing operations		**(1,050)**	(1,021)
Net profit/(loss) from discontinued operations	17	**(105)**	(175)
Net profit/(loss)		**(1,155)**	(1,196)
Net profit/(loss) attributable to non controlling interests		**26**	23
Net profit/(loss) attributable to shareholders		**(1,181)**	(1,219)
		€	**€**
Earnings/(losses) per share			
-Basic and diluted earnings/(losses) per share	18	(4.02)	(10.58)
Earnings/(losses) per share from continuing operations			
-Basic and diluted earnings/(losses) per share	18	(3.68)	(9.06)

Notes on pages 8 to 122 form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

	Year ended 31 December			
	2015		2014	
	€ million		€ million	
Net profit/(loss)		**(1,155)**		(1,196)
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Cash flow hedges				
- net changes in fair value, net of tax	**32**		(28)	
- transfer to net profit, net of tax	**6**	**38**	18	(10)
Available for sale securities				
- net changes in fair value, net of tax	**98**		(31)	
- transfer to net profit, net of tax (note 26)	**(10)**	**88**	(55)	(86)
Foreign currency translation				
- net changes in fair value, net of tax	**(13)**	**(13)**	(35)	(35)
		113		(131)
Items that will not be reclassified to profit or loss:				
- Actuarial gains/(losses) on post employment benefit obligations, net of tax		**0**		(7)
Other comprehensive income		**113**		(138)
Total comprehensive income attributable to:				
Shareholders				
- from continuing operations	**(979)**		(1,232)	
- from discontinued operations	**(89)**	**(1,068)**	(124)	(1,356)
Non controlling interests				
- from continuing operations	**26**		22	
- from discontinued operations	**(0)**	**26**	(0)	22
		(1,042)		(1,334)

Notes on pages 8 to 122 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

	Total equity attributable to shareholders of the Bank							
	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Preferred securities € million	Non controlling interests € million	Total € million
Balance at 1 January 2014	1,641	6,669	3,658	(8,753)	950	77	281	4,523
Net profit/(loss)	-	-	-	(1,219)	-	-	23	(1,196)
Other comprehensive income	-	-	(137)	-	-	-	(1)	(138)
Total comprehensive income for the year ended 31 December 2014	-	-	(137)	(1,219)	-	-	22	(1,334)
Share capital increase, net of expenses	2,771	13	-	-	-	-	-	2,784
Acquisition/changes in participating interests in subsidiary undertakings	-	-	-	(45)	-	-	376	331
(Purchase)/sale of treasury shares (note 39)	(0)	0	-	0	-	-	-	(0)
Deferred tax on treasury shares' and preferred securities' transactions	-	-	-	11	-	-	-	11
Dividends distributed by subsidiaries attributable to non controlling interests	-	-	-	-	-	-	(12)	(12)
Share-based payment:								
- Value of employee services	-	-	(0)	-	-	-	1	1
Transfers between reserves	-	-	(228)	228	-	-	-	-
	2,771	13	(228)	194	-	-	365	3,115
Balance at 31 December 2014	4,412	6,682	3,293	(9,778)	950	77	668	6,304
Balance at 1 January 2015	**4,412**	**6,682**	**3,293**	**(9,778)**	**950**	**77**	**668**	**6,304**
Net profit/(loss)	-	-	-	(1,181)	-	-	26	**(1,155)**
Other comprehensive income	-	-	113	-	-	-	0	**113**
Total comprehensive income for the year ended 31 December 2015	**-**	**-**	**113**	**(1,181)**	**-**	**-**	**26**	**(1,042)**
Share capital increase, net of expenses (note 39)	612	1,374	-	(0)	-	-	-	**1,986**
Share capital decrease (note 39)	(4,368)	-	4,368	-	-	-	-	**-**
Effect due to change of the income tax rate on share capital increase expenses	-	-	-	5	-	-	-	**5**
Acquisition/changes in participating interests in subsidiary undertakings	-	-	-	(0)	-	-	(2)	**(2)**
(Purchase)/sale of preferred securities, net of tax (note 41)	-	-	-	(61)	-	(34)	-	**(95)**
(Purchase)/sale of treasury shares (note 39)	0	(1)	-	(0)	-	-	-	**(1)**
Dividends distributed by subsidiaries attributable to non controlling interests	-	-	-	-	-	-	(24)	**(24)**
Share-based payment:								
- Value of employee services	-	-	-	-	-	-	1	**1**
Transfers between reserves	-	-	12	(12)	-	-	-	-
	(3,756)	**1,373**	**4,380**	**(68)**	**-**	**(34)**	**(25)**	**1,870**
Balance at 31 December 2015	**656**	**8,055**	**7,786**	**(11,027)**	**950**	**43**	**669**	**7,132**
	Note 39	Note 39			Note 40	Note 41		

Notes on pages 8 to 122 form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2015 € million	2014 € million
Cash flows from continuing operating activities			
Profit/(loss) before income tax from continuing operations		**(2,086)**	(1,751)
Adjustments for :			
Impairment losses on loans and advances		**2,665**	2,264
Other impairment losses and provisions		**159**	207
Depreciation and amortisation		**82**	99
Other (income)/losses on investment securities	20	**(100)**	(170)
(Income)/losses on debt securities in issue		**87**	8
Other adjustments		**16**	(3)
		823	654
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**297**	95
Net (increase)/decrease in financial instruments at fair value through profit or loss		**(39)**	17
Net (increase)/decrease in due from credit institutions		**334**	(622)
Net (increase)/decrease in loans and advances to customers		**(404)**	890
Net (increase)/decrease in derivative financial instruments		**181**	(40)
Net (increase)/decrease in other assets		**(194)**	37
Net increase/(decrease) in due to central banks and credit institutions		**6,917**	(4,224)
Net increase/(decrease) in due to customers		**(8,956)**	(877)
Net increase/(decrease) in other liabilities		**(22)**	(48)
		(1,886)	(4,772)
Income taxes paid		**(47)**	(20)
Net cash from/(used in) continuing operating activities		**(1,110)**	(4,138)
Cash flows from continuing investing activities			
Purchases of property, plant and equipment and intangible assets		**(129)**	(215)
Proceeds from sale of property, plant and equipment and intangible assets		**23**	24
(Purchases)/sales and redemptions of investment securities		**255**	1,288
Disposal of holdings in subsidiaries, associated undertakings and joint ventures	32	**6**	139
Dividends from investment securities, associated undertakings and joint ventures		**2**	2
Net cash from/(used in) continuing investing activities		**157**	1,238
Cash flows from continuing financing activities			
(Repayments)/proceeds from debt securities in issue		**(766)**	13
Proceeds from share capital increase (SCI)	39	**2,039**	2,864
Expenses paid for SCI	39	**(69)**	(107)
Purchase of preferred securities		**(17)**	-
(Purchase)/sale of treasury shares		**(1)**	(0)
Dividends distributed by subsidiaries attributable to non-controlling interests (NCI)		**(24)**	(12)
Contribution to subsidiaries' SCI by NCI, net of expenses		**-**	192
Net cash from/(used in) continuing financing activities		**1,162**	2,950
Effect of exchange rate changes on cash and cash equivalents		**(3)**	(9)
Net increase/(decrease) in cash and cash equivalents from continuing operations		**206**	41
Net cash flows from discontinued operating activities		**(64)**	492
Net cash flows from discontinued investing activities		**85**	(506)
Net increase/(decrease) in cash and cash equivalents from discontinued operations		**21**	(14)
Cash and cash equivalents at beginning of year	20	**1,978**	1,951
Cash and cash equivalents at end of year	20	**2,205**	1,978

Notes on pages 8 to 122 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, which include the Appendix, were approved by the Board of Directors on 17 March 2016.

2. Principal accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU), and in particular with those IFRSs and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

Going concern considerations

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

<u>Macroeconomic environment</u>
In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only ca € 5.4 bn used from the initial buffer of up to € 25 bn. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016.

Currently, the economic conditions in Greece remain challenging. The main risks and uncertainties are associated with (a) the delay in the conclusion of the first review of the TEAP, (b) the negative effect on the real economy of any additional fiscal measures to those already agreed under the TEAP, (c) the rising domestic sociopolitical tensions due to the effect of the domestic recession since 2008 and the reform fatigue, (d) the further delay in the lift of capital controls, (e) the impact of the refugee crisis in the internal economy if the upcoming EU solution is not sustainable and (f) the geopolitical conditions in the broader region and the external shocks from the global economy.

A swift completion of the program review may contribute to significant positive developments, including the reinstatement by ECB of the waiver for the instruments issued by the Hellenic Republic, the participation in the ECB's quantitative easing (QE) program, the initiation of the official discussions on additional debt relief measures to Greece and the gradual relaxation of the capital controls that will eventually lead to their full removal. Furthermore, the demonstrated resilience of the Greek economy, the successful recapitalization of the domestic banking system in 2015 and the mobilization of EU funding to support domestic investment and job creation would facilitate a further stabilization of the domestic environment and a resumption of positive economic growth as early as in the second half of 2016.

<u>Liquidity risk</u>
After the gradual normalization of the economic and political situation in Greece and following the Bank's successful recapitalization, the Group enhanced its liquidity position and reduced its dependence on Eurosystem funding amounting to € 24.3 bn at the end of February 2016 from € 33.3 bn early July 2015 through repo transactions in the interbank market, an increase in deposits and the proceeds from the share capital increase (note 7.2.3).

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program will permit ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

Solvency risk

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which, a shortfall of € 0.3 bn in baseline scenario against 9.5% Common Equity Tier 1 (CET1) threshold and € 2.1 bn in adverse scenario against 8% CET1 threshold, the lowest shortfall across Greek banks, was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, the Bank proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

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

The Group continues implementing its medium term internal capital generating plan, which includes initiatives generating or releasing CET1 capital and/or reducing risk weighted assets. One of the key areas of focus remains the active management of non-performing loans, taking advantage of the Group's internal infrastructure and the important legislative changes that have taken or are expected to take place, aiming to substantially reduce their stock in due course.

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the Group's capital position and its anticipated continued access to Eurosystem funding over the foreseeable future, and despite the existing uncertainties relating to the completion of the first review of the current economic program and the ongoing developments in Greece, have been satisfied that the financial statements of the Group can be prepared on a going concern basis.

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

Amendments to standards and new interpretations adopted by the Group

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

Annual Improvements to IFRSs 2011-2013 Cycle

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

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

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

IFRIC 21, Levies

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation had no significant impact on the Group's consolidated financial statements. See also note 12.

New standards and amendments to standards not yet adopted by the Group

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

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

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

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

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

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

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

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealized Losses (effective 1 January 2017, not yet endorsed by EU)

The amendment clarifies that (a) unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes may give rise to a deductible temporary difference irrespective of whether the entity expects to recover the carrying amount of the debt instrument by sale or use (b) estimates for future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences (c) the estimate of probable future taxable profits may include the recovery of an asset for more than its carrying amount, if there is sufficient evidence that it is probable that this will be realized by the entity, and (d) a deferred tax asset is assessed in combination with all of the other deferred tax assets where the tax law does not restrict the sources of taxable profits against which the entity may make deductions on the reversal of that deductible temporary differences may be reversed. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type.

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

IAS 16 and IAS 38, Amendments - Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)

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

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

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

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

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

IAS 27, Amendment - Equity Method in Separate Financial Statements (effective 1 January 2016)

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

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

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

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

Classification and measurement

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

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

The Group is currently assessing the impact of the new classification and measurement requirements in its consolidated financial statements, which will be driven to a large extent by the Group's operations and the structure of its portfolios upon transition to IFRS 9.

Impairment of financial assets

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

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

The new impairment model is expected to result in a higher loss allowance for the Group.

Hedge accounting

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

The Group is currently assessing the impact of the revised model for hedge accounting.

The Group has already initiated its implementation project and is carrying out a gap analysis of the current requirements against the IFRS 9 requirements to identify the data needs and the main changes in IT systems, methodologies and processes to comply with IFRS 9, focusing particularly on the impairment requirements, where the most significant changes are expected. The project's progress will be monitored by a Project Management Office (PMO) and overseen by a Steering Committee, which will comprise senior staff from all the main functions of the Group and will approve the key accounting policy and implementation decisions. The Group expects to initiate the design phase in the first half of 2016 and plans to adopt IFRS 9 on the required effective date.

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

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

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

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

These amendments address an inconsistency between the requirements in IFRS 10 and IAS 28 dealing with the sale or contribution of assets between an investor and its associates or joint ventures. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary.

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

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

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

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

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018, not yet endorsed by EU)

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

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

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)

Under IFRS 16, which supersedes IAS 17 and related interpretations, the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. The new standard provides for the recognition of a 'right-of-use-asset' and a 'lease liability', at the present value of the lease payments during the lease term that are not yet paid, in case that there is a contract, or part of a contract, that conveys to the lessee the right to use an asset for a period of time in exchange for a consideration. Accordingly, the typical straight line operating lease expense of operating leases under IAS 17 is replaced by the depreciation charge of the 'right-of-use-asset' and the interest expense on the 'lease liability'. The recognition of assets and liabilities by lessees, as described above, is not required for certain short term leases and leases of low value assets. Additionally, the accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

The Group is currently assessing the impact of IFRS 16 on its consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations;
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'

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

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)

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

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

The adoption of the amendments is not expected to impact the 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, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

2.2 Consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

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

Information about the Group's structured entities is set out in note 28.

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

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

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

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

(ii) Business combinations

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period to reflect the new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. The measurement period adjustments, as mentioned above, affect accordingly the amount of goodwill that was initially recognized, while the ‘measurement period’ cannot exceed one year from the acquisition date.

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 recognized 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 recognized as part of goodwill. Subsequent revisions to the valuation of the derivatives are recognized in the income statement.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the consideration to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill. For information regarding acquisitions of subsidiaries not meeting the definition of a business during 2015, refer to note 27.

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 27.

(iii) Business combinations involving entities under common control

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

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

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

Formation of a new Group entity to effect a business combination

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

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

(iv) Associates

Investments in associated undertakings are accounted for using 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 recognizing 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 recognizing 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 recognized in the income statement, except in cases where an investment in associate becomes an investment in a joint venture where no remeasurement of the interest retained is performed and use of the equity method continues to apply.

(v) Joint arrangements

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

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

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

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

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

2.3 Foreign currencies

(i) Translation of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into the Group’s presentation currency at the exchange rates prevailing at each reporting date whereas income and expenses are translated at the average exchange rates for the period reported. Exchange differences arising from the translation of the net investment in a foreign subsidiary, including exchange differences of monetary items receivable or payable to the foreign subsidiary for which settlement is neither planned nor likely to occur that form part of the net investment in the foreign subsidiaries, are recognized in other comprehensive income.

Exchange differences from the Group’s foreign subsidiaries are released to the income statement on the disposal of the foreign subsidiary while for monetary items that form part of the net investment in the foreign subsidiary, 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 recognized in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at each reporting date and exchange differences are recognized in the income statement, except when deferred in equity as qualifying cash flow or net investment hedges.

Non-monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at initial recognition, except for non-monetary items denominated in foreign currencies that are measured at fair value which are translated at the rate of exchange at the date the fair value is determined. The exchange differences relating to these items are treated as part of the change in fair value and are recognized 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 recognized 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. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. 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 recognized in the income statement.

Fair values of derivatives are determined based on quoted market prices, including recent market transactions, or by using other valuation techniques, as appropriate. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 2.12 and 7.3. The Group designates certain derivatives as: (a) hedges of the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments (fair value hedge), (b) hedges of the exposure to variability in cash flows of recognized 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 which is associated with the translation of the investment's net assets in the Group's functional currency.

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 inception of the hedge 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.

In addition, the Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are classified along with those held for trading purposes.

The method of recognizing the resulting fair value gain or loss depends on whether the derivatives are designated and qualify as hedging instruments, and if so, the nature of the item being hedged.

(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 the changes in the fair value of the hedged assets or liabilities 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 the hedged item, for which the effective interest method is applied, is amortized 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 is recognized in other comprehensive income whereas the ineffective portion is recognized 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, the cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction affects 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, 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 recognized in equity; the gain or loss relating to the ineffective portion is recognized 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 are not designated as hedging instruments

Changes in the fair value of derivative financial instruments that are not designated as a hedging instrument or do not qualify for hedge accounting are recognized in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 23.

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 recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.6 Income statement

(i) Interest income and expenses

Interest income and expenses are recognized in the income statement for all interest bearing financial 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 that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

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

(ii) Fees and commissions

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

2.7 Property, plant and equipment and Investment property

(i) 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 recognized 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 recognized in the income statement as incurred.
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

(ii) Investment property

Property held for rental yields and/or capital appreciation that is not occupied by the Group's entities 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.

Reclassifications between own used and investment properties may occur when there is a change in the use of such properties. Additionally, an investment property may be reclassified to 'non current assets held for sale' category to the extent that the criteria described in note 2.26 are met.

2.8 Intangible assets

(i) Goodwill

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' and is measured at cost less accumulated impairment losses.

Goodwill arising on acquisitions of associates and jointly controlled entities is neither disclosed nor tested separately impairment, but instead is included in 'investments in associates' and 'investments in jointly controlled entities'.

(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 assets controlled by the Group are recognized as intangible assets when they are expected to generate economic benefits and can be measured reliably. Internally generated computer software assets are amortized 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 amortized over their estimated useful lives. These include intangible assets acquired in business combinations.

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2.9 Impairment of non-financial assets

(i) Goodwill

Goodwill on the acquisition of subsidiaries is not amortized 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 prevailing 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 capitalization being below the book value of equity, together with a deterioration in internal performance indicators, in assessing whether there is any indication of impairment.

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

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

An impairment loss arises if the carrying amount of an asset or CGU exceeds its recoverable amount, and is recognized 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) Other non-financial assets

Other non- financial assets, including property, plant and equipment, investment property and other intangible assets, are assessed for indications of impairment at each reporting date. When events or changes in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is recognized 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, where applicable. Non-financial assets, other than goodwill, for which an impairment loss was recognized in prior reporting periods, are reviewed for possible reversal of such impairment at each reporting date.

Impairment losses arising from the Group's associated undertakings and joint ventures are determined in accordance with this accounting policy.

2.10 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 categorized as held for trading unless they are designated and effective 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 at fair-value-through-profit-or-loss or as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group 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 recognized on trade date, which is the date the Group commits to purchase or sell the assets. Loans originated by the Group are recognized when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair-value-through-profit-or-loss. Financial assets are derecognized 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 amortized 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 recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. However, interest calculated using the effective interest rate method is recognized in the income statement.

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

2.11 Financial liabilities

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortized cost and financial liabilities at fair-value-through-profit-or-loss. Financial liabilities at fair-value-through-profit-or-loss comprise two sub categories: financial liabilities held for trading and financial liabilities designated at fair-value-through-profit-or-loss upon initial recognition.

The Group designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:

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

De-recognition of financial liabilities

A financial liability is derecognized 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 and any difference arising is recognized 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 recognized 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 amortized 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.

2.12 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses other valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received unless the Group determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognized in the income statement. On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value and the difference with the transaction price (day one gain or loss) is deferred. Subsequently the deferred gain or loss is amortized on an appropriate basis over the life of the instrument or released earlier if a quoted price in an active market or observable market data become available or the financial instrument is closed out.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (note 7.3).

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

2.13 Impairment of financial assets

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

Impairment indicators

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

- significant financial difficulty of the borrower, significant reduction of personal and/or family income or loss of job;
- a default or breach of contract;
- significant changes in the financial performance and behavior of the borrower (for example, a number of delayed contractual payments);
- measurable decrease in the estimated future cash flows of a group of loans through a negative payment pattern such as missed payments or a decrease in property prices;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider, such as a reduction of the borrower's monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
- it is becoming probable that the borrower will enter into bankruptcy status or other financial reorganization; and
- loss events that could affect the ability of the borrower to repay contractual obligations within the agreed time, such as:
  - serious illness or disability of the obligor or a family member;
  - death of the borrower.

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

- significant financial difficulty of the issuer or borrower;
- a default of breach of contract;
- 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;
- other facts indicating a deterioration of the financial performance of the borrower, such as a breach of loan covenants or other terms, or a partial write-off of the borrower's obligations due to economic or legal reasons relating to his financial status;
- significant changes in the value of the collateral supporting the obligation;
- 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;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant adverse changes in the borrower's industry or geographical area that could affect his ability to meet its debt obligations;
- market related information including the status of the borrower's other debt obligations; and

- 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 amortized cost

Impairment assessment

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

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

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

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

Impairment measurement

If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account for loans and advances or directly for all other financial assets, and the amount of the loss is recognized in the income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

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

Reversals of impairment

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

Write-off of loans and advances

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

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

Unpaid debt continues to be subject to enforcement activity even after it is written-off, except for cases where it is clearly stipulated in debt forgiveness programs.

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

Loan modifications

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

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

Modifications that may not result in de-recognition include:

- reduced or interest-only payments;
- payment holidays, grace period;
- extended payment periods under which the original term of the loan is extended;
- capitalization of arrears whereby arrears are added to the principal balance; and
- reduction in interest rates.

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

De-recognition of financial assets

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

Furthermore, when a financial asset is modified, the Group determines whether the modified asset should be derecognized and a new asset recognized, considering the extent of the changes to the original contractual terms.

Modifications that may result in de-recognition include:

- when an uncollateralized loan becomes fully collateralized;
- debt consolidations, whereby existing loan balances of the borrower are combined in a single loan;
- the removal or addition of conversion features to the loan agreement;

- a change in currency of principal and/or interest denomination;
- a change in the ranking of the instrument; and
- any other changes that cause the terms under the new contract to be considered substantially different from the original loan's terms.

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

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

(ii) Available-for-sale assets

The Group assesses at each reporting date whether there is objective evidence that an asset classified as available for sale is impaired. Particularly, in case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2.14 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 in case of repos and the purchase and resale price in case of reverse repos is recognized as interest and accrued over the period of the repo or reverse repo agreements using the effective interest method.

(ii) Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability.

2.15 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 recognized, at the inception of the lease term, 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 charge so as to achieve a constant rate of interest on the liability outstanding. 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 under which the leased asset is not recognized on balance sheet. 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 finance leases, the present value of the lease payments is recognized under loans and receivables. The difference between the gross receivable (gross investment) and the present value of minimum lease payments (net investment) is recognized as unearned future finance income and is deducted from loans and advances. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance lease receivables are assessed for impairment losses in accordance with Group's impairment policy for financial assets as describe in note 2.13.

Operating leases:

Assets leased out under operating leases are included in property, plant and equipment or investment property, as appropriate, 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 recognized on a straight-line basis over the lease term.

2.16 Income tax

(i) Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized 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 base 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 realized 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 loans' impairment, Private Sector Initiative (PSI+) tax related losses, depreciation of fixed assets, pension and other retirement benefit obligations, and revaluation of certain financial assets and liabilities, including derivative financial instruments.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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 recognized to other comprehensive income is also recognized to other comprehensive income, and is subsequently recognized in the income statement together with the deferred gain or loss.

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

(iii) Uncertain tax positions

The Greek Group's sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, are required to obtain an 'Annual Tax Certificate' following a tax audit by the same statutory auditor or audit firm that audits the annual financial statements (see note 15).

The Group determines and assesses all material tax positions taken, including all, if any, significant uncertain positions, in all tax years that are still subject to assessment (or when the litigation is in progress) by relevant tax authorities. In evaluating tax positions in various states, local, and foreign jurisdictions, the Group examines all supporting evidence (Ministry of Finance circulars, individual rulings, case law, past administrative practices, ad hoc tax/legal opinions etc.) to the extent they are applicable to the facts and circumstances of the particular Group case/ transaction.

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

2.17 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 recognized as employee benefit expense in the year in which they are paid.

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

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

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds 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 SLSRI obligations are recognized 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, interest expense and gains or losses on obligations' settlement are recognized immediately in the income statement. In calculating the SLSRI 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 recognizes 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 recognizes costs for a restructuring that 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 recognized as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognized 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 recognized 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 recognized 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.

2.18 Insurance activities

(i) Revenue recognition

For casualty, property and short-duration life insurance contracts, premiums are recognized 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 recognized 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 recognized.

(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 recognizes additional provisions.

(iii) Liability adequacy

At each reporting date, the Group performs a liability adequacy test ("LAT") to assess whether its recognized 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 recognized 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 recognized 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 recognized 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 recognizes that impairment loss in the income statement.

2.19 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 realizable value which is the estimated selling price, in the ordinary course of business, less costs necessary to make the sale.

In cases where the Group makes use of repossessed properties as part of its operations, they may be reclassified to own occupied or investment properties, as appropriate.

Any gains or losses on liquidation are included in the income statement.

2.20 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 abovementioned persons;
(c) associates and joint ventures of the Group
(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 are conducted on an arm's length basis.

2.21 Provisions

Provisions are recognized 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 recognized as a provision is the best estimate of the expenditure required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the amount of such expenditure.

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

2.22 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 Strategic Planning Committee (which replaced the Executive Board during 2015) 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.

2.23 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 recognized as a deduction in the Group's equity when approved by the General Meeting of shareholders. Interim dividends are recognized as a deduction in the Group's equity when approved by the Board of Directors.

Where any Group entity 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.

2.24 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 recognized 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.

2.25 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 granted to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize 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 reporting date. These estimates are determined based on experience of similar transactions and history of losses, supplemented by management's judgment. Any increase in the liability relating to guarantees is taken to the income statement.

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. Intercompany transactions between continuing and discontinued operations are presented on a gross basis in the income statement. 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, unrestricted deposits with central banks, due from credit institutions and other short-term highly liquid investments with original maturities of three months or less.

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 may affect the reported amounts of assets and liabilities recognized in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In view of the significant risks and uncertainties that stem from the current macroeconomic environment in Greece and the consequential impact on the Greek economy's prospects until 2016 that largely depend on the factors described in note 2, including the effectiveness of the new fiscal discipline package and the implementation pace of several structural reforms, the Group revisited and formulated accordingly the key assumptions and sources of estimation uncertainty that entail a significant risk of resulting in a material adjustment to the carrying amounts of the reported assets and liabilities, as further described in notes 2, 5, 16 and 25.

3.1 Impairment losses on loans and advances

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

Individual impairment assessment

For loans assessed on an individual basis, mainly the Group's wholesale lending portfolio, management uses its best estimate to determine the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the borrower's financial position and the net realizable value of any underlying collaterals. Expected recoveries from real estate collaterals may be affected from the downward trend in the properties' market value. A 5% decline in the estimated recovery values of all types of real estates' collaterals used for the measurement of the impairment allowance of the Group's wholesale lending portfolio, would give rise to an additional impairment loss in 2015 of approximately € 118 million (2014: € 115 million).

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

Collective impairment assessment

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

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

In assessing the need for collective impairment, management considers factors such as credit quality, portfolio size, concentrations and economic factors. Management's estimates are based on historical loss experience for assets with similar credit risk characteristics to those in the loan portfolio under assessment when scheduling its future cash flows. Management also 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 loss experience provides objective and relevant information in order to assess the loss within each loan 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 uncertainty inherent in the estimation of impairment loss is increased in the current macroeconomic environment, and is sensitive to factors such as the political uncertainty, 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, the recovery rates, which are calculated based on statistical models, reflect the management's best estimate regarding the net realizable value of residential properties held as collateral as well as the timing foreclosure is expected to occur, which in turn is impacted by the local legal framework. Both the amount and timing of expected cash flows have been affected by the reduction in the level of activity in the real estate market and the changes in the local tax and legal environment in Greece. A 3% decline in the estimated recovery rates used for the measurement of the impairment allowance of the Group's mortgage portfolio, would give rise to an additional impairment loss in 2015 of approximately € 122 million (2014: € 108 million).

For the rest of retail portfolios, statistical analysis of historical loss experience is the primary tool used in order to determine future customer behavior and payment patterns. Due to the stressed macroeconomic environment during the last years, depending on the portfolio under examination, there is a level of uncertainty in terms of the level of future cash flows as well as the time that these cash flows will come. With regards to unsecured consumer and small business exposures, management exercises judgment to determine the assumptions underlying to the applicable recovery rates, which are calculated based on statistical models and affected by the existing economic conditions. A 5% decrease in the estimated recovery rates used for the measurement of the impairment allowance of the Group's unsecured consumer portfolio would give rise to an additional impairment loss in 2015 of approximately € 45 million (2014: € 42 million). The same decrease in the small business lending portfolio's recovery rates would give rise to an additional impairment loss of approximately € 40 million (2014: € 42 million).

Further information in respect of the assumptions applied by the Group for the calculation of impairment losses on loans and advances during 2015 is provided in note 25.

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 other 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 other valuation techniques.

The 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 the fair values of financial instruments that are not quoted in an active market, 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 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:

- the likelihood and expected timing of future cash flows;
- 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;
- 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.

Information in respect of the fair valuation of the Group's financial assets and liabilities is provided in note 7.3.

3.3 Impairment of available-for-sale equity investments

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

3.4 Assess control over investees

The management exercises judgment in order to assess if the Group has control over another entity based on the control elements set out in note 2.2 (i).

(a) Subsidiaries
The Group holds more than half of the voting rights in all subsidiaries, except from GRIVALIA PROPERTIES R.E.I.C. and its subsidiaries as well as Hellenic Post Credit S.A. Further information in respect of the control assessment of the above named subsidiaries is provided in note 27.

(b) Structured entities
As part of its funding activity, the Group sponsors certain securitization vehicles, the significant activities of which have been predetermined as part of their initial design by the Group. The Group is exposed to variability of returns from these vehicles through the holding of debt securities issued by the above vehicles or by providing credit enhancements in accordance with the respective contractual terms. In assessing whether it has control, the Group considers whether it manages the substantive decisions that could affect these vehicles' returns. As a result, the Group has concluded that it controls these vehicles.

Furthermore, the Group is involved in the initial design of various mutual funds in order to provide customers with investment opportunities. The Group primarily acts as an agent in exercising its decision making authority as it is predefined by the applicable regulated framework. As a result, the Group has concluded that it does not control these funds.

Further information in respect of the structured entities the Group is involved, either consolidated or not, is provided in note 28.

3.5 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 or for anticipated tax disputes. 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. Recognition therefore involves judgment regarding the future financial performance of the particular Group legal entity in which the deferred tax asset has been recognized. Particularly, 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 management's projections of future taxable income and the tax legislation in each jurisdiction.

The most significant judgment exercised by management relates to the recognition of deferred tax assets in respect of losses realized in Greece. In the event that, the Group assesses that it would not be able to recover any portion of the recognized deferred tax assets in the future, the unrecoverable portion would impact the deferred tax balances in the period in which such judgment is made.

During 2015, in view of the adverse macroeconomic environment in Greece, the Group revisited its estimates regarding the level of future taxable profits against which the unused tax losses and the deductible temporary differences can be utilized, as reflected in the restructuring plan that was approved by the European Commission in the context of the new recapitalization process, and evaluated accordingly the recoverability of the recognized deferred tax assets. The implementation of the abovementioned restructuring plan largely depends on the macroeconomic environment in Greece, including the timely implementation of the agreed actions for the domestic economy's revival.

As at 31 December 2015, an amount of € 319 million has been recognized in respect to unused tax losses using the Group's best estimation and judgment as described above. Further information in respect of the recognized deferred tax assets and the Group's assessment for their recoverability is provided in note 16.

3.6 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, such as 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 used to calculate the present value of the estimated retirement obligations, at the end of each year based on interest rates of high quality corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds 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 salary rate increase assumption is based on future inflation estimates reflecting also Group's reward structure and expected market conditions.

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

For information in respect of the sensitivity analysis of the Group's retirement benefit obligations to reasonably possible, at the time of preparation of these financial statements, changes in the abovementioned key actuarial assumptions, refer to note 38.

3.7 Impairment of investment properties

The Group reviews its investment properties portfolio to assess whether there is an indication of impairment, such as a decline in the market prices and level of activity for properties of different nature and location, at each reporting date. If such an indication exists, management is required to exercise judgment in estimating the fair value less cost to sell of the investment properties. The fair values are determined by the Group's subsidiary Eurobank Property Services S.A. which is specialized in the area of real estate valuations, utilizes internal or external independent qualified appraisers and is regulated by the Royal Institute of Chartered Surveyors. The main factors underlying the determination of fair value are related with the receipt of contractual rentals, future vacancy rates and periods, discount rates or rates of return, the terminal values as well as the level of future maintenance and other operating costs. Additionally, where the fair value less cost to sell is determined based on market prices of comparable transactions those prices are subject to appropriate adjustments, in order to reflect current economic conditions and the management's best estimate regarding the future trend of properties market.

The processes and underlying assumptions applicable for the determination of repossessed properties net realizable value are similar to those described above for investment properties.

Further information in respect of the fair valuation of the Group's investment properties is provided in note 30.

3.8 Other significant accounting estimates and judgments

Information in respect of other estimates and judgments that are made by the Group is provided in notes 17 and 37.

4. Greek Economy Liquidity Support Program

The Bank participates in the Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008 as in force, 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 2015, the government guaranteed bonds, of face value of € 13,043 million, were fully retained by the Bank. During the year, the Group issued new government guaranteed bonds of face value of € 5,105 million, € 4,779 million matured, while the Bank proceeded with the partial early redemption of government guaranteed bonds of face value of € 1,000 million. During the first quarter of 2016, the Bank proceeded with the redemption of government guaranteed bonds of face value of € 2,147 million, while bonds of face value of € 500 million matured, all of which were fully retained by the Bank (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. In August 2015, the special Greek Government bonds of face value of € 1,918 million, borrowed by the Bank, were returned in full.

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

In addition, under Law 3756/2009 as in force, any distribution of profits to ordinary shareholders of the banks participating in the first stream of the Greek Economy Liquidity Support Program for the financial years 2008 to 2013 could only take place in the form of ordinary shares, other than treasury shares. In addition, under Law 3756/2009, banks participating in the Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

5. Credit exposure to Greek sovereign debt

As at 31 December 2015, the total carrying value of Greek sovereign major exposures is as follows:

	2015 € million	2014 € million
Treasury bills	2,157	2,410
Greek government bonds	1,677	1,584
Derivatives with the Greek state	992	1,102
Exposure relating with Greek sovereign risk financial guarantee	208	204
Loans guaranteed by the Greek state	176	198
Loans to Greek local authorities and public organizations	86	103
Other receivables	17	20
Reverse repo agreements with public organizations	-	107
Total	5,313	5,728

In addition, as at 31 December 2015, the total carrying value of Greek sovereign major exposures of insurance operations classified as held for sale consisted of: a) Treasury bills € 275 million (31 December 2014: € 405 million) and b) Greek government bonds € 242 million (31 December 2014: € 65 million).

The adequacy of the impairment allowance for loans and receivables either guaranteed by the Greek state or granted to public related entities was evaluated in the context of the Group's impairment policy and critical accounting estimates' reassessment (note 25).

The Group monitors the developments for the Greek debt crisis closely in order to adjust appropriately its estimates and judgments based on the latest available information (note 2).

Information on the fair values of the Greek sovereign exposures is provided in note 7.3.

6. Capital Management

Recapitalization framework and process

On 23 July 2015, the Directive 2014/59/EU for the recovery and resolution of credit institutions and investment firms (BRRD) was transposed into Greek Law by virtue of Law 4335/2015, with the exception of its provisions for the obligation of loss absorption in the case of implementation of measures of public financial stability and the restructuring of liabilities (bail-in) in certain eligible liabilities which are in full force from 1 January 2016. The transposition of the said Directive into the national legislation of the EU countries and Serbia, where the Group has activities, has been completed within the first quarter of 2016.

Pursuant to Law 4335/2015, with respect to Greek credit institutions, the Bank of Greece (BoG) has been designated as the national resolution authority and the Resolution Scheme of the Hellenic Deposit and Investment Guarantee Fund (HDIGF) as the national resolution fund. The powers provided to the BoG are divided into three categories: (a) preparation and prevention (such as the establishment of recovery plans, by the credit institutions, the establishment of resolution plans by the BoG for each credit institution etc.), (b) early intervention through granting powers to the BoG in order to arrest a credit institution's deteriorating situation at an early stage so as to avoid insolvency and (c) resolution which is the means for the reorganization or liquidation of a credit institution's orderly wind down, preserving concurrently the continuation of its critical functions and limiting to the maximum extent any exposure of taxpayers to loss.

The conditions that have to be met before the resolution authority takes a resolution action in relation to a credit institution are the following: (a) to be established that the credit institution is under insolvency or under potential insolvency, (b) to be reasonably expected, taking into account the time and other respective events, that alternative private sector measures or supervisory action will not prevent the insolvency of the institution within a reasonable timeframe and (c) a resolution action is necessary for the public interest.

The powers and the resolution tools granted to the BoG include the following resolution means that could be applied either individually or as a package: (a) the instrument of sale, (b) the establishment of a bridge institution, (c) the asset separation which may be used only in conjunction with other tools and (d) the bail-in.

Additionally, in an extraordinary situation of a systemic crisis, extraordinary public financial support may be provided, as stated in article 56 of Law 4335/2015, through means of public financial stability, which consist of the public equity support and temporary public ownership (articles 57 and 58 of Law 4335/2015). As of 1 January 2016, for the said financial support to be provided, the shareholders, the holders of other instruments of ownership, the holders of relevant capital instruments and the holders of other eligible liabilities need to have contributed, through write down, conversion or otherwise, to loss absorption and recapitalization equal to an amount not less than 8% of total liabilities including own funds of the institution under resolution (article 56 of Law 4335/2015).

Following the abovementioned framework for the recovery and resolution of Greek credit institutions, Law 4340/2015 (as amended by Law 4346/2015) determined the new recapitalization framework of Greek credit institutions and updated the relevant provisions of Law 3864/2010 regarding the Hellenic Financial Stability Fund (HFSF). More specifically, the new provisions of Law 3864/2010, among others, regulate the conditions and the procedure through which HFSF provides capital support to Greek credit institutions, enrich HFSF's rights towards Greek credit institutions to which HFSF has provided capital support and also introduce additional provisions concerning the composition and evaluation of the boards of directors and committees of credit institutions having signed a Relationship Framework Agreement with HFSF. Share capital increases of the four systemic Greek credit institutions took place on the basis of this new recapitalization framework.

Capital position

	31 December 2015 € million	Pro-forma 31 December 2014 [1] € million	31 December 2014 € million
Total equity attributable to shareholders of the Bank	**6,420**	5,559	5,559
Add: Regulatory non-controlling interest	**401**	532	532
Less: Goodwill	**(0)**	(4)	(4)
Less: Other regulatory adjustments	**(198)**	(158)	(193)
Common Equity Tier I Capital	**6,623**	5,929	5,894
Add: Preferred securities	**30**	62	62
Less: Other regulatory adjustments	**(30)**	(62)	(62)
Total Tier I Capital	**6,623**	5,929	5,894
Tier II capital-subordinated debt	**15**	141	141
Add: Other regulatory adjustments	**147**	15	15
Total Regulatory Capital	**6,785**	6,085	6,050
Risk Weighted Assets	**38,888**	39,062	36,430
Ratios:	%	%	%
Common Equity Tier I	**17.0**	15.2	16.2
Tier I	**17.0**	15.2	16.2
Capital Adequacy Ratio	**17.4**	15.6	16.6

[1] *Pro-forma with the regulatory treatment of Deferred Tax Assets (DTAs) as Deferred Tax Credits (DTCs) (note 16).*

Note: The CET1 as at 31 December 2015, based on the full implementation of the Basel III rules in 2024, would have been 13.1%. Information on the components of the regulatory capital on transitional and end-point basis as at 31 December 2015 and 2014 is presented in Appendix 1 of the regulatory (Basel III, Pillar 3) disclosures available at the Bank's website.

The Group has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ('BIS rules/ratios') and adopted by the European Union and the Bank of Greece in supervising the Bank. As of 1 January 2014 the capital adequacy calculation is based on Basel III (CRDIV) rules. Supplementary to that, in the context of Internal Capital Adequacy Assessment Process ('ICAAP'), the Group considers a broader range of risk types and the Group's risk and management capabilities. ICAAP aims ultimately to ensure that the Group has sufficient capital to cover all material risks that it is exposed to, over a 12-month horizon.

To this direction, the Group, apart from the share capital increases which were completed in April 2014 and November 2015, is focused on the organic strengthening of its capital position by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favor of more secured loans as well as by proceeding to several strategic initiatives to internally generate capital.

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

European Central Bank's 2015 Comprehensive Assessment

The adverse economic conditions in Greece, especially since the second quarter of 2015, had a negative impact on the liquidity of the Greek banks and raised concerns regarding their solvency position (note 2). In accordance with the preliminary agreement of the 12 July 2015 Euro summit, the new ESM program would have to include the establishment of a buffer of € 10 bn to € 25 bn for the banking sector in order to address potential bank recapitalization needs and resolution costs and the ECB /SSM would conduct a CA of the supervised four Greek banks.

In this context, the CA was conducted taking into account the combined effect of:

- An Asset Quality Review (AQR), by reviewing the quality of the banks' Greek portfolios, including the adequacy of asset and collateral valuation and related provisions; and
- A forward looking Stress Test (ST) to examine the resilience of the banks' balance sheet to a potential further deterioration of market conditions.

Capital adequacy was assessed over a three-year time period (2015-2017) under two ST scenarios: baseline and adverse. According to the ST process, the banks used as reference the preliminary data for the second quarter of 2015 and submitted their 3-year business plans built on base case assumptions: GDP growth as provided from ECB for 2015 -2.3%, 2016 -1.3% and 2017 +2.7%, while the other assumptions, including credit and deposit growth, were based on the four banks Economists' consensus. These business plans were stress-tested by ECB under the baseline and adverse scenarios to assess potential capital shortfalls.

On 31 October 2015, ECB announced the results of the CA on the four systemically important Greek banks, including the Bank.

CA results for Eurobank
The CA results for Eurobank are summarized as follows:

AQR Results
The AQR constituted a thorough review of the carrying values of the Bank's Greek portfolios as of 30 June 2015 encompassing 98% of the Greek portfolio. The AQR identified additional provisioning needs of € 1,906 million, primarily driven by the deterioration in the macroeconomic environment in Greece, leading to a CET1 ratio of 8.6%, after taking into account the entire amount of losses identified in the AQR. This implies a capital shortfall of € 339 million, relative to the threshold of a CET1 ratio of 9.5%. The AQR-adjusted capital position provided the starting point for the Stress Test (ST).

Stress test Results
The ST under the baseline scenario has not triggered further negative impact on the Bank's solvency position, maintaining the post-AQR and baseline scenario CET1 at 8.6%, which corresponds to a capital shortfall of € 339 million, relative to a CET1 ratio of 9.5%, which is the threshold in the baseline scenario of the ST.

The ST under the adverse scenario identified further negative impacts on the Bank's solvency position, leading to a CET1 ratio of 1.3%, which implies a capital shortfall of € 2,122 million, relative to a CET1 ratio of 8%, which is the threshold in the adverse scenario of the ST.

The 2015 AQR is a prudential exercise, which was performed under the same methodology as the 2014 AQR. The impact of € 1,906 million relates mainly to provisions adjustments for loans and advances to customers of € 1,876 million, and was determined according to the methodology that was developed by ECB for the purpose of the 2014 CA in order to ensure consistency across banks without introducing greater prescription into the accounting rules outside of the supervisory mechanisms.

The results of the AQR had no effect on the accounting policies applied by the Group for the year ended 31 December 2015, which are described in note 2. Furthermore, the results of the AQR have been reflected in the Group's results as at 30 June 2015 to the appropriate extent through the application of the Group's existing impairment accounting policies, which incorporate the constant evaluation and calibration of estimates and judgments based on the latest available information (note 25).

Eurobank's capital enhancement actions

In early November 2015, the Bank submitted a capital plan to the ECB for approval, describing in detail the measures it would implement in order to cover the shortfall identified in the CA, for under both the base and the adverse scenario.

In this context, on 3 November 2015, the Bank's Board of Directors (BoD), resolved to call an Extraordinary General Meeting on 16 November 2015 to approve a share capital increase (SCI – note 39) of up to € 2,122 million. On 13 November 2015, the Single Supervisory Mechanism of the ECB recognised € 83 million of capital generation that could be taken into account to reduce the Bank's total capital shortfall identified as part of the CA. Following this recognition, the maximum amount of capital to be raised through the SCI reduced to € 2,039 million.

The capital increase was effected by means of a private placement to institutional and other eligible investors in Greece and internationally through a bookbuilding process (Institutional Offering), with waiving of the pre-emption rights of the Bank's existing ordinary shareholders and preference shareholder.

In combination with the aforementioned SCI a Liability Management Exercise (LME), was launched by Eurobank on 29 October 2015 referring to the tender offer on € 877 million (face value) of outstanding eligible senior unsecured, Tier I and Tier II securities.

Based on the results of the bookbuilding process, the BoD set the offer price at € 0.01 per offered new share or € 1.00 following the 100-to-1 reverse stock split. Accordingly, on 23 November 2015, following the completion of the SCI of total amount of € 2,039 million, the Bank announced that the 2,038,920,000 new ordinary registered shares were allocated as follows: (a) 1,621,150,153 of the new shares (80% of all new shares) to qualified investors, eligible institutional and other investors who meet certain criteria and

(b) 417,769,847 of the new shares (20% of total of all new shares) to investors whose securities had been finally accepted for purchase in accordance with the terms and conditions of the Bank's LME (notes 36 and 41).
The new shares are listed on the main market of the Athens Exchange and their trading commenced on 2 December 2015.

Restructuring plan

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

In the context of the new recapitalization process, the restructuring plan was revisited and resubmitted for approval to the European Commission (EC). On 26 November 2015, the EC approved the Bank's amended plan. The macroeconomic assumptions for Greece (for the years 2015-2018) used in the Bank's plan, which were in line with those suggested by the EC and the HFSF as of September 2015, are set out below:

	2015	2016	2017	2018
Nominal GDP Growth (%)	(3.2)	(0.7)	3.4	4.1
Real GDP Growth (%)	(2.3)	(1.3)	2.7	3.1
Unemployment rate (%)	26.9	27.1	25.7	24.2
Inflation rate (%)	(0.4)	1.5	0.9	1.0

According to the consensus forecast of the chief economists of the four Greek systemic banks and/ or management estimates, the domestic market assumptions used in the Bank's plan, provided for a resumption of the lending growth not before 2017, an increase in deposits at a rate higher than that of the Greek economy and a gradual deceleration of the loans' 90+ dpd formation till 2018.

The principal commitments of the revised restructuring plan to be implemented by 31 December 2018 (or otherwise indicated below) relate to:

(a) for the Group's Greek activities, the reduction of the total costs (excluding any contribution to a deposit guarantee or resolution fund) to a maximum amount of € 750 million on 31 December 2017; by that date the number of employees shall amount to a maximum of 9,800 and the number of branches to a maximum of 510,

(b) the decrease of the cost of deposits collected in Greece, according to the Bank's own projection in the restructuring plan,

(c) the reduction of the net loans to deposits ratio for the Group's Greek banking activities to less than 115%,

(d) the reduction of the portfolio of the Group's foreign assets (non–related to Greek clients) to a maximum amount of € 8.77 bn by 30 June 2018,

(e) the decrease in shareholding in specific non-banking subsidiaries, referring to the sale of a minimum 80% shareholding in the Group's insurance activities by 31 December 2016 (note 17) and the sale of the 20% shareholding in Grivalia Properties REIC,

(f) the deleveraging of the portfolio of equity investments exceeding € 5 million, (subject to certain exceptions), subordinated and hybrid bonds, to less than € 35 million by 30 June 2016,

(g) restrictions on the capital injection to the Group's foreign subsidiaries unless the regulatory framework of each relevant jurisdiction requires otherwise, the purchase of non-investment grade securities (subject to certain exceptions), the staff remuneration, the payment of dividends, the credit policy to be adopted and other strategic decisions.

The Group is well on track to meet its commitments within the prescribed deadlines; in respect of those commitments that should be implemented within 2016, the Group has already reached an agreement to dispose the 80% of the shareholding of its insurance subsidiaries (item "e" above), while as at 31 December 2015 it held a portfolio of value € 42.5 million of equity and other investments eligible for item "f" above.

The implementation of the restructuring plan will streamline the Group's operations and reduce the Group's costs thereby contributing to the ultimate goal of returning to profitability. However, the implementation of the commitments may have a material adverse effect on Group's business, operating results and financial position.

In case that a bank is unable to comply with the terms of the restructuring plan and any potential revisions thereto, it may cause the EC to initiate a procedure to investigate the misuse of aid. This procedure may result in the partial or entire recovery of state aid and/or the imposition of additional conditions, including limiting a bank's ability to support its foreign subsidiaries or introducing additional limitations on its ability to hold and manage its securities portfolio, among other conditions, in line with previous requests to banks in the European Union that have received state aid. Moreover, the assumptions underlying the restructuring plan, as may be revised, may prove inaccurate, making the objectives of the restructuring plan and any potential revisions thereto more difficult to achieve.

Monitoring Trustee

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

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

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

7. Financial risk management and fair value

7.1 Use of financial instruments

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

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

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

7.2 Financial risk factors

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

Risk Management

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

The main risk management competences that have been delegated to the BRC relate to the design and the formulation of risk management strategy, the determination of the risk appetite framework, the assets-liabilities management and the creation of effective mechanisms for identifying, assessing and managing the risks that derive from the overall activities of the Group. The BRC consists of five non-executive directors (three non -executives one of whom is the representative of the HFSF, and two independent non-executives), meets at least on a monthly basis and reports to the BoD on a quarterly basis.

The Group's Risk Management Division that is headed by the GCRO is independent from the business units and is responsible for monitoring credit risk, market risk, liquidity and operational risk. It comprises the Credit Sector, the International Credit Sector, the

Group Market & Counterparty Risk Sector (GMCRS), the Group Credit Control Sector (GCCS), the Capital Adequacy Control & Regulatory Framework Sector and the Operational Risk Sector.

Following the publication of the Bank of Greece Executive Committee's Act No.47/9.2.2015 that details the supervisory directives for the administration of exposures in arrears and non-performing loans, the Bank has responsibly proceeded with a number of initiatives to adopt the regulatory requirements and empower the management of troubled assets. In particular, the Bank transformed its troubled assets operating model into a vertical organizational structure through the establishment of the Troubled Assets Committee (TAC) and Troubled Assets Group General Division (TAG). TAG structure is completely segregated from the Bank's Business Units both in terms of account management, as well as credit approval process, which ensures transparency, flexibility, better prioritization and management accountability. TAG, with a direct reporting line to the Chief Executive Officer, is the overall responsible body for the management of Group's troubled assets portfolio for the whole process, from the pre-delinquency status in case of high risk exposures up to legal workout. It comprises the Retail Remedial General Division, the Corporate Special Handling Sector, the Non-Performing Clients Sector, the Retail Credit Remedial Sector and the TAG Risk Management & Business Policies Sector.

The TAC that is headed by the Troubled Assets Group's General Manager, oversees and monitors the Group's troubled assets. In particular, the main competencies that have been delegated to TAC relate to the monitoring of loans in arrears and the management of non-performing loans, the determination and implementation of the troubled assets' management strategy, as well as approving and assessing the sustainability of the forbearance and closure procedure measures. The establishment of an independent body, both in terms of account management as well as credit approval process, ensures transparency, management flexibility and accountability, and shifts the management from bad debt minimization to bad debt value management, in line with the Group's risk appetite. Specifically, the Retail Remedial Credit Sector, is the independent unit responsible for the assessment of all modification applications of household lending and small business lending up to certain amount, whereas for larger amounts and corporate clients the Special Handling Credit Committees are the authorized bodies for the approval of loan modifications.

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.

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

(a) Credit Risk Management

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

Credit Committees

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

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

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

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

Credit Sector

The main responsibilities of the Credit Sector are:

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

International Credit Sector

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

(a) to review the credit proposals for large and medium size corporate entities in excess of each country's approval authority and submit them for approval to the appropriate Regional Credit Committees, together with a credit opinion, as required;

(b) to prepare and revise, as required, the management acts relating to the credit approval processes, as well as the credit approval levels;

(c) to maintain a uniform credit policy for international subsidiaries, in accordance with the Group's credit policies; and

(d) to monitor high-risk corporate credits.

Retail Banking approval process

The approval process for loans to small businesses (turnover up to € 2.5 million) is centralized, following specific guidelines for eligible collaterals. The assessment is based on the analysis of the borrower's financial position, as well as the use of statistical scorecards. The approval process for household lending is centralized. It is supported by specialized credit scoring models and the application of credit criteria based on the payment behavior, 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.

The approval process of Retail Banking modifications requests, is fully segregated from originating units of new loan production through the independent Retail Credit Remedial Credit Sector.

Group Market and Counterparty Risk Sector

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

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

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

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

(b) Credit risk monitoring

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

The main responsibilities of the GCCS are:

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

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

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

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

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

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

The TAG cooperates with Group Risk Management to reach a mutual understanding of the implemented practices and to develop appropriate methodologies for the assessment of risks that may be inherent in any type of forbearance and, generally, troubled assets strategy deployment for all portfolios managed. The TAG's recommendations and reports to the Board of Directors are also submitted to the GCRO who expresses an opinion.

The key governing principles of the TAG are to:

- Preserve the clear demarcation line between business units and troubled assets management;
- Ensure direct top management involvement in troubled assets management and close monitoring of the respective portfolio;

- Deploy a sound credit workout strategy through innovative propositions that will lead to viable solutions, ensuring a consistent approach for managing troubled assets across portfolios;
- Engineer improvements in monitoring and offering targeted solutions by segmenting delinquent borrowers and tailoring the remedial and workout approach to specific segment;
- Ensure a consistent approach for managing troubled assets across portfolios;
- Prevent non performing loans formation through early intervention and clear definition of primary financial objectives of troubled assets;
- Monitor the loan delinquency statistics, as well as define targeted risk mitigating actions to ensure portfolio risk reduction;
- Target maximization of borrowers who return to current status through modifications or collections;
- Monitor losses related to troubled assets; and
- Define criteria to assess the sustainability of proposed forbearance or resolution and closure measures and design decision trees.

(c) Credit related commitments

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

(d) Concentration risk

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

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

(e) Rating systems

Rating of wholesale lending exposures

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

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

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

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

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

For specialized lending portfolios, i.e. when the primary source of repayment of the obligation is the income generated by the asset(s), rather than the independent capacity of the commercial enterprise, the Bank utilizes the slotting method by adapting and refining the Capital Requirements Directive's 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 wholesale 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 the origination and on ongoing basis through behavioral scorecards. These models have been developed to predict, on the basis of available information, the probability of default, the loss given default and the exposure at default. They cover the entire spectrum of retail products (credit cards, consumer lending, unsecured revolving credits, car loans, personal loans, mortgages and small business loans).

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

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

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

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

(f) Credit risk mitigation

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

Types of collateral commonly accepted by the Group

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

- 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 the credit relationship's approval and on ongoing basis, for each collateral type, as specified in the Group's credit policy.

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

Valuation principles of collaterals

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

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

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

In 2006, the Bank initiated a project in collaboration with other major banks in Greece to develop a real estate property index for residential properties. 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 properties' values and market trends, on an annual basis.

For commercial real estates, re-valuations are performed by qualified property valuers within a time horizon of two or three years. More frequent revaluations, either on site or desktop, are performed for material exposures, borrowers that were downgraded to watchlist / high risk areas 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, the post-dated cheques' valuation is monitored weekly through the use of advanced statistical reports and monthly through the review of detailed information regarding the recoverability of cheques, referrals and bounced cheques, per issuer broken down.

Collateral policy and documentation

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

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

Guarantees

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

Management of repossessed properties

The objective of the repossessed assets' management is to minimize the time cycle of the asset's disposal and to maximize the recovery of the capital engaged.

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

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

Counterparty risk

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

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

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

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

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

7.2.1.1 Maximum exposure to credit risk before collateral held

	2015 € million	2014 € million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from credit institutions	**2,808**	3,059
Financial instruments at fair value through profit or loss:		
- Debt securities	**85**	98
Derivative financial instruments	**1,884**	2,134
Loans and advances to customers:		
- Wholesale lending	**19,606**	19,475
- Mortgage lending	**18,261**	18,355
- Consumer lending	**6,570**	6,768
- Small business lending	**7,246**	7,283
Less: Impairment allowance	**(11,790)**	(9,748)
Investment securities:		
- Debt securities	**16,156**	17,555
Other assets	**1,678**	1,611
Credit risk exposures relating to off-balance sheet items (note 44)	**1,431**	1,573
Total	**63,935**	68,163

The above table represents the Group's maximum credit risk exposure as at 31 December 2015 and 31 December 2014 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 the 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 reported as "neither past due nor impaired" include loans with no contractual payments in arrears and no other indications of impairment.

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

For loans in the above categories, although not considered impaired, the Group recognize a collective impairment loss (as set out in note 2.13 'Impairment of financial assets').

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

The evidence considered by the Group in determining whether there is objective evidence of impairment is set out in note 2.13.

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

For credit risk management purposes, the Public Sector, which includes exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, is incorporated in wholesale lending. Comparative information for the breakdown of Wholesale and Public Sector lending portfolios has been adjusted in order to conform with the information presented in 2015.

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

	31 December 2015								
	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	**14,399**	**3,606**	**2,834**	**11,238**	**32,077**	**(1,449)**	**(5,648)**	**24,980**	**19,341**
- Mortgage	*10,011*	*2,434*	*156*	*5,660*	*18,261*	*(44)*	*(2,128)*	*16,089*	14,892
- Consumer	*1,580*	*453*	*3*	*2,774*	*4,810*	*(1)*	*(2,131)*	*2,678*	142
- Credit card	*847*	*85*	-	*828*	*1,760*	-	*(633)*	*1,127*	34
- Small business	*1,961*	*634*	*2,675*	*1,976*	*7,246*	*(1,404)*	*(756)*	*5,086*	4,273
Wholesale Lending	**8,637**	**1,799**	**8,339**	**3**	**18,778**	**(4,522)**	**(163)**	**14,093**	**10,486**
- Large corporate	*6,541*	*1,416*	*5,429*	*0*	*13,386*	*(3,288)*	*(102)*	*9,996*	7,414
- SMEs	*2,096*	*383*	*2,910*	*3*	*5,392*	*(1,234)*	*(61)*	*4,097*	3,072
Public Sector	**824**	**3**	**1**	**-**	**828**	**(1)**	**(7)**	**820**	**54**
- Greece	*800*	*1*	*1*	-	*802*	*(1)*	*(7)*	*794*	54
- Other countries	*24*	*2*	-	-	*26*	-	-	*26*	-
Total	**23,860**	**5,408**	**11,174**	**11,241**	**51,683**	**(5,972)**	**(5,818)**	**39,893**	**29,881**

	31 December 2014								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million	Total gross amount € million	Individually assessed € million	Collectively assessed € million	Total net amount € million	Value of collateral € million
Retail Lending	16,063	4,309	2,929	9,105	32,406	(1,327)	(4,358)	26,721	20,617
- Mortgage	*11,012*	*2,841*	*80*	*4,422*	*18,355*	*(28)*	*(1,449)*	*16,878*	*15,973*
- Consumer	*1,873*	*561*	*1*	*2,492*	*4,927*	*(0)*	*(1,909)*	*3,018*	*119*
- Credit card	*944*	*111*	-	*786*	*1,841*	-	*(556)*	*1,285*	*31*
- Small business	*2,234*	*796*	*2,848*	*1,405*	*7,283*	*(1,299)*	*(444)*	*5,540*	*4,494*
Wholesale Lending	8,560	1,994	7,986	-	18,540	(3,888)	(166)	14,486	10,386
- Large corporate	*6,603*	*1,479*	*5,477*	-	*13,559*	*(2,981)*	*(98)*	*10,480*	*7,398*
- SMEs	*1,957*	*515*	*2,509*	-	*4,981*	*(907)*	*(68)*	*4,006*	*2,988*
Public Sector	526	409	0	-	935	(0)	(9)	926	163
- Greece	*525*	*409*	*0*	-	*934*	*(0)*	*(9)*	*925*	*163*
- Other countries	*1*	-	-	-	*1*	-	-	*1*	*0*
Total	25,149	6,712	10,915	9,105	51,881	(5,215)	(4,533)	42,133	31,166

Loans and advances neither past due nor impaired

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

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

	31 December 2015				
	Strong € million	**Satisfactory (risk) € million**	**Watch list (higher risk) € million**	**Total neither past due nor impaired € million**	**Value of collateral € million**
Retail Lending	**35**	**14,364**	**-**	**14,399**	**10,123**
- Mortgage	-	*10,011*	-	*10,011*	*8,789*
- Consumer	-	*1,580*	-	*1,580*	*20*
- Credit card	-	*847*	-	*847*	*0*
- Small business	*35*	*1,926*	-	*1,961*	*1,314*
Wholesale Lending	**5,415**	**2,958**	**264**	**8,637**	**5,501**
- Large corporate	*4,187*	*2,197*	*157*	*6,541*	*4,144*
- SMEs	*1,228*	*761*	*107*	*2,096*	*1,357*
Public Sector	**662**	**162**	**-**	**824**	**53**
- Greece	*662*	*138*	-	*800*	*53*
- Other countries	*0*	*24*	-	*24*	-
Total	**6,112**	**17,484**	**264**	**23,860**	**15,677**

	31 December 2014				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	0	16,023	40	16,063	11,604
- Mortgage	-	*11,012*	-	*11,012*	*10,051*
- Consumer	-	*1,873*	-	*1,873*	*15*
- Credit card	-	*944*	-	*944*	*0*
- Small business	*0*	*2,194*	*40*	*2,234*	*1,538*
Wholesale Lending	4,715	3,516	329	8,560	5,109
- Large corporate	*3,662*	*2,734*	*207*	*6,603*	*3,805*
- SMEs	*1,053*	*782*	*122*	*1,957*	*1,304*
Public Sector	136	390	-	526	158
- Greece	*136*	*389*	-	*525*	*158*
- Other	*0*	*1*	-	*1*	*0*
Total	4,851	19,929	369	25,149	16,871

Loans and advances past due but not impaired

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

	31 December 2015								
	Retail lending				Wholesale lending		Public sector		Total
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	past due but not impaired € million
up to 29 days	**1,761**	**342**	**59**	**364**	**768**	**212**	**0**	**1**	**3,507**
30 to 59 days	**341**	**69**	**16**	**150**	**138**	**52**	**-**	**1**	**767**
60 to 89 days	**193**	**42**	**10**	**120**	**510**	**119**	**1**	**-**	**995**
90 to 179 days	**139**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**139**
Total	**2,434**	**453**	**85**	**634**	**1,416**	**383**	**1**	**2**	**5,408**
Value of collateral	**1,980**	**3**	**0**	**411**	**885**	**231**	**1**	**-**	**3,511**

	31 December 2014								
	Retail lending				Wholesale lending		Public sector		Total
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	past due but not impaired € million
up to 29 days	1,936	402	74	374	567	193	404	-	3,950
30 to 59 days	486	105	24	247	162	38	-	-	1,062
60 to 89 days	221	54	13	175	717	252	5	-	1,437
90 to 179 days	198	-	-	-	33	32	0	-	263
Total	2,841	561	111	796	1,479	515	409	-	6,712
Value of collateral	2,462	2	0	519	978	327	5	-	4,293

Impaired loans and advances

The following tables present the movement of impaired loans and advances by product line:

	31 December 2015								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
Balance at 31 December 2014	**4,502**	**2,493**	**786**	**4,253**	**5,477**	**2,509**	**-**	**-**	**20,020**
Transfers among product lines	(0)	(0)	-	0	(19)	19	-	-	**-**
Balance at 1 January	**4,502**	**2,493**	**786**	**4,253**	**5,458**	**2,528**	**-**	**-**	**20,020**
Impairment exposures for the year	1,392	424	75	532	215	585	1	-	**3,224**
Transferred to non-impaired	(134)	(92)	(17)	(98)	(90)	(54)	-	-	**(485)**
Repayments	(42)	(42)	(15)	(81)	(89)	(57)	-	-	**(326)**
Amounts written off	(42)	(19)	(4)	(25)	(120)	(92)	(0)	-	**(302)**
Disposals	-	-	-	(0)	(0)	(10)	-	-	**(10)**
Foreign exchange differences and other movements	140	13	3	70	55	13	-	-	**294**
Balance at 31 December	**5,816**	**2,777**	**828**	**4,651**	**5,429**	**2,913**	**1**	**-**	**22,415**
Cumulative impairment allowance	(1,914)	(2,079)	(619)	(2,085)	(3,279)	(1,234)	(1)	**-**	**(11,211)**
Net balance at 31 December	**3,902**	**698**	**209**	**2,566**	**2,150**	**1,679**	**0**	**-**	**11,204**

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

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

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

	31 December 2015								
	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	**733**	**107**	**14**	**392**	**603**	**349**	**0**	**-**	**2,198**
30 to 59 days	**158**	**23**	**1**	**86**	**39**	**27**	**-**	**-**	**334**
60 to 89 days	**96**	**14**	**0**	**93**	**273**	**197**	**-**	**-**	**673**
90 to 179 days	**255**	**46**	**11**	**173**	**115**	**91**	**-**	**-**	**691**
180 to 360 days	**317**	**43**	**14**	**145**	**93**	**108**	**0**	**-**	**720**
more than 360 days	**2,343**	**465**	**169**	**1,677**	**1,027**	**907**	**0**	**-**	**6,588**
Total	**3,902**	**698**	**209**	**2,566**	**2,150**	**1,679**	**0**	**-**	**11,204**
Value of collateral	**4,123**	**119**	**34**	**2,548**	**2,385**	**1,484**	**0**	**-**	**10,693**

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

(b) Collaterals and repossessed assets

Collaterals

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

The LTV ratio of the mortgage portfolio is presented below:

	2015 € million	2014 € million
Mortgages		
Less than 50%	**4,042**	4,323
50%-70%	**2,730**	3,140
71%-80%	**1,385**	1,595
81%-90%	**1,261**	1,451
91%-100%	**1,215**	1,429
101%-120%	**2,031**	2,255
121%-150%	**2,367**	2,064
Greater than 150%	**3,230**	2,098
Total exposure	**18,261**	18,355
Average LTV	**94.07%**	83.56%

The breakdown of collateral and guarantees is presented below:

	31 December 2015				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	received
	€ million	€ million	€ million	€ million	€ million
Retail Lending	**18,813**	**249**	**279**	**19,341**	**206**
Wholesale Lending	**5,312**	**1,696**	**3,478**	**10,486**	**192**
Public sector	**-**	**53**	**1**	**54**	**18**
Total	**24,125**	**1,998**	**3,758**	**29,881**	**416**

	31 December 2014				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	Received
	€ million	€ million	€ million	€ million	€ million
Retail Lending	19,985	316	316	20,617	179
Wholesale Lending	5,771	1,259	3,356	10,386	267
Public sector	2	155	6	163	30
Total	25,758	1,730	3,678	31,166	476

Repossessed assets

The Group recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Group repossesses against repayment or reduction of the outstanding loan is real estate, which is recognized within repossessed assets and carried at the lower of cost or net realizable value (see also notes 2.19 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 year:

	31 December 2015						
	Gross amount	Of which: added this year	Accumulated impairment	Of which: arising this year	Net amount	Net Sale Price	Net gain/(loss) on sale
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Real estate auction items	**607**	**47**	**(156)**	**(69)**	**451**	**16**	**1**
- Residential	*290*	*22*	*(58)*	*(24)*	*232*	*12*	*0*
- Commercial	*317*	*25*	*(98)*	*(45)*	*219*	*4*	*1*
Other collateral	**8**	**4**	**(4)**	**(1)**	**4**	**1**	**(1)**

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

Properties that have been classified as investment property or own used in 2015 as a result of repossession or transfer from repossessed properties category, amounted to € 22 million (2014: € 45 million).

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

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

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

	31 December 2015								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	**28,417**	**13,078**	**(6,600)**	**3,637**	**994**	**(497)**	**23**	**0**	**(0)**
-Mortgage	*16,449*	*5,470*	*(2,060)*	*1,790*	*346*	*(112)*	*22*	*-*	*(0)*
-Consumer	*3,965*	*2,576*	*(1,980)*	*844*	*201*	*(152)*	*1*	*0*	*(0)*
-Credit card	*1,475*	*753*	*(581)*	*285*	*75*	*(52)*	*-*	*-*	*-*
-Small business	*6,528*	*4,279*	*(1,979)*	*718*	*372*	*(181)*	*-*	*-*	*-*
Wholesale Lending	**13,392**	**6,805**	**(3,720)**	**3,618**	**1,367**	**(836)**	**1,768**	**170**	**(129)**
-Commerce and services	*6,182*	*3,411*	*(2,087)*	*1,696*	*627*	*(461)*	*673*	*139*	*(120)*
-Manufacturing	*3,209*	*1,318*	*(725)*	*518*	*162*	*(92)*	*16*	*-*	*(0)*
-Shipping	*118*	*51*	*(24)*	*37*	*12*	*(1)*	*619*	*28*	*(8)*
-Construction	*2,076*	*1,279*	*(664)*	*1,086*	*520*	*(262)*	*163*	*3*	*(1)*
-Tourism	*1,291*	*678*	*(165)*	*100*	*17*	*(6)*	*-*	*-*	*-*
-Energy	*267*	*12*	*(13)*	*34*	*-*	*(0)*	*-*	*-*	*-*
-Other	*249*	*56*	*(42)*	*147*	*29*	*(14)*	*297*	*0*	*(0)*
Public Sector	**802**	**1**	**(8)**	**26**	**-**	**-**	**-**	**-**	**-**
Total	**42,611**	**19,884**	**(10,328)**	**7,281**	**2,361**	**(1,333)**	**1,791**	**170**	**(129)**

	31 December 2014								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	28,667	11,026	(5,177)	3,733	1,008	(508)	6	-	-
-Mortgage	*16,592*	*4,184*	*(1,363)*	*1,758*	*318*	*(114)*	*5*	*-*	*-*
-Consumer	*4,055*	*2,289*	*(1,761)*	*871*	*204*	*(148)*	*1*	*-*	*-*
-Credit card	*1,529*	*707*	*(493)*	*312*	*79*	*(63)*	*-*	*-*	*-*
-Small business	*6,491*	*3,846*	*(1,560)*	*792*	*407*	*(183)*	*-*	*-*	*-*
Wholesale Lending	13,284	6,347	(3,088)	4,134	1,480	(849)	1,122	159	(117)
-Commerce and services	*5,836*	*2,759*	*(1,424)*	*1,616*	*374*	*(220)*	*392*	*60*	*(53)*
-Manufacturing	*2,915*	*1,129*	*(499)*	*517*	*201*	*(118)*	*18*	*-*	*-*
-Shipping	*71*	*19*	*(3)*	*101*	*46*	*(30)*	*571*	*37*	*(18)*
-Construction	*2,153*	*1,180*	*(484)*	*775*	*485*	*(222)*	*11*	*4*	*(0)*
-Tourism	*1,159*	*503*	*(122)*	*59*	*16*	*(11)*	*-*	*-*	*-*
-Energy	*297*	*14*	*(13)*	*63*	*6*	*(0)*	*-*	*-*	*-*
-Other	*853*	*743*	*(543)*	*1,003*	*352*	*(248)*	*130*	*58*	*(46)*
Public Sector	934	0	(9)	1	-	-	-	-	-
Total	42,885	17,373	(8,274)	7,868	2,488	(1,357)	1,128	159	(117)

(d) Forbearance practices on lending activities

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

Forbearance practices' classification

Following the release of the European Banking Authority Final Draft Implementing Technical Standards (EBA ITS) guidelines in the third quarter of 2014, the Group implemented a common forbearance definition for supervisory and financial reporting purposes and redefined, as at 31 December 2014, the perimeter of the existing forborne loans in alignment with the EBA's respective definitions. As of 1 January 2015, all forbearance practices applied by the Group are monitored based on the abovementioned EBA ITS guidelines.

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

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

Forborne loans are classified either as impaired or non-impaired by assessing their delinquency and credit quality status at the date when forbearance measures were granted as well as at each reporting date.

Impaired loans enter initially a probation period of one year where the borrowers' payment performance is closely monitored. If, at the end of the abovementioned period, the borrowers have complied with the terms of the program and there are no past due amounts and concerns regarding the loans' full repayment, the loans are then reported as non-impaired. In addition, non-impaired loans, including those that were previously classified as impaired and complied with the terms of the program, are monitored over a period of two years. If, at the end of that period, the borrowers have made regular payments of a significant amount, there are no past due amounts over 30 days and the loans are not impaired, the loans exit forborne status.

Particularly, the category of impaired loans includes those that (a) at the date when forbearance measures were granted, were more than 90 dpd or assessed as unlikely to pay, (b) at the end of the one year probation period met the criteria of entering the non impaired status and during the two years monitoring period were either re-modified or became more than 30 days past due, and (c) were initially classified as non impaired and during the two years monitoring period met the criteria for entering the impaired status.

Additionally, the non-impaired retail loans are classified as either 'neither past due nor impaired' or 'past due but not impaired' based on their delinquency status at the reporting date while for wholesale exposures' classification both the borrowers' rating and delinquency status are assessed.

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

Forbearance programs

Forbearance programs are granted following an assessment of the borrower's ability and willingness to repay and can be of a short or longer term nature. The objective is to assist financially stressed borrowers by rearranging their repayment cash outflows, and at the same time, protect the Group from suffering credit losses. The Group deploys targeted segmentation strategies with the objective to tailor different long term and sustainable management solutions to selected groups of borrowers for addressing their financial needs.

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;
- capitalization of arrears whereby arrears are added to the principal balance;
- loan term extensions;
- interest rate reduction;
- partial debt forgiveness; and
- debt to equity swaps.

Specifically for unsecured consumer loans (including credit cards), forbearance programs are applied mainly through debt consolidation whereby all existing consumer balances are pooled together. Debt consolidations are generally combined with other options (e.g. term extensions), to ensure a sufficient decrease on installment and a viable solution for the borrower. In selected cases, the debt consolidations may be combined with mortgage prenotations to convert unsecured lending exposures to secured ones.

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

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

The Troubled Assets Group General Division (TAG) is the independent body, which has the overall responsibility for the management of the Group's troubled assets portfolio, including forborne loans. TAG ensures tight control and close monitoring of the effectiveness of the forbearance schemes and the performance of the portfolios under management. TAG also warrants the continuous improvement and adjustment of policies and procedures, by performing quality assurance reviews and by assessing and taking into account the macroeconomic developments, the regulatory and legal requirements and changes, international best practices, and any existing or new internal requirements.

TAG cooperates with Risk Management to reach a mutual understanding and develop an appropriate methodology for the evaluation of the risks inherent in every type of modification and delinquency bucket, per portfolio. Further information regarding TAG's structure and main responsibilities are provided in notes 7.2 and 7.2.1.

Impairment assessment

Where forbearance measures are extended, the Group performs an assessment of the borrower's financial condition and its ability to repay, under the Group's impairment policies, as described in notes 2.13 and 7.2.1. Specifically, the retail loans are segregated from other loan portfolios and the collective impairment assessment reflects the risk of higher losses, resulting in higher provision charges/coverage relative to non-modified loans. The impairment assessment of the wholesale exposures is performed on an individual basis taking into consideration various risk aspects (such as borrower's rating, financial position, adherence to the forbearance program and level of collaterals) and the respective impairment charge is calculated.

Debt for equity swaps

In wholesale portfolios, the Group on occasion participates in debt for equity transactions as part of the businesses support process, as described in note 2.13. In 2015, as part of debt for equity forbearance measures the Group acquired a minority shareholding of 10.39% of Selonda Aquaculture S.A., amounting to € 0.2 million and a minority shareholding of 13.94% of Nireus Aquaculture S.A., amounting to € 2.8 million. Similarly, in 2014, the Group acquired a minority shareholding of 12.8% of NGP Plastic amounting to € 1.3 million.

Loan derecognition

An existing loan whose terms have been modified may be derecognized and the forborne loan may be recognized as a new loan, when changes to the original contractual terms result in the forborne loan, being considered, as a whole, a substantially different financial asset. Examples of circumstances that will likely lead to de-recognition are described in note 2.13. Upon de-recognition, any difference between the old loan and the fair value of the new loan is recognized in the income statement. Impaired loans that are de-recognized as a result of forbearance measures continue to be classified as impaired until there is a sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

The following table presents a summary of the types of the Group's forborne activities:

	2015 € million	2014 € million
Forbearance measures:		
Interest only schedule	**251**	152
Reduced payment schedule	**3,432**	1,639
Payment moratorium/Holidays	**87**	767
Term extension	**1,424**	568
Arrears capitalisation	**1,402**	840
Partial debt write-off	**35**	21
Hybrid (i.e. combination of more than one type)	**1,081**	1,215
Debt for equity exchange	**49**	5
Other	**193**	110
Total net amount	**7,954**	5,317

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

	31 December 2015		
	Total loans & advances € million	**Forborne loans & advances € million**	**% of Forborne loans & advances**
Neither past due nor impaired	**23,860**	**2,780**	**11.7**
Past due but not impaired	**5,408**	**1,358**	**25.1**
Impaired	**22,415**	**5,541**	**24.7**
Total Gross Amount	**51,683**	**9,679**	**18.7**
Individual impairment allowance	**(5,972)**	**(680)**	
Collective impairment allowance	**(5,818)**	**(1,045)**	
Total Net amount	**39,893**	**7,954**	**19.9**
Collateral received	**29,881**	**6,218**	

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

The following table presents the movement of forborne loans and advances:

	2015 € million
Balance at 1 January	**5,317**
Forbearance measures in the year	3,239
Interest income	216
Repayment of loans (partial or total)	(207)
Loans & advances that exited forbearance status [1]	(265)
Impairment loss	(357)
Other	11
Balance at 31 December	**7,954**

[1] *A significant amount of loans and advances that exited forbearance status refers to denounced loans*

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

	2015 € million	2014 € million
Retail Lending	**6,239**	3,749
- Mortgage	*4,522*	*2,688*
- Consumer	*364*	*194*
- Credit card	*27*	*18*
- Small business	*1,326*	*849*
Wholesale Lending	**1,715**	1,568
-Large corporate	*1,004*	*856*
-SMEs	*711*	*712*
Total net amount	**7,954**	5,317

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

	2015 € million	2014 € million
Greece	**7,175**	4,602
Rest of Europe	**769**	715
Other countries	**10**	-
Total net amount	**7,954**	5,317

7.2.1.3 Debt Securities

The following table presents an analysis of debt securities by rating agency designation at 31 December 2015 and 2014, based on Moody's ratings or their equivalent:

	31 December 2015				
	Trading securities € million	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Aaa	-	155	-	128	283
Aa1 to Aa3	-	-	10,129	85	10,214
A1 to A3	-	96	114	60	270
Lower than A3	85	3,863	1,148	345	5,441
Unrated	-	33	-	-	33
Total	85	4,147	11,391	618	16,241

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

Securities rated lower than A3 include: € 3,834 million related to Greek sovereign debt (2014: € 3,994 million), € 100 million related to Eurozone members sovereign debt (2014: € 906 million), € 307 million related to Cypriot sovereign debt (2014: € 223 million), and € 926 million related to sovereign debt issued mainly by European Union members and candidate members (2014: € 1,003 million).

In addition, insurance entities classified as held for sale held € 53 million of debt securities rated as A1 to A3 (2014: € 55 million), € 1,407 million rated as Lower than A3 (2014: € 1,314 million) of which € 517 million related to Greek sovereign debt and € 841 million to Eurozone members sovereign debt (2014: € 470 million and € 807 million, respectively) and € 7 million unrated debt securities (2014: € 7 million).

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

	31 December 2015			
	Greece € million	**Other European countries € million**	**Other countries € million**	**Total € million**
Sovereign	**3,834**	**11,801**	**-**	**15,635**
Banks	**29**	**127**	**-**	**156**
Corporate	**190**	**237**	**23**	**450**
Total	**4,053**	**12,165**	**23**	**16,241**

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

In addition, as at 31 December 2015 debt securities held by insurance entities classified as held for sale were categorized by counterpartys' industry sector as follows: Sovereign € 1,432 million (2014 : € 1,339 million), banks € 25 million (2014 : € 26 million) and corporate € 10 million (2014 : € 10 million).

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 recognized amounts and there is an intention to settle on a net basis, or realize 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 realize 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 2015 and 2014, as the offset criteria mentioned above are not satisfied; thus, gross amounts of recognized 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 2015					
				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	29	-	29	(29)	-	-
Derivative financial instruments	1,846	-	1,846	(1,775)	(22)	49
Total	1,875	-	1,875	(1,804)	(22)	49

	31 December 2015					
				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	2,349	-	2,349	(794)	(1,524)	31
Repurchase agreements with banks	3,969	-	3,969	(3,917)	(52)	-
Repurchase agreements with customers	53	-	53	(53)	-	-
Total	6,371	-	6,371	(4,764)	(1,576)	31

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

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

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 risk, which is the risk of potential financial loss due to an adverse change in market variables. Changes in interest rates, foreign exchange rates, credit spreads, equity prices and other relevant factors, such as the implied volatilities of the above, can affect the Group's income or the fair value of its financial instruments. 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 cash flows and the fair value of its financial positions. 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. Fair value interest rate risk is further split into 'General' and 'Specific'. The former refers to changes in the fair valuation of positions due to the movements of benchmark interest rates, while the latter refers to changes in the fair valuation of positions due to the movements of specific issuer yields and credit spreads.

(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.

(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.

(d) Implied volatilities

The Group carries limited implied volatility (vega) risk, mainly as a result of proprietary swaption positions.

The Board's Risk Committee sets limits on the level of exposure to market risks, which are monitored on a regular basis.

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 2015 and 2014

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

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

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

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

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

	2015 € million	2014 € million
Interest Rate Risk	**47**	18
Foreign Exchange Risk	**2**	1
Equities Risk	**4**	4
Total VaR	**49**	20

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

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

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

	31 December 2015				
	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**	**-**	**25**	**35**	**9**
Fixed coupon bonds	**1**	**-**	**25**	**35**	**9**
Investment securities	**545**	**1,752**	**10,678**	**1,537**	**1,233**
Fixed coupon bonds	**421**	**1,298**	**691**	**1,537**	**1,233**
Variable coupon bonds	**124**	**454**	**9,987**	**-**	**-**
Derivatives[(1)]	**275**	**(833)**	**1,298**	**(288)**	**(640)**

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

[(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 2015 and 2014

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

	31 December 2015		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	**(2)**	**(22)**	**(24)**
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	**(0)**	**-**	**(0)**
Foreign exchange: -10% depreciation of functional currency over foreign currencies	**2**	**(50)**	**(48)**

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

(iii) Foreign exchange risk concentration

The following table presents the Group's exposure to foreign currency exchange risk as at 31 December 2015 and 2014:

	31 December 2015							
	USD € million	CHF € million	RON € million	RSD € million	BGN € million	OTHER € million	EUR € million	Total € million
ASSETS								
Cash and balances with central banks	23	5	282	110	207	14	1,157	1,798
Due from credit institutions	465	2	-	3	-	155	2,183	2,808
Financial instruments at fair value through profit or loss	1	-	65	-	3	-	31	100
Derivative financial instruments	19	2	3	-	-	-	1,860	1,884
Loans and advances to customers	1,207	4,683	681	240	1,197	293	31,592	39,893
Investment securities	237	-	279	96	9	2	15,668	16,291
Other assets[1]	17	1	166	68	52	4	8,420	8,728
Assets of disposal groups classified as held for sale	211	31	23	-	-	82	1,704	2,051
Total Assets	**2,180**	**4,724**	**1,499**	**517**	**1,468**	**550**	**62,615**	**73,553**
LIABILITIES								
Due to central banks and credit institutions	61	-	13	3	21	2	29,683	29,783
Derivative financial instruments	36	-	336	1	375	-	1,611	2,359
Due to Customers	2,860	54	1,230	90	1,368	351	25,493	31,446
Debt securities in issue	-	-	-	-	-	-	150	150
Other Liabilities	22	11	33	-	17	5	654	742
Liabilities of disposal groups classified as held for sale	40	10	19	-	-	65	1,807	1,941
Total Liabilities	**3,019**	**75**	**1,631**	**94**	**1,781**	**423**	**59,398**	**66,421**
Net on balance sheet position	**(839)**	**4,649**	**(132)**	**423**	**(313)**	**127**	**3,217**	**7,132**
Derivative forward foreign exchange position	**954**	**(4,667)**	**236**	**1**	**349**	**(15)**	**2,906**	**(236)**
Total Foreign Exchange Position	**115**	**(18)**	**104**	**424**	**36**	**112**	**6,123**	**6,896**

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

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

7.2.3 Liquidity risk

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

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

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

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

Liquidity Risk Management Framework

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

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

- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Group.

Additionally, as per BoG directive 50/08.09.2015, the Bank applies risk management policies, processes and controls regarding Asset Encumbrance. These policies, which are applicable in the specific Greek macro-economic environment, the Bank's business model and market conditions on wholesale funding, integrate the Bank's Asset Encumbrance strategies in its respective contingency funding plans.

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

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

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

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

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

(e) Reporting on the Bank's Asset Encumbrance.

Maturity analysis of assets and assets held for managing liquidity risk

The following tables present maturity analysis of Group assets as at 31 December 2015 and 2014, 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). Under these contracts the Group has posted or received collateral, which covers the corresponding net liabilities or net assets from derivative transactions. The collateral posted 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 2015				
	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	**1,798**	**-**	**-**	**-**	**1,798**
- Due from credit institutions	**848**	**26**	**-**	**180**	**1,054**
- Loans and advances to customers	**7,628**	**841**	**3,080**	**28,344**	**39,893**
- Debt Securities	**426**	**1,333**	**716**	**13,766**	**16,241**
- Equity securities	**-**	**-**	**-**	**150**	**150**
- Derivative financial instruments	**-**	**-**	**-**	**77**	**77**
- Other assets[(1)]	**44**	**2**	**8**	**8,674**	**8,728**
- Assets of disposal groups classified as held for sale	**104**	**207**	**58**	**1,682**	**2,051**
Total	**10,848**	**2,409**	**3,862**	**52,873**	**69,992**

	31 December 2014				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	1,948	-	-	-	1,948
- Due from credit institutions	611	97	5	751	1,464
- Loans and advances to customers	10,656	619	1,973	28,885	42,133
- Debt Securities	849	1,189	982	14,633	17,653
- Equity securities and Unit Linked products	-	-	-	556	556
- Derivative financial instruments [(2)]	-	-	-	96	96
- Other assets[(1)]	38	23	103	7,601	7,765
- Assets of disposal groups classified as held for sale	120	13	40	97	270
Total	14,222	1,941	3,103	52,619	71,885

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

[(2)] *For the year ended 31 December 2014, the amount of derivative financial instruments has been restated to exclude the non-interbank derivatives under CSA agreements for which the Group has received high liquid collaterals.*

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 unutilized assets, containing highly liquid and central banks eligible assets, provide a contingent liquidity reserve of € 6 bn as at 31 December 2015 (2014: € 14.5 bn). In addition the Group holds other types of highly liquid assets, as defined by the regulator, amounting to € 2.2 bn (cash value) (2014: € 2.1 bn). It should be noted that the major part of ECB's available collateral of € 2.2 bn (cash value) is held by Group's subsidiaries for which temporary local regulatory restrictions are applied and currently limit the level of its transferability between group entities.

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2015 and 2014. 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 2015				
	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 credit institutions	24,390	476	225	4,779	29,870
- Due to customers	22,966	4,370	3,704	458	31,498
- EMTNs	35	5	6	112	158
- Other liabilities	255	113	355	19	742
- Liabilities of disposal groups classified as held for sale	138	31	263	1,909	2,341
	47,784	4,995	4,553	7,277	64,609
Derivative financial instruments	44	-	-	-	44

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	975	456
Capital expenditure	12	-
Operating lease commitments	20	22
	1,007	478

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

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

Off-balance sheet items

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

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). The Group's dependence from the Eurosystem reached its peak for 2015 during the first days of July (9 July 2015: € 33.3 bn, of which € 23.1 bn funding from ELA), as an outcome of the increased uncertainty in Greece, which resulted in significant deposit outflows and led to the imposition of capital controls together with a temporary bank holiday on 28 June 2015.

The credibility of the Greek banking system was significantly restored following the final agreement on the three year ESM–program in mid-August 2015 and the reduction of the political uncertainty in Greece after the September elections. Additionally, in November 2015, following the announcement of the results of the CA which was conducted by ECB/ SSM during the second half of 2015, the Bank completed the share capital increase of € 2,039 million (note 39), with a gross cash effect of € 1.6 bn.

The abovementioned positive developments resulted in a significant increase of the Bank's access to secured funding sources by € 4.6 bn at the end of 2015 compared to the peak of crisis, with repos on EFSF bonds that were transferred out of ECB collateral pool and in a significant increase of customer deposits in Greece equivalent to € 1 bn. As at 31 December 2015, the Bank's net funding from ECB and ELA stood at € 5.3 bn and € 20 bn respectively (2014: ECB € 12.5 bn).

7.3 Fair value of financial assets and liabilities

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

The Group's financial instruments carried at fair value or at amortized cost for which fair value is disclosed are categorized into the three levels of the fair value hierarchy based on whether the inputs to the fair values are observable or unobservable, as follows:

a) Level 1 – Financial instruments measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Group 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. Level 1 financial instruments 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 inputs, other than level 1 quoted prices, that are observable either directly or indirectly, such as: 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 recognized market data providers and iv) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include over-the-counter (OTC) derivatives and less liquid debt instruments held or issued by the Group.

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, certain OTC derivatives and loans and advances to customers.

Financial instruments carried at fair value

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

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	€ million	**€ million**	**€ million**	**€ million**
Financial assets measured at fair value:				
Financial instruments held for trading	**99**	**0**	**1**	**100**
Derivative financial instruments	**0**	**1,865**	**19**	**1,884**
Available-for-sale investment securities	**4,191**	**49**	**42**	**4,282**
Total financial assets	**4,290**	**1,914**	**62**	**6,266**
Financial liabilities measured at fair value:				
Derivative financial instruments	**1**	**2,358**	**-**	**2,359**
Due to customers:				
- Structured deposits	**-**	**4**	**-**	**4**
Debt securities in issue:				
- Structured notes	**-**	**38**	**-**	**38**
Trading liabilities	**10**	**-**	**-**	**10**
Total financial liabilities	**11**	**2,400**	**-**	**2,411**

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

The Group recognizes transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected.

During the year ended 31 December 2015, the Group transferred derivative financial instruments of € 25 million from Level 2 to Level 3, which are valued using valuation techniques, where the CVA calculation is based on unobservable inputs that result in a CVA adjustment significant to the entire fair value of the derivative (2014: € 7 million).

In addition, insurance entities classified as held for sale held € 1,770 million of financial assets carried at fair value (2014: € 1,735 million), categorized under Level 1 of the fair value hierarchy (2014: € 1,735 million).

The financial liabilities carried at fair value of the aforementioned insurance entities amounted to € 273 million (2014: € 494 million), € 182 million of which were categorized under Level 1 (2014: € 248 million), € 2 million under Level 2 (2014: € 246 million) and € 89 million under Level 3 (2014: nil).

Reconciliation of Level 3 fair value measurements

	2015 € million	2014 € million
Balance at 1 January	**53**	280
Transfers into Level 3	**25**	7
Transfers out of Level 3	**(1)**	-
Transfers to loans and advances to customers (note 24)	**-**	(150)
Additions, net of disposals and redemptions	**0**	(25)
Total gain/(loss) for the year included in profit or loss	**(13)**	(61)
Total gain/(loss) for the year included in other comprehensive income	**0**	(0)
Foreign exchange differences and other	**(2)**	2
Balance at 31 December	**62**	53

Of the total loss of € 13 million for the year ended 31 December 2015, € 6 million are presented in line 'Other impairment losses' and € 7 million in line 'Net trading income' in Group's income statement (2014: of the total loss of € 61 million, € 60 million were presented in line 'Other impairment losses' and € 1 million in line 'Net trading income').

Group's valuation processes and techniques

The Group's processes and procedures governing the fair valuations are established by the Group Market Counterparty Risk Sector in line with the Group's accounting policies. The Group uses widely recognized valuation models for determining the fair value of common financial instruments that are not quoted in an active market, 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 that are not quoted in an active market, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel 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 also 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.

Valuation controls applied by the Group may include verification of observable pricing, re-performance of model valuations, 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.

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

The Group determines fair values for debt securities held using quoted market prices in active markets for securities with similar credit risk, maturity and yield, quoted market prices in non active markets for identical or similar financial instruments, or 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.

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.

Financial instruments not carried at fair value

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

	31 December 2015				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	39,748	39,748	39,893
Investment securities					
- Debt securities lending portfolio	282	10,822	-	11,104	11,391
- Held to maturity securities	339	271	-	610	618
Total financial assets	621	11,093	39,748	51,462	51,902
Debt securities in issue	59	36	-	95	112
Total financial liabilities	59	36	-	95	112

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

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value are in line with those used to calculate the fair values for financial instruments carried at fair value. Particularly:

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 realization. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate.

b) Investment securities carried at amortized 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, quoted market prices in non active markets for identical or similar financial instruments, or by using the discounted cash flows method.

c) Debt securities in issue: the fair values of the debt securities in issue 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, due from credit institutions, due to central banks, due to credit institutions and due to customers), the carrying amounts represent reasonable approximations of fair values.

In addition, insurance entities classified as held for sale as at 31 December 2015 held financial assets not carried at fair value of carrying value of € 43 million (2014: € 43 million), the fair value of which amounted to € 48 million (2014: € 49 million). The said financial assets were under Level 1 € 33 million (2014: € 23 million) and Level 2 € 15 million (2014: € 26 million), of the fair value hierarchy categorization.

The financial liabilities not carried at fair value of the aforementioned insurance entities amounted to € 148 million, carrying and fair value, (2014: nil), and are categorized under Level 1.

8. Net interest income

	2015 € million	2014 € million
Interest income		
Customers	**2,026**	2,241
Banks	**19**	40
Securities [1]	**232**	283
Derivatives	**309**	306
	2,586	2,870
Interest expense		
Customers	**(352)**	(796)
Banks	**(435)**	(222)
Debt securities in issue	**(27)**	(30)
Derivatives	**(309)**	(352)
	(1,123)	(1,400)
Total from continuing operations	**1,463**	1,470

[1] *The interest income from trading securities included is immaterial for the year ended 31 December 2015 and 2014.*

Interest Income from continuing operations recognized by quality of Loans and Advances and Product Line is further analyzed below:

	31 December 2015		
	Interest income on non-impaired loans and advances € million	**Interest income on impaired loans and advances € million**	**Total € million**
Retail lending	**955**	**298**	**1,253**
Wholesale lending [(1)]	**533**	**240**	**773**
Total interest income from customers	**1,488**	**538**	**2,026**

	31 December 2014		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	1,148	262	1,410
Wholesale lending [(1)]	614	217	831
Total interest income from customers	1,762	479	2,241

[(1)] *Including interest income on loans and advances to Public Sector*

The unwinding of the discount of the impairment allowance (note 25) amounting to € 297 million (retail lending € 203 million, wholesale lending € 94 million) is included in interest income on impaired loans and advances to customers (2014: retail lending € 193 million, wholesale lending € 93 million).

9. Net banking fee and commission income

	2015 € million	2014 € million
Lending related fees and commissions	**116**	115
Mutual funds and assets under management related fees	**39**	34
Capital markets related fees	**19**	31
Other fees	**18**	25
Total from continuing operations	**192**	205

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

	2015 € million	2014 € million
Debt securities and other financial instruments	**68**	25
Equity securities	**8**	67
Gains/(losses) on derivative financial instruments	**(38)**	(24)
Revaluation on foreign exchange positions	**5**	(5)
Total from continuing operations	**43**	63

12. Operating expenses

	2015 € million	2014 € million
Staff costs (note 13)	**(529)**	(559)
Administrative expenses	**(249)**	(257)
Contributions to resolution and deposit guarantee funds	**(106)**	(63)
Depreciation of property, plant and equipment	**(56)**	(61)
Amortisation of intangible assets	**(26)**	(38)
Operating lease rentals	**(51)**	(57)
Total from continuing operations	**(1,017)**	(1,035)

Contributions to resolution and deposit guarantee funds

In the context of Directive 2014/59/EU for the recovery and resolution of credit institutions and investment firms (BRRD), which has been transposed in Greece with Law 4335/2015 in July 2015 and in the national legislation of certain countries where the Group has activities, member states shall ensure that, by 31 December 2024, the available financial means of their national resolution authorities reach at least 1% of the amount of covered deposits of all the credit institutions and investment firms authorized in their territory. As a result, credit institutions are required to pay contributions to resolution funds at least annually. With respect to Greece, according to the Law 4335/2015, the Resolution Scheme of Hellenic Deposit and Investment Guarantee Fund (HDIGF) is designated as the national resolution fund (note 6).

Directive 2014/49/EU on deposit guarantee schemes introduces new harmonized rules on deposit guarantee schemes throughout the European Union and requires that member states ensure that, by July 2024, the available financial means of a deposit guarantee scheme should reach at least a target level of 0.8% of the amount of covered deposits of the member credit institutions, by contributions made by these institutions at least annually. Where the financing capacity of a deposit guarantee scheme falls short of the target level, the payment of contributions resumes, at least until the target level is reached again. As at 31 December 2015, the Directive, had already been transposed into the national legislation of Bulgaria, Romania and Luxembourg where the Group has activities.

For the year ended 31 December 2015, the contributions to the resolution and deposit guarantee funds, as notified by the relevant national authorities, amounted to € 94 million, of which € 71 million related to the Bank's annual contribution to HDIGF, including € 30 million in the context of Directive 2014/59/EU, while € 23 million related to Group's international operations. In addition, following a decision notified by HDIGF in October 2015 in accordance with Law 3746/2009, Greek banks were required to pay in the year 2015 supplementary contributions for the funding of resolution measures for 'Panellinia Bank S.A', in relation to which the Bank's contribution amounted to € 12 million and has been recognized in the fourth quarter of 2015.

Post balance sheet events

In Greece, the Law 4370/2016 for the transposition of Directive 2014/49/EU in the Greek legislation was voted by the Greek Parliament on 3 March 2016. The said law, which replaces Law 3746/2009, previously in force, defines, among others, the scope and certain aspects of the operation of the HDIGF, the terms of participation of credit institutions as well as the process for determining and paying contributions to its Schemes. In Cyprus, the Cypriot Parliament voted the transposition of Directive 2014/49/EU and Directive 2014/59/EU in the national legislation in February 2016 and March 2016, respectively.

External Auditors

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 analyzed as follows:

	2015 € million	2014 € million
Statutory audit	**(3.2)**	(3.5)
Tax audit-article 65a, law 4174/2013	**(0.5)**	(0.6)
Other audit related assignments	**(0.6)**	(0.6)
Non audit assignments	**(0.8)**	(1.6)
Total	**(5.1)**	(6.3)

Note: Other audit related fees mainly refer to assignments for the Bank's share capital increases. Comparative information has been adjusted accordingly.

13. Staff costs

	2015 € million	2014 € million
Wages, salaries and performance remuneration	**(389)**	(417)
Social security costs	**(81)**	(89)
Additional pension and other post employment costs	**(16)**	(16)
Other	**(43)**	(37)
Total from continuing operations	**(529)**	(559)

The average number of employees of the Group during the year was 17,521 of which the employees of Ukraine and insurance subsidiaries was 1,027 (2014: 18,428 of which the employees of Ukraine and insurance subsidiaries was 1,123). As at 31 December 2015, the number of branches of the Group amounted to 962 of which the branches of Ukraine subsidiaries was 45.

14. Other impairment and non recurring income/(expenses) and provisions

	2015 € million	2014 € million
Impairment losses and valuation losses on investment and repossessed properties	**(90)**	(95)
Impairment losses/reversal on bonds	**9**	(82)
Impairment losses on mutual funds and equities	**(6)**	(23)
Impairment losses on other receivables	**-**	(5)
Other impairment losses	**(87)**	(205)
Provision for Voluntary Exit Scheme	**(62)**	-
Integration costs relating with the operational merger of NHPB and New Proton	**0**	(10)
Restructuring costs	**(11)**	(33)
Other expenses	**(6)**	(3)
Reversal of provision for claims in dispute	**-**	103
Non recurring income/(expenses) and provisions	**(79)**	57
Total	**(166)**	(148)

The current macroeconomic conditions and the persistent decline in real estate market prices in Greece, as described in note 25, were taken into consideration by the Group in assessing the recoverable amount of its investment and repossessed properties portfolios. As a result, for the year ended 31 December 2015, the Group recognized impairment and valuation losses on investment and repossessed properties mainly in Greece of € 90 million.

In the first half of 2015, the Bank recognized an additional impairment loss of € 20 million for the Ukrainian government bonds that were included in its held-to-maturity investment portfolio, due to the continued uncertainty in the economic and political conditions in the country, that led to a significant drop in the market prices of those bonds.

The market's positive reaction to the terms of the restructuring offer, announced by the Ukrainian government on 27 August 2015, led to the recovery of the Ukrainian securities' market prices that were, subsequent to the announcement, traded at significant higher levels. Additionally, the payment suspension of certain sovereign bonds maturing in September 2015, as it was explicitly stated by the Ukrainian government in the abovementioned announcement due to the forthcoming restructuring agreement, triggered the settlement of the Group's Credit Default Swaps (CDSs) that were directly linked with the specific Ukrainian government bonds mentioned above. Following the ISDA's (International Swaps and Derivatives Association) auction on 6 October 2015, the settlement of the CDSs took place on 13 October 2015. Therefore, as of 30 September 2015, the Group reversed € 30 million of the cumulative recognized impairment up to 30 June 2015, in order to reflect the settlement price.

In the context of the implementation of the Group's restructuring plan and in line with the related principal commitments described therein (note 6), a Voluntary Exit Scheme (VES) was designed for the Group's employees in Greece, which is expected to be implemented within the following months. The cost for the VES is estimated at approximately € 62 million, net of provision for retirement benefits and was recognized as a provision in the fourth quarter of 2015. The VES aims to increase the Group's operating efficiency and is expected to result in an estimated annual saving of € 29 million.

As at 31 December 2015, the Group has recognized restructuring expenses amounting to € 11 million, mainly relating to the closing of branches in the framework of its network rationalization in Greece. As at 31 December 2014, the Group has recognized restructuring expenses amounting to € 33 million, of which € 17 million related with the Group's International operations and the remaining € 16 million with its operations in Greece.

As at 31 December 2015, restructuring/integration costs included depreciation/write offs of € 3 million (2014: € 12 million).

As at 31 December 2015 and 2014, the Group has recognized other expenses amounting to € 6 million and € 3 million respectively, mainly relating to the diagnostic reviews of the Greek portfolio and the loan book of the Bank's major foreign subsidiaries, in the context of Greek banks' capital needs assessments conducted in 2014 and 2013.

As at 31 March 2014, the Group proceeded with the release of the provision of € 103 million, recognized in 2013 based on the management's estimates of the final amount of the consideration to be received for the disposal of Polish operations.

15. Income tax and non recurring tax adjustments

	2015 € million	2014 € million
Current tax	**(42)**	(43)
Deferred tax	**646**	527
Income tax	**604**	484
Change in nominal tax rates	**432**	-
Recognition of DTA following Circular 1143/15.05.2014	-	34
Recognition of DTA for New Proton's loan impairment	-	167
Non recurring deferred tax adjustments	**432**	201
Reversal of provisions of withholding tax claims	-	43
Other non recurring tax adjustments	-	2
Non recurring current tax adjustments	**-**	45
Total tax (charge)/income from continuing operations	**1,036**	730

According to Law 4334/2015, which was enacted on 16 July 2015 and amended tax Law 4172/2013, the nominal Greek corporate tax rate increased from 26% to 29% for income generated in accounting years 2015 and onwards. This tax rate change resulted in an increase of net deferred tax asset by € 508 million as at 31 December 2015, out of which € 489 million have been recorded in the income statement, and € 19 million directly in equity (including Other Comprehensive Income - OCI). In particular, € 432 million of the € 489 million that have been recorded in the income statement refer to the effect of the change in tax rate applied on previous years deductible temporary differences as well as on unused tax losses and the remaining € 57 million represent the effect of the change in tax rates applied on deductible temporary differences and unused tax losses that have arisen in the first half of 2015.

In addition, dividends distributed, other than intragroup dividends which under certain preconditions are relieved from both income and withholding tax, are subject to 10% withholding tax.

In May 2014, the Ministry of Finance with its Circular 1143/15.05.2014 provided clarifications for the application of tax Law 4172/2013. In particular, with the said Circular, it was clarified that the accumulated losses from shares and derivatives which had been recognized in accordance with the former tax Law 2238/1994 can be utilized for tax purposes (i.e. are added to carried forward tax losses). Hence, during the year ended 31 December 2014, the Group recognized in the income statement a one off tax income of € 40 million (of which € 6 million related to insurance operations classified as held for sale). In addition, during the year ended 31 December 2014, following a favorable Supreme Court decision, the Group recognized a non recurring tax income of € 43 million due to the reversal of provisions in relation to withholding tax claims against the State. Furthermore, in the third quarter of 2014 the Group recognized a deferred tax asset of € 167 million on loan impairment of New Proton's portfolio, which was acquired, through merger, following its assessment that these impairment losses can be utilized in future periods (note 16).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2015 € million	2014 € million
Profit/(loss) before tax from continuing operations	(2,086)	(1,751)
Tax at the applicable tax rates	**605**	455
Tax effect of:		
- income not subject to tax and non deductible expenses	**(15)**	47
- effect of different tax rates in different countries	**16**	(14)
- change in applicable tax rate	**432**	(0)
- provisions for tax litigations and withholding tax claims	**-**	43
- other non-recurring tax adjustments	**-**	203
- other	**(2)**	(4)
Total tax (charge)/income from continuing operations	**1,036**	730

Tax certificate and open tax years

For the year ended 31 December 2011 and onwards as the Law 4174/2013 (article 65A) currently stands (and as Law 2238/1994 previously provided in article 82), up to and including fiscal years starting before 1 January 2016, the Greek sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, are required to obtain an 'Annual Tax Certificate', which is issued after a tax audit is performed by the same statutory auditor or audit firm that audits the annual financial statements. According to the relevant Ministerial Decision 1159/2011, 18 months after the issuance of a tax unqualified certificate, provided that no tax issues have been identified from the tax authorities' potential re-audits, the tax audit is considered finalized. Further tax audits based on article 82 of Law 2238/1994 (as was in force for the years 2011-2013) may be effected only in cases of tax offences that have been identified by the Ministry of Finance audits (i.e. breaches of the money laundering legislation, forged or fictitious invoices, transactions with non-existent companies or breaches of transfer pricing rules).

The Bank has been audited by tax authorities up to 2009, has not been audited for 2010 and has obtained by external auditors unqualified tax certificates for years 2011 – 2014. In addition, New TT Hellenic Postbank and New Proton Bank, which were merged with the Bank in 2013, have obtained by external auditors unqualified tax certificates with a matter of emphasis for their unaudited by tax authorities periods/tax years 18/1-30/6/2013 and 9/10/2011- 31/12/2012, respectively, with regards to potential tax obligations resulting from their carve out. For both cases the Bank has formed adequate provisions.

The Group's subsidiaries, associates and joint ventures which operate in Greece (notes 27 and 32) have not been audited for a period of 1 to 6 tax years and where these entities are subject to statutory audit by external auditors, they have obtained unqualified tax certificates for years 2011 – 2014.

Therefore, in accordance with the aforementioned tax legislation, the Ministerial Decision 1159/2011 and considering related preconditions, tax audit for the years 2011 to 2013 for the Bank and the said entities is considered finalized as mentioned above. For fiscal years starting from 1 January 2014 onwards, according to a Ministerial Circular POL 1006/ 2016 issued by the Greek Ministry of Finance accepting a relevant opinion of the State's Legal Counsel (NSK 256/2015), additional taxes and penalties may be imposed within the applicable statute of limitations (i.e. in principle five years as from the end of the fiscal year within which the relevant tax return should have been submitted), irrespective of whether an unqualified tax certificate has been obtained from the tax paying company.

The open tax years of foreign Group's bank subsidiaries are as follows: (a) Bancpost S.A. (Romania), 2011-2015, (b) Eurobank Cyprus Ltd, 2012-2015, (c) Eurobank Bulgaria A.D., 2013-2015, (d) Eurobank A.D. Beograd (Serbia), 2010 -2015, and (e) Eurobank Private Bank Luxembourg S.A., 2009-2015. The remaining of the Group's foreign entities (notes 27 and 32), which operate in countries where a statutory tax audit is explicitly stipulated by law, have 1 to 11 open tax years.

16. Deferred income taxes

Deferred income taxes are calculated on all deductible temporary differences under the liability method as well as for unused tax losses at the rate in effect at the time the reversal is expected to take place.

The movement on deferred income tax is as follows:

	2015 € million	2014 € million
Balance at 1 January	**3,872**	3,055
Income statement credit/(charge) from continued operations	**1,078**	726
Available for sale investment securities	**(33)**	21
Cash flow hedges	**(9)**	5
Deferred tax on equity transactions (1)	**(56)**	39
Effect due to change in nominal tax rates recognized directly in equity (including OCI)	**19**	-
Discontinued operations	**(17)**	26
Balance at 31 December	**4,854**	3,872

[1]*Deferred tax on equity transactions in 2015 refers to a) Deferred Tax Asset (DTA) of € 22 million on SCI and LME expenses (note 39) and b) Deferred Tax Liability (DTL) of € 78 million on preferred securities transactions (note 41)*

For the year ended 31 December 2015, the movement of discontinued operations of € 17 million refers to: a) DTL of € 49 million for insurance operations, including the recognition of DTL of € 67 million on certain taxable temporary differences, based on the relevant sale agreement (note 17), and the transfer of opening balance of DTL € 19 million to Liabilities of insurance operations classified as held for sale and b) DTA of € 32 million on Bank's deductible temporary differences relevant to Ukrainian operations (2014: DTA of € 26 million refers to Ukrainian operations).

Deferred income tax assets/(liabilities) are attributable to the following items:

	2015 € million	2014 € million
PSI+ tax related losses	**1,302**	1,211
Loan impairment	**2,810**	1,980
Unused tax losses	**319**	283
Valuations through the income statement	**302**	250
Costs directly attributable to equity transactions	**46**	48
Cash flow hedges	**29**	35
Valuations directly to available-for-sale revaluation reserve	**9**	12
Fixed assets	**(1)**	(8)
Defined benefit obligations	**11**	9
Other	**27**	52
Net deferred income tax	**4,854**	3,872

The net deferred income tax is analyzed as follows:

	2015 € million	2014 € million
Deferred income tax assets	**4,859**	3,894
Deferred income tax liabilities (note 37)	**(5)**	(22)
Net deferred income tax	**4,854**	3,872

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

	2015 € million	2014 € million
Loan impairment	**514**	605
Unused tax losses	**7**	(66)
Change in nominal tax rates [1]	**489**	-
Tax deductible PSI+ losses	**(47)**	(45)
Change in fair value and other temporary differences	**115**	232
Deferred income tax (charge)/credit from continued operations	**1,078**	726
Temporary differences relating to discontinued operations	**(35)**	26
Deferred income tax (charge)/credit	**1,043**	752

[1] The amount of change in nominal tax rates represents the total effect in the income statement for the year ended 31 December 2015 that is analyzed above

As at 31 December 2015, the Group recognized net deferred tax assets amounting to € 4.9 bn as follows:

(a) € 1,302 million refer to losses resulted from the Group's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;
(b) € 2,810 million refer to deductible temporary differences arising from loan impairment that can be utilized in future periods with no specified time limit and according to current tax legislation of each jurisdiction;
(c) € 319 million refer to unused tax losses. The ability to utilize tax losses carried forward mainly expires in 2018;
(d) € 46 million mainly refer to deductible temporary differences related to the unamortized for tax purposes costs directly attributable to Bank's share capital increases, subject to 10 years' amortization according to tax legislation in force at the year they have been incurred;
(e) € 377 million refer to other deductible temporary differences (i.e. valuation losses, provisions for pensions and other post-retirement benefits, etc.) the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation of each jurisdiction.

Assessment of the recoverability of deferred tax assets

The recognition of the above presented deferred tax assets is based on management's assessment, as at 31 December 2015, that the Group's legal entities will have sufficient future taxable profits, against which the unused tax losses, the deductible temporary differences, as well as the losses from PSI+ and the Greek's state debt buyback program can be utilized. The deferred tax assets are determined on the basis of the tax treatment of each deferred tax asset category, as provided by the applicable tax legislation of each jurisdiction, the eligibility of carried forward losses for offsetting with future taxable profits and the actual tax results for the year ended 31 December 2015.

Additionally, the Group's assessment on the recoverability of recognized deferred tax assets is based on (a) the future performance expectations (forecasting operating results) and growth opportunities relevant for determining the expected future taxable profits, (b) the expected timing of reversal of the deductible and taxable temporary differences, (c) the probability that the Group entities will have sufficient taxable profits in the future, in the same period as the reversal of the deductible and taxable temporary differences (i.e. profits/ losses on sale of investments or other assets, etc.) or in the years into which the tax losses can be carried forward, and (d) the historical levels of Group entities' performance in combination with the previous years' tax losses caused by one off or non-recurring events.

As at 31 December 2015, the Group applied the forecasting operating results and considered the capital enhancing actions to be implemented by 31 December 2018, as reflected in the restructuring plan that was approved by the European Commission, in the context of the new recapitalization process, in November 2015 (note 6).

The level of the abovementioned forecasting operating results mainly derives from the Group's estimates regarding (a) the reduction of its funding cost driven by the gradual repatriation of customer deposits, the further decrease of the respective interest rates and the replacement of more expensive funding sources, (b) the lower loan impairment losses as a result of the macroeconomic conditions in Greece that are expected to improve and the actions already implemented by the Group regarding the effective management of troubled assets, (c) the effectiveness of the continuous cost containment measures, and (d) the gradual restoration of traditional commission income such as asset management and network fees and commissions relating with capital markets and investment banking activities. The macroeconomic assumptions that were considered by the Group in preparing the abovementioned restructuring plan are aligned with those provided by the European Commission in September 2015. The Group's deferred tax recoverability model is built in accordance with the forecasting operating results included in the restructuring plan extended for a specific period of time.

The implementation of the abovementioned restructuring plan largely depends on the risks and uncertainties that stem from the macroeconomic environment in Greece (note 2).

As at 31 December 2015, the Group has not recognized deferred tax assets of € 213 million arising from deductible temporary differences and unused tax losses of € 859 million of certain Group legal entities that are not considered probable to generate sufficient future taxable profits, against which the abovementioned deferred tax items can be utilized.

Legal framework for tax credit against the Greek State

According to article 27A of Law 4172/2013 as in force, which is applicable to Greek financial institutions, including leasing and factoring companies, deferred tax assets that have been or will be recognized by the Bank due to (a) losses from the Private Sector Involvement ('PSI') and the Greek State Debt Buyback Program, and (b) accumulated provisions and other losses in general due to credit risk as such (provisions and credit losses) accounted as at 30 June 2015, will be converted into directly enforceable claims (tax credit) against the Greek State, provided that the Bank's after tax accounting result for the period, is a loss (starting from fiscal year 2016 onwards). As at 31 December 2015, deferred tax assets eligible for conversion to tax credits amounted to € 4,065 million.

The total amount of the claim will be determined by multiplying the above eligible deferred tax assets with a ratio that represents the after tax accounting loss of the period as a percentage of total equity, excluding the after tax accounting loss of the period.

The claim will arise upon approval of the financial statements and will be offset against the relevant amount of income tax. When the amount of income tax is insufficient to offset the above claim, any remaining claim will give rise to a direct refund right against the Greek State. For this purpose, a special reserve equal to 100% of the above claim(i.e. the claim arising before any offsetting against corporate income tax), will be created exclusively for a share capital increase and the issuance of capital conversion rights (warrants) without consideration in favor of the Greek State. The above rights will be convertible into ordinary shares and will be freely transferable. Existing shareholders will have a call option within a reasonable period based on their participation in the share capital at the time of issuance of those rights. Furthermore Law 4172/2013 also provides for the issuance of a Ministerial Cabinet Act to address the implementation details relevant to the conversion of eligible deferred tax assets into a tax credit.

On 7 November 2014, the Extraordinary General Meeting of the Shareholders of the Bank approved the Bank's participation in the above described mechanism which is currently effective from fiscal year 2016 onwards.

17. Discontinued operations

Insurance operations classified as held for sale

On 22 December 2015, the Group announced that it has reached an agreement with Fairfax Financial Holdings Limited ('Fairfax') to sell 80% of Eurolife ERB Insurance Group Holdings S.A. ('Eurolife') (the 'Transaction') for a cash consideration of € 316 million, subject to further adjustments based on the performance of the entity up to the completion of the Transaction, while Eurobank will retain a 20% stake.

The Transaction includes: a) Eurolife's Greek life and non-life insurance activities and Eurolife's brokerage subsidiary in Greece, which are presented in Wealth management segment, b) Eurolife's Romanian life and non-life insurance activities, which are presented in International segment and c) the bancassurance agreements between Eurolife subsidiaries and Eurobank, for the exclusive distribution of insurance products in Greece and Romania through Eurobank's sales network.

The completion of the Transaction is subject to regulatory approvals and is expected to be completed before the end of the third quarter of 2016.

The fair value less costs to sell of the Group's insurance operations, as determined by Management based on independent valuation reports, exceeds the respective carrying amount, therefore no impairment loss was recognized upon the remeasurement of the disposal group at the lower of its carrying amount and fair value less costs to sell. A combination of appropriate valuation techniques was used to determine the fair value of the Group's insurance operations, including relative valuation multiples for comparable entities, recent comparable transactions, and the dividend discount model which uses inputs such as target capital levels, estimated cash flows derived from the respective business plans, discount rates and long term growth rates. This non-recurring fair value measurement is categorized as Level 3 of the fair value hierarchy due to the significance of the unobservable inputs used.

As at 31 December 2015, cumulative gains (mainly related to the revaluation of available for sale securities) related to the insurance operations classified as held for sale recognized in other comprehensive income amounted to € 77 million (2014: € 59 million).

The results of the Group's Insurance operations classified as held for sale are set out below.

	Year ended 31 December	
	2015	2014
	€ million	€ million
Net interest income	**46**	45
Net insurance income	**29**	34
Gains less losses from investment securities	**13**	12
Other income	**5**	6
Operating expenses	**(26)**	(24)
Profit/(loss) before tax from discontinued operations	**67**	73
Income tax [(1)]	**(86)**	(16)
Net Profit/(loss) from discontinued operations attributable to shareholders	**(19)**	57

[(1)] Following the classification of Insurance operations as held for sale as of 31 December 2015, the Group recognized a DTL of € 67 million on the taxable temporary differences (capital gains) associated with the investment in Eurolife ERB Insurance Group Holding S.A (note 16).

The major classes of assets and liabilities of Insurance operations classified as held for sale are as follows:

	31 December 2015
	€ million
Financial instruments at FVTPL and investment securities	**1,816**
Other assets	**105**
Total assets of disposal group classified as held for sale	**1,921**
Insurance reserves	**1,324**
Due to customers	**421**
Other liabilities	**71**
Total liabilities of disposal group classified as held for sale	**1,816**
Net intragroup assets of insurance operations	**325**
Net assets of disposal group classified as held for sale	**430**

Impairment testing of the goodwill allocated to Eurolife ERB General Insurance S.A

The recoverable amount of Eurolife ERB General Insurance S.A was determined from value-in-use calculations. These calculations used 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 rate stated below.

The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rate and cash flow projections based on gross written premium growth for the non-life 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 based on a country-specific equity capital cost rate using 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 rate is based on respective internal or external market growth forecasts and does not exceed the average long-term growth rate for the relevant market.

The key assumptions used for the value-in-use calculations in 2015 and 2014 for Eurolife ERB General Insurance S.A., were as follows:

	2015	2014
Discount rate (pre-tax)	**19%**	22%
Terminal value growth rate	**3%**	3%
Gross written premium	**14.2%**	7.4%

Gross written premium is the main driver for the revenues and the costs of Eurolife ERB General Insurance S.A. in the value-in-use calculation. The weighted average annual volume growth rate of gross written premium for the initial 5-year period is presented in the above table.

For Eurolife ERB General Insurance S.A., no reasonably possible change in any of the above key assumptions would cause the carrying amount to exceed the recoverable amount, as the recoverable amount is substantially in excess of the respective carrying amount.

Operations in Ukraine classified as held for sale

In March 2014, management committed to a plan to sell the Group's operations in Ukraine (including Public J.S.C. Universal Bank and ERB Property Services Ukraine LLC). The sale was considered probable, therefore, the Group's operations in Ukraine were classified as a disposal group held for sale. The Group's operations in Ukraine are presented in the International segment.

Following the classification of the disposal group as held for sale, in accordance with IFRS 5, the Group has measured it at the lower of its carrying amount and fair value less costs to sell. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The determination of fair value less costs to sell was based on recent bid offers received from third parties for the sale of the Group’s operations in Ukraine, further adjusted by management in order to reflect the continuing stressed market environment.

The continuing adverse conditions in the country led to an extension of the period to complete the sale beyond one year. The Group’s operations in Ukraine continue to be classified as a disposal group held for sale, as the Group remains committed to its plan to sell that disposal group. As at 31 December 2015, cumulative losses (currency translation differences) related to the Ukrainian held for sale operations recognized in other comprehensive income amounted to € 67 million (2014: € 65 million).

The results of the Group's operations in Ukraine classified as held for sale are set out below.

	Year ended 31 December	
	2015	2014
	€ million	€ million
Net interest income	**5**	14
Net banking fee and commission income	**2**	3
Other income/(loss) [(1)]	**(7)**	9
Operating expenses	**(16)**	(22)
Impairment and remeasurement losses on loans and advances	**(102)**	(175)
Profit/(loss) before tax from discontinued operations	**(118)**	(171)
Income tax (note 16)	**32**	8
Profit/(loss) after tax from discontinued operations	**(86)**	(163)
Gain/(loss) on disposal before tax [(2)]	**-**	(69)
Loss on the remeasurement of non-current assets of disposal group	**-**	(18)
Income tax on gain/(loss) on disposal [(2)]	**-**	18
Net profit/(loss) from discontinued operations	**(86)**	(232)
Net profit/(loss) from discontinued operations attributable to non controlling interests	**(0)**	(0)
Net profit/(loss) from discontinued operations attributable to shareholders	**(86)**	(232)

[(1)] *Mainly referring to FX losses for the year ended 31 December 2015*

[(2)] *During the year ended 31 December 2014 the gain on the disposal of Polish operations was adjusted with € 69 million losses, before tax (€ 51 million losses, after tax), while the relating provision recognized in 2013 based on management's estimates of the final amount of the consideration to be received was released accordingly (note 14).*

The major classes of assets and liabilities of the Group's operations in Ukraine classified as held for sale are as follows:

	31 December 2015	31 December 2014
	€ million	€ million
Cash and balances with central banks	**46**	29
Due from credit institutions	**19**	1
Trading and investment securities	**2**	44
Loans and advances to customers	**62**	194
Other assets	**1**	2
Total assets of disposal group classified as held for sale	**130**	270
Due to credit institutions	**-**	4
Due to customers	**123**	157
Other liabilities	**2**	3
Total liabilities of disposal group classified as held for sale	**125**	164
Net Group funding associated with Ukraine assets held for sale	**72**	141
Net assets of disposal group classified as held for sale	**(67)**	(35)

18. 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 issued convertible, subject to certain conditions, preferred securities (Series D, note 41).

		Year ended 31 December	
		2015	2014
Net profit/(loss) for the year attributable to shareholders (after including gains/(losses) on preferred securities)	*€ million*	**(1,242)**	(1,219)
Net profit/(loss) for the year from continuing operations attributable to shareholders (after including gains/(losses) on preferred securities)	*€ million*	**(1,138)**	(1,044)
Weighted average number of ordinary shares in issue for basic and diluted earnings/(losses) per share	*Number of shares*	***308,970,488***	*115,175,594*
Earnings/(losses) per share			
- Basic and diluted earnings/(losses) per share	€	**(4.02)**	(10.58)
Earnings/(losses) per share from continuing operations			
- Basic and diluted earnings/(losses) per share	€	**(3.68)**	(9.06)

Basic and diluted losses per share from discontinued operations for the year ended 31 December 2015 amounted to € 0.34 (2014: € 1.52 losses).

Basic and diluted losses per share for 2014 have been adjusted taking into account the reverse split of the ordinary shares at a ratio of 100 existing to one new ordinary share in accordance with the decisions of the Extraordinary General Meeting held on 16 November 2015 (note 39).

The Series D of preferred securities (note 41) was not included in the calculation of diluted earnings/ (losses) per share, as their effect would have been anti-dilutive.

19. Cash and balances with central banks

	2015	2014
	€ million	€ million
Cash in hand	**553**	579
Balances with central banks	**1,245**	1,369
	1,798	1,948
of which:		
Mandatory and collateral deposits with central banks	**559**	856
Placement to ECB deposit facility	**-**	150

Mandatory deposits with central banks include (a) deposits of € 559 million (2014: € 822 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 and (b) for 2014 deposits of € 34 million with the Bank of England in accordance with UK regulatory requirements.

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

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturities of three months or less:

	2015 € million	2014 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**1,239**	1,092
Due from credit institutions	**906**	823
Financial instruments at fair value through profit or loss	**0**	25
Cash and cash equivalents presented within assets of disposal groups classified as held for sale	**60**	38
Total	**2,205**	1,978

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

	2015 € million	2014 € million
Amortisation of premiums/discounts and accrued interest	**(83)**	(95)
(Gains)/losses from sale	**(15)**	(72)
Dividends	**(2)**	(3)
Total	**(100)**	(170)

21. Due from credit institutions

	2015 € million	2014 € million
Pledged deposits with banks	**1,889**	2,225
Placements and other receivables from banks	**530**	427
Current accounts and settlement balances with banks	**389**	407
	2,808	3,059

As at 31 December 2015, the Group's pledged deposits with banks mainly included collaterals on risk mitigation contracts for derivative transactions and repurchase agreements (CSAs, GMRAs). In addition, an amount of € 13 million is included related with the disposal of the Group's Turkish operations.

The Group's exposure in due from credit institutions, as categorized by counterparty's geographical region, is presented in the following table:

	2015 € million	2014 € million
Greece	**10**	14
Other European countries	**2,692**	2,537
Other countries	**106**	508
Total	**2,808**	3,059

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

	2015 € million	2014 € million
Debt securities		
- Greek government bonds	**12**	10
- Greek government treasury bills	**-**	33
- Other government bonds	**72**	55
- Other issuers	**1**	0
	85	98
Unit linked products (note 17)	**-**	243
Equity securities	**15**	19
	15	262
Total	**100**	360

23. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments both for hedging and non-hedging purposes.

The table below presents the fair values of the Group's derivative financial instruments by product type and hedge relationship along with their notional amounts. The notional amounts of derivative instruments provide a basis for comparison with instruments recognized 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, are not indicative of the Group's exposure at the reporting date.

	31 December 2015			31 December 2014		
	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million
Derivatives that do not qualify for hedge accounting and held for trading						
- Interest rate swaps	**17,436**	**1,645**	**1,429**	18,704	1,775	1,564
- Interest rate options	**3,964**	**49**	**99**	6,155	119	162
- Cross currency interest rate swaps	**1,784**	**77**	**147**	2,914	101	100
- Currency forwards/currency swaps	**2,633**	**17**	**34**	1,942	16	20
- Currency options	**406**	**3**	**1**	918	14	13
- Commodity derivatives	**142**	**17**	**17**	206	27	26
- Warrants	**2,403**	**10**	-	2,381	17	-
- Other (see below)	**48**	**0**	**0**	346	4	6
		1,818	**1,727**		2,073	1,891
Derivatives designated as fair value hedges						
Interest rate swaps	**978**	**(0)**	**361**	1,188	0	415
		(0)	**361**		0	415
Derivatives designated as cash flow hedges						
- Interest rate swaps	**312**	**0**	**64**	430	-	98
- Cross currency interest rate swaps	**3,266**	**66**	**207**	4,301	61	71
		66	**271**		61	169
Derivatives designated as net investment hedges						
- Currency forwards/currency swaps	**-**	**-**	**-**	20	-	0
		-	**-**		-	0
Total derivatives assets/liabilities		**1,884**	**2,359**		2,134	2,475

Other derivative contracts include exchange traded index and interest futures, exchange traded index options and foreign exchange time option forwards.

Information on the fair value measurement and offsetting of derivatives is provided in notes 7.3 and 7.2.1.4, respectively.

The Group uses certain derivatives and other financial instruments, designated in a qualifying hedge relationship, to reduce its exposure to market risks. The hedging practices applied by the Group, as well as the relevant accounting treatment are disclosed in note 2.4. In particular:

(a) Fair value hedges

The Group hedges a proportion of its existing interest rate risk resulting from any potential change in the fair value of fixed rate debt securities held or floating rate customer loans, denominated both in local and foreign currencies, using interest rate swaps. In 2015, the Group recognized a gain of € 42 million (2014: € 76 million loss) from changes in the fair value of the hedging instruments and € 35 million loss (2014: € 74 million gain) from changes in the fair value of the hedged items attributable to the hedged risk.

(b) Cash flow hedges

The Group hedges a proportion of its existing interest rate and foreign currency risk resulting from any cash flow variability on floating rate performing customer loans or deposits, denominated both in local and foreign currency, or unrecognized highly probable forecast transactions, using interest rate and cross currency interest rate swaps. In 2015, the ineffectiveness recognized in the income statement that arose from cash flow hedges was € nil (2014: nil).

(c) Net investment hedges

The Group hedges part of the currency translation risk of net investments in foreign operations, including any monetary items that form part of the net investment, using derivative financial instruments and/or borrowings designated as hedging instruments, the results of which are recognized in the currency translation reserve of other comprehensive income. In 2015, borrowings of € 330 million denominated in RON 1.5 bn (2014: € 334 million denominated in 1.5 bn RON), gave rise to currency gains of € 3 million (2014: € 2 million gains).

In addition, the Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are monitored and have been classified along with those held for trading purposes.

The Group's exposure in derivative financial instruments, as categorized by counterparty's geographical region and industry sector, is presented in the following table:

	31 December 2015			
	Greece € million	**Other European countries € million**	**Other countries € million**	**Total € million**
Sovereign	**1,065**	**-**	**-**	**1,065**
Banks	**17**	**332**	**418**	**767**
Corporate	**46**	**5**	**1**	**52**
	1,128	**337**	**419**	**1,884**

	31 December 2014			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,198	0	0	1,198
Banks	27	448	383	858
Corporate	60	5	13	78
	1,285	453	396	2,134

Note: The Group’s geographical exposure in derivative financial instruments is presented based on the counterparty’s domicile country (immediate risk), except where there is a signed ISDA/CSA agreement with a parent guarantee where the parent’s domicile country is taken into account (ultimate country of risk).

24. Loans and advances to customers

	31 December 2015 € million	31 December 2014 € million
Wholesale lending	**19,606**	19,475
Mortgage lending	**18,261**	18,355
Consumer lending [1]	**6,570**	6,768
Small business lending	**7,246**	7,283
	51,683	51,881
Less: Impairment allowance (note 25)	**(11,790)**	(9,748)
	39,893	42,133

[1] *Credit cards balances are included*

In the year ended 31 December 2015, gross loans balance was significantly affected by the appreciation of CHF and USD against Euro during the first quarter of 2015, which led to an increase of approximately € 0.8 bn.

As of 30 September 2014, in accordance with IAS 39, the Group has elected to reclassify certain impaired corporate bond loans from the 'Available-for-sale' portfolio to 'Loans and advances to customers' portfolio that met the definition of loans and receivables and the Group has the intention and ability to hold them for the foreseeable future or until maturity. The reclassifications were made with effect from 30 September 2014 at the loans' fair value of € 150 million (gross amount of € 592 million less fair value adjustment of € 442 million), which became their amortized cost at the reclassification date.

As at 31 December 2015, the carrying amount of these loans is € 94 million which approximates their fair value and impairment losses of € 23 million were recognized in the consolidated income statement for year ended 31 December 2015. No amounts would have been recognized in the OCI had these financial assets not been reclassified.

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

	2015 € million	2014 € million
Gross investment in finance leases receivable:		
Not later than 1 year	**657**	707
Later than 1 year and not later than 5 years	**447**	461
Later than 5 years	**541**	600
	1,645	1,768
Unearned future finance income on finance leases	**(155)**	(177)
Net investment in finance leases	**1,490**	1,591
Less: Impairment allowance	**(536)**	(441)
	954	1,150
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**632**	678
Later than 1 year and not later than 5 years	**376**	383
Later than 5 years	**482**	530
	1,490	1,591
Less: Impairment allowance	**(536)**	(441)
	954	1,150

25. 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 2015				
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Total € million
Balance at 1 January	**4,063**	**1,477**	**2,465**	**1,743**	**9,748**
Impairment loss for the year	**902**	**838**	**361**	**564**	**2,665**
Recoveries of amounts previously written off	**1**	**1**	**11**	**1**	**14**
Amounts written off	**(196)**	**(53)**	**(22)**	**(23)**	**(294)**
NPV unwinding	**(94)**	**(82)**	**(9)**	**(112)**	**(297)**
Foreign exchange differences and other movements	**17**	**(9)**	**(41)**	**(13)**	**(46)**
Balance at 31 December	**4,693**	**2,172**	**2,765**	**2,160**	**11,790**

	31 December 2014				
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Total € million
Balance at 1 January	2,927	1,080	2,368	1,513	7,888
Impairment loss for the year	928	537	320	479	2,264
Recoveries of amounts previously written off	1	0	12	1	14
Amounts written off	(102)	(13)	(167)	(100)	(382)
NPV unwinding	(93)	(70)	(10)	(113)	(286)
Allowance for discontinued operations	(43)	(46)	(2)	(36)	(127)
Foreign exchange differences and other	3	(11)	(56)	(1)	(65)
	3,621	1,477	2,465	1,743	9,306
Adjustment for reclassified loans (note 24)	442	-	-	-	442
Balance at 31 December	4,063	1,477	2,465	1,743	9,748

[1] *Credit cards balances are included*

The critical accounting estimates and judgements that are made by the Group's Management in assessing the impairment losses on loans and advances to customers are evaluated constantly, particularly in circumstances of economic uncertainty, based on the latest available information and expectations of future events that are considered reasonable, as described in note 3.1.

The financial and political developments in Greece, during the second and third quarter of 2015, such as the prolonged negotiations between the Greek government and the Institutions regarding the second economic adjusting program that expired at the end of June 2015, the imposition of capital controls together with a temporary bank holiday, the need for a new recapitalization process of the Greek banks, as well as the third bail out program, which provides, among other, for a new package of fiscal discipline measures, led to the reassessment of the key assumptions underlying to the measurement of the impairment losses on loans and advances to customers.

Particularly, the Group assessed the borrowers' financial performance, the recovery value of the underlying collaterals and calibrated its provisioning models in order to reflect:

(a) the impact of the abovementioned developments on the Greek economy's prospects until 2016, i.e. increased market uncertainty, mainly relating with the satisfactory implementation of fiscal sustainability measures and the safeguarding of financial stability, worsening of GDP rate, continuation of high unemployment rate, negative investment growth and reduction of import/export activity.

Particularly, as at 31 December 2015, the macroeconomic assumptions that were considered by the Group in estimating the impairment losses on loans and advances to customers are those provided by the Single Supervisory Mechanism in August 2015 regarding the real GDP's growth rate, i.e. decline by 2.3% in 2015, decline by 1.3% in 2016, increase by 2.7% in 2017, as well as the level of unemployment rate, i.e. 26.9% in 2015, 27.1% in 2016 and 25.7% in 2017. Prior to the aforementioned financial and political developments in Greece, the Group applied its own estimates on the respective macroeconomic variables, i.e. increase of real GDP growth rate by 0.2% in 2015, 2.0% in 2016 and 2.5% in 2017, and gradual decrease of the unemployment rate to 25.7% in 2015, 24.0% in 2016 and 22.0% in 2017.

(b) the downward trend in the real estate market in Greece and the expected further delay of its recovery period. As at 31 December 2015, the residential and commercial property prices that were considered by the Group in estimating the impairment losses on loans and advances represent the consensus forecasts of the Chief Economists of the four Greek systemic banks, as well as the Group's own estimates. Particularly, the residential property prices are expected to decline by 5.8% in 2015, 2.4% in 2016 and increase by 1.6% in 2017. On the other hand, the commercial property prices are expected to decline by 3.7% in 2015, 0.3% in 2016 and increase by 1.3% in 2017. Prior to the aforementioned financial and political developments in Greece, the latest available information on the respective variables, as was published by the European Banking Authority and taken into consideration by the Group, provided for the decline of the residential property prices by 3.7% in 2015 and by 1.2% in 2016, and the decline of commercial property prices by 0.8% in 2015 and the increase by 0.6% in 2016.

Additionally, in view of the updated estimates on property prices, as well as the updated information on market's activity and range of prices, the Group applied more conservative haircuts on collaterals' values, in order to reflect appropriately their recovery amount.

Furthermore, as at 31 December 2015, in assessing the adequacy of impairment losses on loans and advances to customers, the Group took into consideration the 2015 AQR results and their underlying assumptions, the impact of which was captured in the second quarter of 2015, to the appropriate extent, based on the Group's existing impairment policies and within the context of its revised estimates, as described above (see also note 3).

Accordingly, for the year ended 31 December 2015, the Group recognized an impairment loss of € 902 million and € 1,763 million for wholesale and retail loan exposures, respectively. Considering the interrelationship among the key parameters used by the Group for the measurement of impairment losses, as described above, it is not practicable to quantify separately the effect of each key parameter, in a reliable manner.

26. Investment securities

	2015 **€ million**	2014 € million
Available-for-sale investment securities	**4,282**	5,626
Debt securities lending portfolio	**11,391**	11,566
Held-to-maturity investment securities	**618**	657
	16,291	17,849

In 2008 and 2010, in accordance with the amendments to IAS 39, the Group reclassified eligible debt securities from the 'Available-for-sale' portfolio to 'Debt securities lending' portfolio carried at amortized cost. Interest on the reclassified securities continued to be recognized in interest income using the effective interest rate method. As at 31 December 2015, the carrying amount of the reclassified securities was € 1,011 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2015 would have resulted in € 339 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

26.1 Classification of investment securities by type

	31 December 2015			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Debt securities				
- EFSF bonds	-	10,042	-	10,042
- Greek government bonds	784	881	-	1,665
- Greek government treasury bills	2,157	-	-	2,157
- Other government bonds	981	311	394	1,686
- Other issuers	225	157	224	606
	4,147	11,391	618	16,156
Equity securities	135	-	-	135
Total	4,282	11,391	618	16,291

	31 December 2014			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Debt securities				
- EFSF bonds	-	10,061	-	10,061
- Greek government bonds	683	891	-	1,574
- Greek government treasury bills	2,377	-	-	2,377
- Other government bonds	2,013	411	372	2,796
- Other issuers	259	203	285	747
	5,332	11,566	657	17,555
Equity securities	294	-	-	294
Total	5,626	11,566	657	17,849

26.2 Movement of investment securities

	31 December 2015			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Balance at 1 January	5,626	11,566	657	17,849
Additions, net of disposals and redemptions	(84)	(127)	(44)	(255)
Net gains/(losses) from changes in fair value for the year	92	-	-	92
Amortisation of premiums/discounts and interest	100	(22)	5	83
Amortisation of mark-to-market of reclassified securities	-	2	2	4
Changes in fair value due to hedging	-	(15)	-	(15)
Impairment losses/reversal	(6)	-	9	3
Exchange adjustments	22	10	8	40
Discontinued operations	(1,468)	(23)	(19)	(1,510)
Balance at 31 December	4,282	11,391	618	16,291

	31 December 2014			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Balance at 1 January	3,113	14,862	741	18,716
Additions, net of disposals and redemptions	2,725	(3,413)	(67)	(755)
Transfers to loans (note 24)	(150)	-	-	(150)
Net gains/(losses) from changes in fair value for the year	(47)	-	-	(47)
Amortisation of premiums/discounts and interest	93	20	1	114
Amortisation of mark-to-market of reclassified securities	-	2	2	4
Changes in fair value due to hedging	-	74	-	74
Impairment losses/reversal	(64)	-	(29)	(93)
Exchange adjustments	28	21	9	58
Discontinued operations	(72)	-	(0)	(72)
Balance at 31 December	5,626	11,566	657	17,849

26.3 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 recognized in a revaluation reserve for available for sale financial assets in equity. The movement of the reserve is as follows:

	2015 € million	2014 € million
Balance at 1 January	**(37)**	49
Net gains/(losses) from changes in fair value	**131**	(47)
Deferred income taxes	**(33)**	16
	98	(31)
Net (gains)/losses transferred to net profit on disposal	**(33)**	(85)
Impairment losses transferred to net profit	**7**	12
Deferred income taxes on net (gains)/losses transferred to net profit on disposal	**5**	11
Deferred income taxes on impairment losses transferred to net profit	**(2)**	(3)
	(23)	(65)
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	**16**	12
Deferred income taxes	**(3)**	(2)
	13	10
Balance at 31 December	**51**	(37)

As at 31 December 2015 the revaluation reserve for available for sale financial assets included cumulative gains related to the insurance operations classified as held for sale of € 79 million (2014: € 61 million gains) (note 17).

27. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2015, included in the consolidated financial statements for the year ended 31 December 2015:

Name	Note	Percentage holding	Country of incorporation	Line of business
Be Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services		98.01	Greece	Business-to-business e-commerce, accounting and tax services
Cloud Hellas S.A.		20.48	Greece	Real estate
ERB Insurance Services S.A.		100.00	Greece	Insurance brokerage
Eurobank Asset Management Mutual Fund Mngt Company S.A.		100.00	Greece	Mutual fund and asset management
Eurobank Business Services S.A.		100.00	Greece	Payroll and advisory services
Eurobank Equities S.A.		100.00	Greece	Capital markets and advisory services
Eurobank Ergasias Leasing S.A.	g	100.00	Greece	Leasing
Eurobank Factors S.A.		100.00	Greece	Factoring
Eurobank Financial Planning Services S.A.		100.00	Greece	Management of overdue loans
Eurobank Household Lending Services S.A.		100.00	Greece	Promotion/management of household products
GRIVALIA PROPERTIES R.E.I.C.		20.48	Greece	Real estate
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Eurobank Remedial Services S.A.		100.00	Greece	Notification to overdue debtors
Eurolife ERB General Insurance S.A.		100.00	Greece	Insurance services
Eurolife ERB Life Insurance S.A.		100.00	Greece	Insurance services
Hellenic Post Credit S.A.		50.00	Greece	Credit card management and other services
Eurobank ERB Mutual Funds Mngt Company S.A.	i	100.00	Greece	Mutual fund management
Eurolife ERB Insurance Group Holdings S.A.	h	100.00	Greece	Holding company
Herald Greece Real Estate development and services company 1		100.00	Greece	Real estate
Herald Greece Real Estate development and services company 2		100.00	Greece	Real estate
Diethnis Ktimatiki S.A.	b	100.00	Greece	Real estate
Eurobank Bulgaria A.D.		99.99	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Rendering of financial services and credit card management
ERB Property Services Sofia A.D.		100.00	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
Foramonio Ltd		100.00	Cyprus	Real estate
NEU 03 Property Holding Ltd		100.00	Cyprus	Holding company
NEU II Property Holdings Ltd		100.00	Cyprus	Holding company
NEU BG Central Office Ltd		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
Grivalia Hospitality S.A.	c	20.48	Luxembourg	Real estate
Grivalia New Europe S.A.	e	20.48	Luxembourg	Real estate
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.	l	99.15	Romania	Banking
Eliade Tower S.A.		20.48	Romania	Real estate
ERB IT Shared Services S.A.		100.00	Romania	Informatics data processing
ERB Leasing IFN S.A.		100.00	Romania	Leasing
ERB Retail Services IFN S.A.		100.00	Romania	Credit card management
ERB ROM Consult S.A.		100.00	Romania	Consultancy services
Eurobank Finance S.A.		100.00	Romania	Investment banking
Eurobank Property Services S.A.	j	100.00	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.		20.48	Romania	Real estate
Seferco Development S.A.		20.48	Romania	Real estate
Eurobank A.D. Beograd		99.98	Serbia	Banking
ERB Asset Fin d.o.o. Beograd	f	100.00	Serbia	Asset management
ERB Leasing A.D. Beograd		99.99	Serbia	Leasing
ERB Property Services d.o.o. Beograd	k	100.00	Serbia	Real estate services
IMO Property Investments A.D. Beograd		100.00	Serbia	Real estate services
Reco Real Property A.D.		20.48	Serbia	Real estate
ERB 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
ERB Hellas Plc		100.00	United Kingdom	Special purpose financing vehicle
Anaptyxi II Plc		-	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle
Daneion 2007-1 Plc		-	United Kingdom	Special purpose financing vehicle
Daneion APC Ltd		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle

The Group holds less than half of the voting rights of GRIVALIA PROPERTIES R.E.I.C. and its subsidiaries: Cloud Hellas S.A., Greece; Eliade Tower S.A., Retail Development S.A., Seferco Development S.A., Romania, Reco Real Property A.D., Serbia, Grivalia Hospitality S.A., Luxembourg and Grivalia New Europe S.A., Luxembourg ("GRIVALIA subgroup"), which are controlled by the Group based on the terms of a relevant shareholders' agreement. In addition, the Group holds half of the voting rights of Hellenic Post Credit S.A. which is fully consolidated. The Bank with the consent of the other shareholder who holds the remaining 50% of the share capital, has appointed the majority of the Board's directors and directs the current operations that significantly affect the returns of the company.

The following entities are not included in the consolidated financial statements mainly due to immateriality:

(i) Holding entities of Group's special purpose financing vehicles: Anaptyxi II Holdings Ltd, Anaptyxi SME I Holdings Ltd, Daneion Holdings Ltd, Karta II Holdings Ltd, Themeleion III Holdings Ltd and Themeleion IV Holdings Ltd

(ii) Dormant/under liquidation entities: Enalios Real Estate Development S.A., Hotels of Greece S.A., Proton Mutual Funds Management Company S.A

(iii) Entities controlled by the Group pursuant to the terms of the relevant share pledge agreements: Finas S.A., Rovinvest S.A., Provet S.A. and Promivet S.A.

(a) Global Fund Management S.A, Greece

In April 2015, the liquidation of the company was completed.

(b) Diethnis Ktimatiki S.A., Greece

In May 2015, the Group acquired 100% of Diethnis Ktimatiki S.A. through its subsidiary Eurolife ERB Life Insurance S.A. The transaction was recognized as an acquisition of an asset that does not constitute a business, since the acquired entity is a single asset entity owning a vacant building, and thus did not give rise to goodwill.

(c) Grivalia Hospitality S.A., Luxembourg

In June 2015, the Group established Grivalia Hospitality S.A. through its subsidiary GRIVALIA PROPERTIES R.E.I.C. Hence, the total Group participation to the company amounts to 20.48%.

(d) Byzantium Finance Plc, United Kingdom

In June 2015, the liquidation of the company was completed.

(e) Grivalia New Europe S.A., Luxembourg

In July 2015, the Group established Grivalia New Europe S.A. through its subsidiary GRIVALIA PROPERTIES R.E.I.C. Hence, the total Group participation to the company amounts to 20.48%.

(f) ERB Asset Fin d.o.o. Beograd, Serbia

In September 2015, the liquidation of the company was decided.

(g) Eurobank Ergasias Leasing S.A., Greece

In December 2015, Eurobank Ergasias Leasing S.A. merged with T Credit S.A.

(h) Eurolife ERB Insurance Group Holdings S.A., Greece

In December 2015, the Group announced that it has reached an agreement with Fairfax Financial Holdings Limited to sell 80% of Eurolife ERB Insurance Group Holdings S.A. (note 17).

Changes in ownership interest in subsidiaries which did not result in loss of control

(i) Eurobank ERB Mutual Funds Mngt Company S.A., Greece (former Hellenic Postbank – Hellenic Post Mutual Funds Management Company S.A.)

In January 2015, the Group acquired from Hellenic Post (ELTA) 49% of Hellenic Postbank – Hellenic Post Mutual Funds Management Company S.A. and thus the total Group participation to the company amounted to 100%. In September 2015, the Annual General Meeting of shareholders of the company decided its liquidation. In November 2015, Hellenic Postbank - Hellenic Post Mutual Funds Mngt Company S.A. was renamed to Eurobank ERB Mutual Funds Mngt Company S.A.

(j) Eurobank Property Services S.A., Romania

In March 2015, the Group acquired from Lamda Development S.A 20% of Eurobank Property Services S.A. and thus the total Group participation to the company amounts to 100%.

(k) ERB Property Services d.o.o. Beograd, Serbia

In April 2015, the Group acquired from Lamda Development S.A 20% of ERB Property Services d.o.o. Beograd and thus the total Group participation to the company amounts to 100%.

(l) Bancpost S.A., Romania

In June 2015, the Group acquired 0.04% of Bancpost S.A. and thus the total Group participation to the company amounts to 99.15%.

In 2014, the changes in ownership in the Group's subsidiaries without loss of control are as follows:

(i) GRIVALIA PROPERTIES R.E.I.C., Greece

Following the completion of the transactions with Fairfax Financial Holdings Limited and with institutional investors, the Group's ownership interest to GRIVALIA subgroup decreased from 55.94% to 20.48% (0.48% of which is indirectly held through the Group's insurance companies) without loss of control. The effect of the transactions was a decrease in shareholder's equity by € 45 million.

(ii) ERB Property Services Sofia A.D., Bulgaria

In October 2014, Eurobank Property Services S.A. acquired from Lamda Development S.A. 20% of ERB Property Services Sofia AD., and thus the total group participation to the company amounts to 100%.

Changes in ownership interest in subsidiaries which resulted in loss of control

During 2015 and 2014, there were no changes in ownership interest in Group's subsidiaries with loss of control.

Group subsidiaries with material non controlling interests

GRIVALIA PROPERTIES R.E.I.C and its subsidiaries are the only of the Group's entities with material non controlling interests amounting to 79.52% in 2015 (2014: 79.52%). Financial information regarding GRIVALIA subgroup, which is before inter-company eliminations with other companies in the Group, is provided in the table below:

	2015 € million	2014 € million
Total income	60	61
Total expenses	(27)	(28)
Net profit/(loss)	**33**	33
Other comprehensive income	(0)	(0)
Total comprehensive income	33	33
Total comprehensive income attibutable to non controlling interests	**26**	24
Total assets	915	919
Total liabilities	78	84
Net assets	**837**	835
Net assets attributable to non controlling interests	**667**	664
Net cash from/(used in) operating activities	45	37
Net cash from/(used in) investing activities	(76)	(211)
Net cash from/(used in) financing activities	(42)	168
Net increase/(decrease) in cash and cash equivalents	**(73)**	(5)
Cash and cash equivalents at beginning of year	185	191
Cash and cash equivalents at end of year	**112**	185
Dividends paid to non controlling interests	**24**	12

The GRIVALIA subgroup entities' principal country of operation is the same as the country of their incorporation.
The proportion of voting rights held by non controlling interests does not differ from the proportion of ownership interests held by them.

Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from regulatory, statutory and contractual requirements, as well as from the protective rights of non controlling interests, set out below:

- Banking and other financial institution subsidiaries are subject to regulatory restrictions and central bank requirements in the countries in which the subsidiaries operate. Such supervisory framework requires the subsidiaries to maintain minimum capital buffers and certain capital adequacy and liquidity ratios, including restrictions to limit exposures and/or the transfer of funds to the Bank and other subsidiaries within the Group. Accordingly, even if the subsidiaries' financial assets are not pledged at an individual entity level, their transfer within the Group may be restricted under the existing supervisory framework. In this situation, it is not feasible to identify individual balance sheet items that cannot be transferred other than the major part of ECB's available collateral held by Group's subsidiaries (note 7.2.3).
As at 31 December 2015, the carrying amount of the Group financial institution subsidiaries' assets and liabilities, before intercompany eliminations, amounted to € 16.8 bn and € 14.9 bn, respectively (2014: € 17.9 bn and € 15.6 bn).

- Subsidiaries are subject to statutory requirements mainly relating with the level of capital and total equity that they should maintain, restrictions on the distribution of capital and special reserves, as well as dividend payments to their ordinary shareholders. Information relating to the Group's non-distributable reserves is provided in note 42. Moreover, the distribution of dividend to the preference shareholders, as well as the preferred securities holders is subject to restrictions provided under Law 3723/2008 in combination with Law 2190/1920 (note 40) and the preferred securities' prospectus (note 41), respectively.

- Insurance subsidiaries, which are also subject to regulatory and statutory restrictions, hold financial assets in order to satisfy their obligations to policy holders of € 1,772 million (2014: 1,799 million), before intercompany eliminations.

- The Group uses its financial assets as collateral for repo and derivative transactions, secured borrowing from central and other banks, as well as securitizations. As a result of financial assets' pledge, their transfer within the group is not permitted. Information relating to the Group's pledged financial assets is provided in notes 21, 32 and 43.

- The Group is required to maintain balances with central banks and also posts cash collaterals for obtaining funding from Eurosystem. Information relating to mandatory and collateral deposits with central banks is provided in note 19.

- In accordance with the terms of the Shareholders' Agreement of GRIVALIA PROPERTIES R.E.I.C., certain protective rights were granted to non controlling interests, requiring their consent for specific material and related party transactions that involve the GRIVALIA subgroup's total assets and liabilities, before intercompany eliminations, of € 915 million and € 78 million, respectively.

28. Structured Entities

The Group is involved in various types of structured entities, such as securitization vehicles, mutual funds and private equity funds.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities, a narrow well-defined objective, insufficient equity to permit it to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

An interest in a structured entity refers to contractual and non-contractual involvement that exposes the Group to variability of returns from the performance of the structured entity. Examples of interest in structured entities include the holding of debt and equity instruments, contractual arrangements, liquidity support, credit enhancement, residual value.

Structured entities may be established by the Group or by a third party and are consolidated when the substance of the relationship is such that the structured entities are controlled by the Group, as set out in note 2.2(i). As a result of the consolidation assessment performed, the Group has involvement with both consolidated and unconsolidated structured entities, as described below.

Consolidated structured entities

The Group, as part of its funding activity, enters into securitization transactions of various classes of loans (mortgage, consumer loans, credit card and bond loans), which generally result in the transfer of the above assets to structured entities (securitization vehicles), which, in turn issue debt securities held by investors and the Group's entities. A listing of the Group's consolidated structured entities is set out in note 27.

The Group monitors the credit quality of the securitizations' underlying loans, as well as the credit ratings of the debt instruments issued, when applicable, and provides either credit enhancements to the securitization vehicles and/or transfers new loans to the pool of their underlying assets, whenever necessary, in accordance with the terms of the relevant contractual arrangements in force. As at 31 December 2015, the face value of debt securities issued by the securitizations sponsored by the Group amounted to € 1,505 million, all of which were held by the Group's entities, in order to obtain collateralized funding (2014: € 4,945 million, out of which € 4,814 million held by the Group's entities).

The Group did not provide any non contractual financial or other support to these structured entities, and currently has no intention to do so in the foreseeable future.

Unconsolidated structured entities

The Group enters into transactions with unconsolidated structured entities, which are those not controlled by the Group, in the normal course of business, to provide fund management services and in order to take advantage of specific investment opportunities.

Group managed funds

The Group establishes and manages structured entities in order to provide customers, either retail or institutional, with investment opportunities. Accordingly, through its subsidiaries Eurobank Asset Management Mutual Fund, Eurobank ERB Mutual Funds Mngt Company S.A., Eurobank Fund Management Company (Luxembourg) S.A. and ERB Asset Fin doo Beograd, it is engaged with the management of different types of mutual funds, including fixed income, equities, funds of funds and money market.

Additionally, the Group is entitled to receive management and other fees and may hold investments in such mutual funds for own investment purposes as well as for the benefit of its customers under unit linked products.

The Group is involved in the initial design of the mutual funds and, in its capacity as fund manager, takes investment decisions on the selection of their investments, nevertheless within a predefined, by relevant laws and regulations, decision making framework. Therefore, the Group has determined that it has no power over these funds.

Furthermore, in its capacity as fund manager, the Group primary acts as an agent in exercising its decision making authority over them. Based on the above, the Group has assessed that it has no control over these mutual funds and as a result does not consolidate them. The Group does not have any contractual obligation to provide financial support to the managed funds and does not guarantee their rate of return.

Non-Group managed funds

The Group purchases and holds units of third party managed funds including mutual funds, private equity and other investment funds.

Securitizations

The Group has interests in unconsolidated securitization vehicles by investing in residential mortgage backed and other asset-backed securities issued by these entities.

The table below sets out the carrying amount of the Group's interests in unconsolidated structured entities, recognized in the consolidated balance sheet as at 31 December 2015, representing its maximum exposure to loss in relation to these interests. Information relating to the total income derived from interests in unconsolidated structured entities, recognized either in profit or loss or other comprehensive income during 2015 is also provided (i.e. fees, interest income, net gains or losses on revaluation and derecognition):

	31 December 2015			
	Unconsolidated structured entity type			
	Securitizations	**Group managed funds**	**Non- Group managed funds**	**Total**
	€ million	**€ million**	**€ million**	**€ million**
Group's interest- assets				
Investment securities	243	56	25	**324**
Financial instruments held for trading	-	-	1	**1**
Other Assets	-	1	-	**1**
Total	**243**	**57**	**26**	**326**
Total income from Group interests	1	37	(3)	**35**

	31 December 2014			
	Unconsolidated structured entity type			
	Securitizations	Group managed funds	Non- Group managed funds	Total
	€ million	€ million	€ million	€ million
Group's interest- assets				
Investment securities	285	65	138	488
Financial instruments held for trading	-	7	7	14
Financial instruments designated at fair value through profit or loss (unit linked)	-	242	-	242
Other Assets	-	1	-	1
Total	285	315	145	745
Total income from Group interests	3	32	3	38

Total income from Group interests in relation to Group managed funds, amounting to € 37 million in 2015 as presented in the table above, consists mainly of income relating to management fees and other commissions for the management of funds. In addition, from total income in relation to non-Group managed funds, amounting to € 3 million losses in 2015 as set out above, derived from gains or losses on revaluation and derecognition of interests, € 0.3 million losses have been recognized in other comprehensive income, whereas € 2.8 million relate to losses recognized in profit or loss. Income in relation to securitizations has been recognized in profit or loss.

In addition, as at 31 December 2015 interests in unconsolidated structured entities held by Group's insurance operations classified as held for sale amount to € 338 million. Total income from interests in unconsolidated structured entities held by the Group's insurance operations amounting to € 18 million gain in 2015, consists of € 8 million and € 10 million recognized in other comprehensive income and profit or loss respectively.

As at 31 December 2015, the total assets of funds under the Group's management as well as those of unconsolidated securitization vehicles amounted to € 3,677 million and € 10,930 million, respectively.

29. Property, plant and equipment

	31 December 2015			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	835	247	427	1,509
Transfers	2	(2)	(8)	(8)
Additions	6	6	10	22
Disposals and write-offs	(13)	(13)	(5)	(31)
Impairment	(0)	-	-	(0)
Exchange adjustments	(1)	(0)	(1)	(2)
Discontinued operations	(0)	(1)	(2)	(3)
Balance at 31 December	829	237	421	1,487
Accumulated depreciation:				
Balance at 1 January	(227)	(206)	(374)	(807)
Transfers	0	1	3	4
Disposals and write-offs	10	11	5	26
Charge for the year	(22)	(10)	(14)	(46)
Exchange adjustments	(0)	(0)	(0)	(0)
Discontinued operations	(0)	1	1	2
Balance at 31 December	(239)	(203)	(379)	(821)
Net book value at 31 December	590	34	42	666

	31 December 2014			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	875	261	434	1,570
Arising from acquisitions	0	0	-	0
Transfers	(15)	(1)	12	(4)
Transfers from/to repossessed assets	0	-	-	0
Additions	7	6	13	26
Disposals and write-offs	(14)	(8)	(27)	(49)
Impairment	(1)	(0)	-	(1)
Exchange adjustments	(3)	-	(1)	(4)
Discontinued operations	(14)	(11)	(4)	(29)
Balance at 31 December	835	247	427	1,509
Accumulated depreciation:				
Balance at 1 January	(214)	(208)	(378)	(800)
Transfers	1	1	(3)	(1)
Arising from acquisitions	0	0	-	0
Disposals and write-offs	10	7	23	40
Charge for the year	(28)	(14)	(20)	(62)
Exchange adjustments	0	0	1	1
Discontinued operations	4	8	3	15
Balance at 31 December	(227)	(206)	(374)	(807)
Net book value at 31 December	608	41	53	702

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

Included in the above as at 31 December 2015 is € 0.3 million (2014: € 0.5 million) relating to assets under construction.

The net book value of finance leases included in property, plant and equipment as at 31 December 2015 was € 1.1 million (2014: € 2 million).

30. Investment property

The movement of investment property (net book value) is as follows:

	2015 € million	2014 € million
Cost:		
Balance at 1 January	**937**	779
Arising from acquisition of subsidiaries [1]	-	21
Transfers from/to repossessed assets	**20**	40
Other transfers	**(2)**	15
Additions	**85**	163
Disposals and write-offs	**(22)**	(20)
Impairments	**(19)**	(56)
Exchange adjustments	**(0)**	0
Discontinued operations	**(2)**	(5)
Balance at 31 December	**997**	937
Accumulated depreciation:		
Balance at 1 January	**(61)**	(51)
Transfers	**(0)**	(1)
Disposals and write-offs	**1**	0
Charge for the year	**(12)**	(9)
Exchange adjustments	**0**	-
Discontinued operations	**(0)**	0
Balance at 31 December	**(72)**	(61)
Net book value at 31 December	**925**	876

[1] Amount € 21 million relates with the investment properties held by the subsidiaries Herald Greece 1 and Herald Greece 2 acquired by the Group in September 2014.

During the year ended 31 December 2015, an amount of € 48 million (2014: € 42 million) was recognized as rental income from investment property in income from non banking services. As at 31 December 2015 and 2014, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2015 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 categorized within level 3 of the fair value hierarchy.

	31 December 2015		31 December 2014	
	Fair Value € million	Book Value € million	Fair Value € million	Book Value € million
Residential				
International countries	**61**	**58**	67	65
Total	**61**	**58**	67	65
Commercial				
Greece	**625**	**581**	524	504
International countries	**155**	**150**	169	158
Total	**780**	**731**	693	662
Land Plots				
Greece	**5**	**4**	6	4
International countries	**48**	**48**	57	57
Total	**53**	**52**	63	61
Industrial				
Greece	**52**	**41**	53	42
International countries	**43**	**43**	47	46
Total	**95**	**84**	100	88
Total	**989**	**925**	923	876

The basic methods used for estimating the fair value of the Group's investment property are the income approach (income capitalization/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 capitalization 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 capitalization 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.

The Group's investment property valuations are performed taking into consideration the highest and best use of each asset that is physically possible, legally permissible and financially feasible.

31. Intangible assets

	31 December 2015			31 December 2014		
	Goodwill € million	Other intangible assets € million	Total € million	Goodwill € million	Other intangible assets € million	Total € million
Cost:						
Balance at 1 January	541	347	888	537	346	883
Transfers	-	10	10	-	(8)	(8)
Additions	-	22	22	4	28	32
Disposals and write-offs	-	(12)	(12)	-	(8)	(8)
Impairment	-	-	-	-	(2)	(2)
Exchange adjustments and other	-	(1)	(1)	-	(1)	(1)
Discontinued operations	(22)	(5)	(27)	-	(8)	(8)
Balance at 31 December	519	361	880	541	347	888
Accumulated impairment/amortisation:						
Balance at 1 January	(519)	(219)	(738)	(421)	(196)	(617)
Transfers	-	(4)	(4)	-	3	3
Amortisation charge for the year	-	(26)	(26)	-	(38)	(38)
Disposals and write-offs	-	12	12	-	8	8
Impairment (see below)	-	-	-	(98)	-	(98)
Exchange adjustments	-	0	0	-	1	1
Discontinued operations	-	3	3	-	3	3
Balance at 31 December	(519)	(234)	(753)	(519)	(219)	(738)
Net book value at 31 December	0	127	127	22	128	150

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 2.9(i). Following the classification of the insurance operations as a disposal group held for sale, the Group's entire carrying amount of goodwill, which was allocated to Eurolife ERB General Insurance S.A, amounting to € 22 million and previously presented on the Group's balance sheet under intangible assets (2014: € 22 million), has been included within Assets of disposal groups classified as held for sale and reported under the Wealth Management reportable segment.

The details of the impairment test for the goodwill allocated to Eurolife ERB General Insurance S.A are provided in note 17.

(i) Global and Capital Markets and Corporate segments

During the year ended 31 December 2014, the Group recognized an impairment loss of € 4 million against the goodwill initially recognized upon the acquisition of Herald Greece 1 and Herald Greece 2, which was reduced to nil. Furthermore, an impairment loss of € 2 million was recognized against the goodwill allocated to Eurobank Equities S.A. from the acquisition of Accentis S.A, which also reduced goodwill to nil.

Following the finalization of the provisional values used for the total assets of Herald Greece 1 and Herald Greece 2 in 2015, an additional goodwill asset of € 0.4 million was recognized for both companies, which was subsequently fully impaired.

(ii) International segment

During the year ended 31 December 2014, the Group recognized an impairment loss of € 92 million against the goodwill allocated to Bulgaria. As a result, the goodwill for Bulgaria was reduced to nil.

32. Other assets

	2015 € million	2014 € million
Receivable from Deposit Guarantee and Investment Fund	**677**	668
Repossessed properties and relative prepayments	**463**	526
Pledged amount for a Greek sovereign risk financial guarantee	**258**	257
Income tax receivable	**271**	243
Other guarantees	**182**	94
Prepaid expenses and accrued income	**39**	57
Investments in associated undertakings and joint ventures (see below)	**10**	6
Other assets	**251**	292
	2,151	2,143

As at 31 December 2015, other assets amounting to € 251 million (2014: € 292 million) mainly consist of receivables from a) settlement balances with customers, b) public entities, c) legal cases, net of provisions and d) brokerage activity.

With regards to the Group's associated undertakings and joint ventures, none of them is considered individually material for the Group, based on their size or activities.

The following is a listing of the Group's associated undertakings and joint ventures as at 31 December 2015:

Name	Note	Country of incorporation	Line of business	Percentage Holding
Femion Ltd		Cyprus	Special purpose investment vehicle	66.45
Tefin S.A. (1)		Greece	Motor vehicle sales financing	50.00
Sinda Enterprises Company Ltd		Cyprus	Special purpose investment vehicle	48.00
Unitfinance S.A. (1)		Greece	Financing company	40.00
Global Finance S.A.	a	Greece	Investment Financing	33.82
Rosequeens Properties Ltd		Cyprus	Special purpose investment vehicle	33.33
Rosequeens Properties SRL		Romania	Real estate company	33.33
Odyssey GP S.a.r.l.		Luxembourg	Special purpose investment vehicle	20.00

(1) *In December 2013, the Extraordinary General Meeting of shareholders of the companies decided their liquidation.*

The following entities are not accounted under the equity method in the consolidated financial statements:

(i) Filoxenia S.A. which is a dormant and under liquidation associated undertaking, not accounted under the equity method due to immateriality

(ii) Omega Insurance and Reinsurance Brokers S.A. in which the Group holds 26.05%. The Group is not represented in the Board of Directors of the company, therefore does not exercise significant influence over it.

In addition, Femion Ltd. is accounted for as a joint venture of the Group based on the substance and the purpose of the arrangement and the terms of the shareholder's agreement which require the unanimous consent of the shareholders for significant decisions and establish shared control through the equal representation of the shareholders in the management bodies of the company.

(a) Global Finance S.A., Greece

In December 2015, the Group acquired from individuals 13.96% of Global Finance S.A. and thus the total Group participation to the company increased from 19.86% to 33.82%. Hence, thereafter, Global Finance group (Global Finance S.A. and its subsidiaries) is considered as a Group's associated undertaking.

(b) Cardlink S.A., Greece

In January 2015, the Group disposed its participation interest of 50% in Cardlink S.A. The total number of shares of Cardlink S.A. which were held by the Group, were disposed to a company of the group 'Quest Holdings S.A.', for a total consideration amount of € 7.5 million, of which an amount of € 5.5 million has been received by 31 December 2015.

The carrying amount, in aggregate, of Group's joint ventures as at 31 December 2015 amounted to € 6 million (2014: € 6 million). The Group's share of profit and loss and total comprehensive income of the above entities was immaterial.

The carrying amount, in aggregate, of Group's associated undertakings (Global Finance S.A. and Odyssey GP S.a.r.l) as at 31 December 2015 amounted to € 4 million (2014: € 0.01 million) The Group's share of profit and loss and total comprehensive income of the above entities was immaterial.

The Group has not recognized losses in relation to its interest in its joint ventures, as its share of losses exceeded its interest in them and no incurred obligations exist or any payments were performed on behalf of them. For the year ended 31 December 2015, the unrecognized share of losses for the Group's joint ventures amounted to € 1.5 million, (2014: € 5.4 million). The cumulative amount of unrecognized share of losses for the joint ventures amounted to € 7.8 million.

The Group has no contingent liabilities regarding its participation in associated undertakings or joint ventures nor any unrecognized commitments in relation to its participation in joint ventures which could result to a future outflow of cash or other resources.

No significant restrictions exist (e.g. resulting from loan agreements, regulatory requirements or other contractual arrangements) on the ability of associated undertakings or joint ventures to transfer funds to the Group either as dividends or to repay loans that have been financed by the Group.

Post balance sheet events

Unitfinance S.A.,Greece

In January 2016, the liquidation of the company was completed.

Singidunum - Buildings d.o.o. Beograd, Serbia

In February 2016, IMO Property Investments A.D Beograd acquired 50% of the shares and voting rights of Singidunum-Buildings d.o.o. Beograd ('Singidunum'), a real estate company incorporated in Serbia, for a cash consideration of € 10 million. Based on the contractual terms of the shareholders' agreements and the substance of the arrangement, Singidunum will be accounted as a joint venture of the Group.

In accordance with the terms of the shareholders' agreement, the Group's participation will be subsequently reduced following a debt to equity conversion in favor of the other shareholder, Lamda Development B.V, which is currently in process, without changing the accounting of Singidunum as a joint venture.

33. Due to central banks

	2015 € million	2014 € million
Secured borrowing from ECB and BoG	**25,267**	12,610

As at 31 December 2015, the Bank has increased its dependency on Eurosystem financing facilities to € 25.3 bn (of which € 20 bn funding from ELA), as a result of deposit withdrawals and the reduction of wholesale secured funding. As at 29 February 2016, the Eurosystem funding stood at € 24.3 bn, of which € 19.5 bn funding from ELA.

34. Due to credit institutions

	2015 € million	2014 € million
Secured borrowing from other banks	**3,969**	9,695
Borrowings from international financial and other institutions	**478**	398
Interbank takings	**39**	80
Current accounts and settlement balances with banks	**30**	83
	4,516	10,256

As at 31 December 2015, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals EFSF bonds (note 26). At the same date, secured borrowings from international financial and other institutions amounted to € 206 million.

As at 31 December 2015, borrowings from international financial and other institutions include € 100 million, which refer to funds received by the Bank from IFG – Greek SME Finance S.A., in order to provide financing to Small & Medium-Sized Enterprises (SMEs). The funds originated from the German and Greek Public and are under the management of KFW (German government-owned development bank) and ETEAN S.A. (Hellenic fund for entrepreneurship and development) respectively.

35. Due to customers

	2015 € million	2014 € million
Term deposits	**13,653**	24,505
Savings and current accounts	**17,679**	15,258
Repurchase agreements	**53**	515
Unit linked products (note 17)	**-**	494
Other term products (note 36)	**61**	106
Total	**31,446**	40,878

As at 31 December 2015, the carrying amount of structured deposits designated at fair-value-through-profit-or-loss was € 4 million (2014: € 32 million) and their cumulative fair value change was € 1 million gain (2014: € 3 million gain), 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.

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 € 1 million (2014: € 3 million).

The other term products comprise of (a) senior medium-term notes held by Group's customers, amounting to € 28 million (2014: € 57 million) and (b) subordinated notes held by Group's customers, amounting to € 33 million (2014: € 49 million).

36. Debt securities in issue

	2015 € million	2014 € million
Medium-term notes (EMTN) (note 35)	**108**	409
Subordinated - Lower Tier II (note 35)	**42**	218
Securitized	**-**	131
Government guaranteed bonds	**-**	53
	150	811

As at 31 December 2015, the carrying amount of structured notes designated at fair-value-through-profit-or-loss amounted to € 38 million (2014: € 37 million) and their cumulative fair value change to € 0.2 million gain (2014: € 0.3 million loss). The fair value of the structured notes takes into account the credit risk of the Group. As at 31 December 2015 the cumulative change in fair value of these instruments attributable to changes in credit risk amounted to € 0.1 million gain (2014: € 4 million gain). The fair value change of the structured notes due to market risk, other than the Group's credit risk, is offset in the income statement against change in the fair value of structured derivatives.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured notes was € 0.2 million (2014: € 4 million).

The Group's funding consists of notes under Euro Medium Term Note (EMTN) program, securitizations of various classes of loans, covered bonds and government guaranteed bonds:

Medium-term notes (EMTN)

On 29 October 2015, the Bank launched a Liability Management Exercise (LME), in combination with its share capital increase (note 39). On 23 November 2015, the Bank announced that the aggregate purchase proceeds of the securities accepted as part of the LME amounted to € 418 million of which EMTNs € 247 million. The corresponding face value of EMTNs amounted to € 207 million (€ 128 million were held by third parties).

During the year, the Group proceeded with the repurchase of medium term notes of face value of € 173 million, recognising a gain of € 26 million presented in line 'Net trading income' of Group's income statement.

Subordinated (Lower TIER II)

The Lower Tier II unsecured subordinated notes issued by the Group as at 31 December 2015, amounted to € 75 million. The notes have a ten year maturity with a call provision after five years. The notes pay floating interest rate quarterly based on a coupon of three month Euribor plus 160 basis points, qualify as Lower Tier II capital for the Group and are listed on the Luxembourg Stock Exchange.

On 23 November 2015, the Bank announced that the aggregate purchase proceeds of subordinated loan notes participated in the aforementioned Bank's LME amounted to € 154 million, which corresponded to a face value of € 192 million. Accordingly, the LME of subordinated notes generated a gain of € 27 million after tax, presented in line 'Net trading income' of Group's income statement.

As at 31 December 2015, the liability amounted to € 42 million (2014: € 218 million).

Securitized

In June 2004, the Group 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 at 31 December 2015, the liability was fully redeemed (2014: € 10 million).

In June 2005, the Group 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 at 31 December 2015, the liability was fully redeemed (2014: € 27 million).

In June 2006, the Group 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. As at 31 December 2015, the liability was fully redeemed (2014: € 44 million).

In June 2007, the Group 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 at 31 December 2015, the liability was fully redeemed (2014: € 50 million).

During the year, the Group proceeded with the redemption of residential mortgage backed securities, consumer loans backed securities and small business loans backed securities of face value of € 3,332 million, issued through its special purpose entities, of which € 116 million were held by third parties.

Government guaranteed and covered bonds

As at 31 December 2015, the government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 4), as well as the covered bonds, of face value of € 13,043 million and € 100 million respectively, were retained by the Bank and its subsidiaries.

During the year, the Group proceeded with the cancellation of covered bonds of face value of € 3,050 million, held by the Bank and its subsidiaries.

During the year, the Group issued new government guaranteed bonds of face value of € 5,105 million while € 4,779 million matured and € 1,000 million were partially redeemed.

Post balance sheet events

During the first quarter of 2016, the Bank proceeded with the redemption of government guaranteed bonds of face value of € 2,147 million, while bonds of face value of € 500 million matured, all of which were fully retained by the Bank.

In March 2016, the Bank proceeded with the issue of covered bonds of face value of € 975 million which were fully retained by the Bank.

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.

37. Other liabilities

	2015 **€ million**	2014 € million
Insurance reserves (note 17)	**-**	1,267
Other provisions	**143**	97
Deferred income and accrued expenses	**70**	88
Settlement balances with customers [(1)]	**81**	48
Sovereign risk financial guarantee	**50**	52
Standard legal staff retirement indemnity obligations (note 38)	**42**	41
Deferred tax liabilities (note 16)	**5**	22
Income taxes payable	**15**	17
Other liabilities	**336**	388
	742	2,020

[(1)] *Including balances from brokerage activities*

As at 31 December 2015, other liabilities amounting to € 336 million mainly consist of payables relating with (a) suppliers and creditors, (b) bank checks and remittances, (c) contributions to insurance organizations, (d) duties and other taxes and (e) credit card transactions under settlement.

As at 31 December 2015, other provisions amounting to € 143 million mainly include outstanding litigations and claims in dispute of € 66 million (of which € 40 million relate to outstanding litigations with DEMCO S.A., note 44), restructuring costs of € 63 million (of which € 62 million relate to the Voluntary Exit Scheme, note 14) and other provisions for operational risk events of € 9 million.

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

	31 December 2015		
	Litigations and claims in dispute	**Other**	**Total**
	€ million	**€ million**	**€ million**
Balance at 1 January	**60**	**37**	**97**
Amounts charged during the year	**8**	**64**	**72**
Amounts used during the year	**(1)**	**(14)**	**(15)**
Amounts reversed during the year	**(2)**	**(1)**	**(3)**
Foreign exchange and other movements	**1**	**(6)**	**(5)**
Discontinued operations	**(0)**	**(3)**	**(3)**
Balance at 31 December	**66**	**77**	**143**

	31 December 2014		
	Litigations and claims in dispute	Other	Total
	€ million	€ million	€ million
Balance at 1 January	153	49	202
Amounts charged during the year	13	15	28
Amounts used during the year	(1)	(3)	(4)
Amounts reversed during the year (note 14)	(105)	(3)	(108)
Foreign exchange and other movements	0	(21)	(21)
Balance at 31 December	60	37	97

38. Standard legal staff retirement indemnity obligations

The Group provides for staff retirement indemnity obligation for its employees in Greece and abroad, who are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age, in accordance with the local labor 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:

	2015	2014
	€ million	€ million
Balance at 1 January	**41**	27
Current service cost	**3**	2
Interest cost	**1**	1
Past service cost and (gains)/losses on settlements	**5**	12
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**1**	10
Actuarial (gains)/losses arising from experience adjustments	**(1)**	(1)
Benefits paid	**(7)**	(10)
Exchange adjustments	**0**	0
Discontinued operations	**(1)**	-
Balance at 31 December	**42**	41

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

	2015	2014
	%	%
Discount rate	**2.6**	2.7
Future salary increases	**2.2**	1.9

As at 31 December 2015, the average duration of the standard legal staff retirement indemnity obligation was 18 years (2014: 19 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2015 is as follows:

An increase/(decrease) of the discount rate assumed, by 50 bps/(50 bps), would result in a (decrease)/increase of the standard legal staff retirement obligations by (€ 3.1 million)/ € 3.4 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 € 3.3 million/(€ 3.1million).

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 (2014: € 0.30). All shares are fully paid. The movement of ordinary share capital, share premium and treasury shares is as follows:

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
Balance at 1 January 2014	1,641	-	1,641	6,669	-	6,669
Share capital increase, net of expenses	2,771	-	2,771	13	-	13
Purchase of treasury shares	-	(2)	(2)	-	(0)	(0)
Sale of treasury shares	-	2	2	-	0	0
Balance at 31 December 2014	4,412	(0)	4,412	6,682	0	6,682
Balance at 1 January 2015	**4,412**	**(0)**	**4,412**	**6,682**	**0**	**6,682**
Share capital decrease through reverse split	(4,368)	**-**	**(4,368)**	**-**	**-**	**-**
Share capital increase, net of expenses	612	-	**612**	1,374	-	**1,374**
Purchase of treasury shares	-	(8)	**(8)**	-	4	**4**
Sale of treasury shares	-	8	**8**	-	(5)	**(5)**
Balance at 31 December 2015	**656**	**(0)**	**656**	**8,056**	**(1)**	**8,055**

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 2014	5,469,166,865	(173,600)	5,468,993,265
Share capital increase	9,238,709,677	-	9,238,709,677
Purchase of treasury shares	-	(7,310,106)	(7,310,106)
Sale of treasury shares	-	6,242,077	6,242,077
Balance at 31 December 2014	14,707,876,542	(1,241,629)	14,706,634,913
Balance at 1 January 2015	**14,707,876,542**	**(1,241,629)**	**14,706,634,913**
Share capital decrease through reverse split	(14,560,797,776)	-	**(14,560,797,776)**
Share capital increase	2,038,920,000	-	**2,038,920,000**
Purchase of treasury shares	-	(25,687,364)	**(25,687,364)**
Sale of treasury shares	-	26,148,100	**26,148,100**
Balance at 31 December 2015	**2,185,998,766**	**(780,893)**	**2,185,217,873**

Following the announcement of the results of the Comprehensive Assessment (CA), performed by the European Central Bank (‘ECB’) on 31 October 2015, and according to Law 4340/2015 reforming the banks’ recapitalization framework, the Bank submitted a capital raising plan to the ECB for approval, describing in detail the measures it intended to implement in order to cover the shortfall identified in the CA, amounting to € 2,122 million.

On 3 November 2015, the Bank’s Board of Directors resolved to call an Extraordinary General Meeting on 16 November 2015 to approve a share capital increase (SCI) up to € 2,122 million. On 13 November 2015, the Single Supervisory Mechanism of the ECB recognized € 83 million of capital generation that could be taken into account to reduce the Bank’s total capital shortfall identified as part of that CA, and corresponded to the positive difference between the realised pre-provision income (profit from operations before impairments and non recurring income/(expenses) and provisions) for the third quarter of 2015 and the respective figure projected in the stress test’s baseline scenario of the CA. Following this recognition, the maximum amount of capital to be raised through the SCI was reduced to € 2,039 million from € 2,122 million.

On 16 November 2015, the Extraordinary General Meeting of the Bank’s Shareholders, approved:

(a) the decrease of the ordinary share capital, amounting to € 4,412 million by the amount of € 4,368 million with concurrent (i) increase of the nominal value of each ordinary registered share of the Bank and the decrease of the total number of the Bank’s ordinary registered shares through a reverse split at a ratio of one hundred (100) existing to one (1) new ordinary registered share, and (ii) the decrease of the new nominal value of the ordinary registered shares (as it would result after the reverse split) to € 0.30, aiming at offsetting equal losses carried forward by forming of a special reserve of an equal amount.

(b) the increase of the Bank’s share capital up to € 2,039 million, through payment in cash and/or contribution in kind, the abrogation of the pre-emption rights of its ordinary shareholders, including the Hellenic Financial Stability Fund (the ‘HFSF’), and its sole preference shareholder, namely the Greek State, and the issuance of new ordinary registered shares, each having a nominal value of € 0.30.

The above decision of the General Meeting was also approved by the Special Meeting of the Greek State, as the sole owner of the preference shares of the Bank, at its meeting on 16 November 2015.

On 18 November 2015, the Bank announced that it has completed the bookbuilding process of the private placement of new ordinary registered shares to qualified investors, eligible institutional and other investors who met certain criteria.

Based on the results of the bookbuilding process, the Bank’s Board set the offer price at € 0.01 per offered new share or € 1.00 following the 100-to-1 reverse stock split. The amount resulted from the demand expressed by investors who participated in the offer to qualified investors summed with the amount resulted from the preliminary results of the voluntary liability management exercise-LME, which was decided by the Bank on 29 October 2015, exceeded the funds to be raised through the SCI.

As a result, the share capital of the Bank, following its decrease, in accordance with the abovementioned, by € 4,368 million, was increased by € 612 million and 2,038,920,000 new shares (following the reverse stock split), each having a nominal value of € 0.30, have been issued. The total above par value of € 1,427 million has been credited to 'Share Premium' in Bank's financial statements.

On 23 November 2015, the Bank announced that, the 2,038,920,000 new ordinary registered shares (issuable pursuant to Bank's share capital increase) were allocated as follows:

(a) 1,621,150,153 of the new shares (80% of all new shares) to qualified investors, eligible institutional and other investors who met certain criteria; and
(b) 417,769,847 of the new shares (20% of total of all new shares) to investors whose securities had been finally accepted for purchase in accordance with the terms and conditions of the Bank's voluntary liability management exercise-LME, announced on 29 October 2015.

The new shares are listed on the main market of the Athens Exchange and their trading commenced on 2 December 2015.

Incremental costs directly attributable to the aforementioned capital increase amounted to € 75 million (€ 53 million, net of tax) of which an amount of € 69 million has been paid by 31 December 2015.

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	
	31 December	31 December
Number of	2015	2014
shares	€ million	€ million
345,500,000	950	950

On 12 January 2009 the Extraordinary General Meeting of the Bank approved the issue of 345,500,000 non-voting, non-listed, non-transferable, tax deductible, non-cumulative 10% preference shares, with nominal value € 2.75 each, under Law 3723/2008 'Greek Economy Liquidity Support Program', to be fully subscribed to and paid by the Greek State with bonds of equivalent value. The proceeds of the issue total € 940 million, net of expenses, and the transaction was completed on 21 May 2009. In accordance with the current legal and regulatory framework, the issued shares have been classified as Common Equity Tier I capital.

The preference shares pay a non-cumulative coupon, subject to meeting minimum capital adequacy requirements, set by Bank of Greece (BoG), availability of distributable reserves in accordance with article 44A of Company Law 2190/1920 and the approval of the Annual General Meeting. Five years after the issue of the preference shares, the Bank may redeem the preference shares at their nominal value. If such redemption is not possible, because the Bank's capital adequacy ratio would fall below the minimum requirements set by the BoG, the preference shares will be converted into ordinary shares or shares of any other class existing at the time of the conversion following a decision of the Minister of Finance and after a recommendation by the Governor of the BoG and on condition that at the expiry of the five year period, the Bank will have submitted, and the Minister of Finance will have approved, further to a recommendation by the Governor of the BoG, a restructuring plan of the Bank pursuant to the legislation as in force. The conversion ratio will take into account the average market price of the Bank's ordinary shares during the calendar year preceding such conversion. In case of non redemption at the expiration of the five year period, the abovementioned coupon is increased by 2% each year, following relevant decision by the Minister of Finance, upon recommendation of the BoG.

In addition, in case that the mandatory (burden-sharing) measures described in the new recapitalization law 4340/2015 apply (note 6) the preference shares are converted into ordinary shares and HFSF acquires ownership of such shares. Their ensuing participation in the burden-sharing measures is taking place in accordance with the resultant valuation per class, type, percentage and amount of the securities participating in the said measures.

Based on the 2015 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). As at 31 December 2015 the outstanding amount of Series A was € 2 million (including allocated issue costs). 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 and 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). As at 31 December 2015 the outstanding amount of Series B was € 4 million (including allocated issue costs). 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 and are listed on the London Stock Exchange.

On 9 November and on 21 December 2005 the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 150 million and € 50 million preferred securities respectively, which represent Lower Tier I capital for the Group (Tier I, form a single Series C). As at 31 December 2015 the outstanding amount of Series C was € 18 million (including allocated issue costs). 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. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

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). As at 31 December 2015 the outstanding amount of Series D was € 19 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue after five years from the issue date and annually thereafter. In addition the securities, subject to certain conditions, are convertible at the option of the bondholder and the issuer after October 2014 into Eurobank ordinary shares at the lower of an exchange ratio based on a) a 12% discount to the share market price during the period preceding the exchange or b) the nominal value of Bank's ordinary share. The preferred securities are listed on the London Stock Exchange.

All obligations of the issuer, in respect of the aforementioned issues of preferred securities, are guaranteed on a subordinated basis by the Bank. The analytical terms of each issue along with the rates and/or the basis of calculation of preferred dividends are available at the Bank's website. The preferred dividends must be declared and paid if the Bank declares a dividend. In 2015 and 2014, the Bank didn't distribute any dividend (note 50). Accordingly, ERB Hellas Funding Ltd announced, the non payment of the non cumulative preferred dividend of the above series of preferred securities.

The movement of preferred securities issued by the Group through its Special Purpose Entity, ERB Hellas Funding Limited, for the year ended 31 December 2015 is as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 1 January 2015	**2**	**5**	**49**	**21**	**77**
Purchase of preferred securities (LME)	(0)	(1)	(31)	(2)	**(34)**
Balance at 31 December 2015	**2**	**4**	**18**	**19**	**43**

On 29 October 2015, the Bank launched a Liability Management Exercise (LME), in combination with its share capital increase (note 39). On 23 November 2015, the Bank announced the aggregate purchase proceeds of the securities accepted as part of the LME amounted to € 418 million of which Tier I securities € 17 million, corresponding to face value of € 34 million (Series A: € 0.5 million, Series B: € 0.9 million, Series C: € 31.4 million, Series D: € 1.5 million). Accordingly, the LME of preferred securities generated a gain of € 17 million (€ 12 million after tax), which was recognized directly in the Group's equity.

In addition, in October 2015, the Bank proceeded with the buy-back and the subsequent cancelation of its hybrid instruments of face value of € 325 million, previously held by its subsidiary ERB Hellas Cayman with a resulting gain of € 252 million (€ 175 million after tax and related costs), which was recorded directly in the Bank's equity. The effect of the transaction in the Group's equity refers to the recognition of the related deferred tax liability of € 73 million.

42. Special reserves

	31 December 2014				
	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January	437	1,197	(46)	2,070	3,658
Transfers between reserves	8	(237)	-	1	(228)
Available-for-sale securities					-
- net changes in fair value, net of tax	-	-	(31)	-	(31)
- transfer to net profit, net of tax	-	-	(55)	-	(55)
Cash flow hedges					-
- net changes in fair value, net of tax	-	-	(28)	-	(28)
- transfer to net profit, net of tax	-	-	18	-	18
Currency translation differences, net of hedging	-	-	-	(34)	(34)
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(7)	(7)
Value of employee services	-	-	-	(0)	(0)
Balance at 31 December	445	960	(142)	2,030	3,293

	31 December 2015				
	Statutory reserves € million	**Non-taxed reserves € million**	**IAS 39 reserves € million**	**Other reserves € million**	**Total € million**
Balance at 1 January	**445**	**960**	**(142)**	**2,030**	**3,293**
Share capital decrease	-	-	-	4,368	**4,368**
Transfers between reserves	11	4	-	(3)	**12**
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	98	-	**98**
- transfer to net profit, net of tax	-	-	(10)	-	**(10)**
Cash flow hedges					
- net changes in fair value, net of tax	-	-	32	-	**32**
- transfer to net profit, net of tax	-	-	6	-	**6**
Currency translation differences, net of hedging	-	-	-	(13)	**(13)**
Balance at 31 December	**456**	**964**	**(16)**	**6,382**	**7,786**

In 2015, the increase of Group's other reserves by € 4,352 million is mainly attributable to the forming of a special reserve of € 4,368 million following the Bank's share capital decrease by reducing the ordinary shares' par value, pursuant to article 4 par. 4a of Law 2190/1920 (note 39). In addition, as at 31 December 2015 included in other reserves a) non distributable Bank's reserves amounting to € 1,788 million (2014: € 1,788 million) and b) € 284 million loss (2014: € 271 million loss) relating to currency translation reserve, net of hedging.

Included in IAS 39 reserves as at 31 December 2015 is € 69 million loss (2014: € 107 million loss) relating to cash flow hedging reserve.

Statutory reserves and IAS 39 reserves are not distributable while non-taxed reserves are taxed when distributed.

43. Transfers of financial assets

The Group enters into transactions by which it transfers recognized financial assets directly to third parties or to Special Purpose Entities (SPE).

a) The Group sells, in exchange for cash, securities under an agreement to repurchase them ('repos') and assumes a liability to repay to the counterparty the cash received. In addition, the Group pledges, in exchange for cash, securities and loans and receivables and assumes a liability to repay to the counterparty the cash received. The Group has determined that it retains substantially all the risks, including associated credit and interest rate risks, and rewards of these financial assets and therefore has not derecognized them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of the transaction. The related liability is recognized in Due to central banks and credit institutions (notes 33 and 34) and Due to customers (note 35), as appropriate.

The Group enters into securitizations of various classes of loans (bond loans and credit cards), under which it assumes an obligation to pass on the cash flows from the loans to the holders of the notes. The Group has determined that it retains substantially all risks, including associated credit and interest rate risks, and rewards of these loans and therefore has not derecognized them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of their retention by the SPE. Moreover, the note holders' recourse is limited to the transferred loans. As at 31 December 2015, the securitizations' issues were fully retained by the Group (2014: liability € 131 million) (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	
	2015	2014
	€ million	€ million
Financial instruments at fair value through profit or loss	**9**	6
Loans and advances to customers	**22,353**	11,037
-securitized loans	***440***	*2,447*
-pledged loans under covered bond program	***145***	*4,066*
-pledged loans with central banks	***21,510***	*4,281*
-other pledged loans	***258***	*243*
Investment securities [(1)]	**11,830**	11,633
	34,192	22,676

[(1)] *It includes EFSF bonds of face value € 8,392 million (2014: € 7,820 million)*

(b) As at 31 December 2015 the Government guaranteed bonds issued by the Bank of total face value of € 13,043 million (cash value € 7,173 million), under the second stream of Greek Economy Liquidity Support Program (note 4), which were fully retained by the Bank, were pledged to ELA (2014: face value € 10,966 million and cash value € 9,249 million, pledged to central banks and international financial institutions).

(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 recognized by the Group. As at 31 December 2015, the Group had not sold or re-pledged securities borrowed or obtained through reverse repos (2014: € 180 million). Furthermore, as at 31 December 2014, under the third stream of Greek Economy Liquidity Support Program, the Group had borrowed special Greek Government bonds of face value of € 1,918 million (cash value € 1,456 million), which were pledged to central banks.

As at 31 December 2015, 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 € 32,876 million, while the associated liability from the above transactions amounted to € 29,495 million (notes 33, 34, 35 and 36) (2014: cash value € 24,169 million and liability € 23,241 million). In addition, the Group's financial assets pledged as collaterals for repos, derivatives, securitizations and other transactions other than the financial assets presented in the table above are provided in notes 21 and 32.

44. Contingent liabilities and other commitments

	2015	2014
	€ million	€ million
Guarantees [(1)] and standby letters of credit	**575**	605
Other guarantees (medium risk) and documentary credits	**503**	470
Commitments to extend credit	**353**	498
Capital expenditure	**12**	9
	1,443	1,582

[(1)] *Guarantees that carry the same credit risk as loans*

Legal Proceedings

As at 31 December 2015 there were a number of legal proceedings outstanding against the Group for which a provision of € 66 million was recorded (2014: € 60 million).

45. Operating leases

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

	31 December 2015		31 December 2014	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	20	0	22	0
Later than one year and no later than five years	18	1	17	1
Later than five years	3	-	8	-
	41	1	47	1

There are no material future minimum sublease payments to be received under non cancellable subleases.

Leases as lessor - Non-cancellable operating lease rentals are receivable as follows:

	31 December 2015		31 December 2014	
	Land and buildings € million	Furniture, equipment, vehicles € million	Land and buildings € million	Furniture, equipment, vehicles € million
Not later than one year	40	0	35	1
Later than one year and no later than five years	114	0	110	0
Later than five years	258	-	200	-
	412	0	345	1

46. Segment information

Management has determined the operating segments based on the internal reports reviewed by the Strategic Planning Committee (which replaced the Executive Board during 2015) that are used to allocate resources and to assess their performance in order to make strategic decisions. The Strategic Planning Committee 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. 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, custody, equity brokerage, cash and trade services.
- 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, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialized financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- International: incorporating operations in Romania, Bulgaria, Serbia, Cyprus, Ukraine and Luxembourg.

From the fourth quarter of 2015, the equity brokerage and custody services of the Group's operations in Greece are incorporated in the Corporate segment, instead of Global and Capital Markets segment. Therefore, the comparative figures for the year ended 31 December 2014 have been adjusted accordingly.

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.

46.1 Operating segments

	31 December 2015						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Net interest income	584	379	10	134	410	(54)	1,463
Net commission income	42	79	35	(56)	94	(2)	192
Other net revenue	2	3	2	2	10	88	107
Total external revenue	628	461	47	80	514	32	1,762
Inter-segment revenue	64	23	(58)	(20)	(1)	(8)	-
Total revenue	692	484	(11)	60	513	24	1,762
Operating expenses	(479)	(110)	(32)	(108)	(264)	(24)	(1,017)
Impairment losses on loans and advances	(1,665)	(823)	(13)	0	(164)	-	(2,665)
Other impairment losses (note 14)	(0)	(39)	(3)	8	(8)	(45)	(87)
Profit/(loss) before tax from continuing operations before non recurring income/(expenses) and provisions	(1,452)	(488)	(59)	(40)	77	(45)	(2,007)
Non recurring income/(expenses) and provisions (note 14)	(3)	(2)	(0)	-	(1)	(73)	(79)
Profit/(loss) before tax from continuing operations[(1)]	(1,455)	(490)	(59)	(40)	76	(118)	(2,086)
Profit/(loss) before tax from discontinued operations	-	-	65	-	(116)	-	(51)
Non controlling interests	-	-	-	-	(1)	(29)	(30)
Profit/(loss) before tax attributable to shareholders	(1,455)	(490)	6	(40)	(41)	(147)	(2,167)

	31 December 2015						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center [(2)] € million	Total € million
Segment assets	22,501	11,889	2,097	14,209	12,740	10,117	73,553
Segment liabilities	18,003	2,485	2,912	32,543	11,411	(933)	66,421

The International segment is further analyzed as follows:

	31 December 2015						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	Total € million
Net interest income	**119**	**142**	**68**	**59**	**-**	**22**	**410**
Net commission income	**21**	**31**	**13**	**22**	**-**	**7**	**94**
Other net revenue	**7**	**1**	**1**	**0**	**-**	**1**	**10**
Total external revenue	**147**	**174**	**82**	**81**	**-**	**30**	**514**
Inter-segment revenue	**(0)**	**(0)**	**(0)**	**0**	**-**	**(1)**	**(1)**
Total revenue	**147**	**174**	**82**	**81**	**-**	**29**	**513**
Operating expenses	**(101)**	**(77)**	**(46)**	**(25)**	**-**	**(15)**	**(264)**
Impairment losses on loans and advances	**(45)**	**(64)**	**(40)**	**(15)**	**-**	**(0)**	**(164)**
Other impairment losses	**(3)**	**(5)**	**0**	**-**	**-**	**-**	**(8)**
Non recurring income/(expenses)	**(0)**	**(1)**	**0**	**-**	**-**	**-**	**(1)**
Profit/(loss) before tax from continuing operations(1)	**(2)**	**27**	**(4)**	**41**	**-**	**14**	**76**
Profit/(loss) before tax from discontinued operations	**1**	**-**	**-**	**-**	**(117)**	**-**	**(116)**
Non controlling interests	**(1)**	**-**	**(0)**	**-**	**(0)**	**-**	**(1)**
Profit/(loss) before tax attributable to shareholders	**(2)**	**27**	**(4)**	**41**	**(117)**	**14**	**(41)**

	31 December 2015						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	International € million
Segment assets(3)	**3,235**	**3,186**	**1,254**	**3,724**	**130**	**1,405**	**12,740**
Segment liabilities(3)	**3,042**	**2,834**	**881**	**3,360**	**197**	**1,166**	**11,411**

	31 December 2014						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Net interest income	545	338	0	194	407	(14)	1,470
Net commission income	29	87	34	(35)	89	1	205
Other net revenue	2	8	29	(11)	29	64	121
Total external revenue	576	433	63	148	525	51	1,796
Inter-segment revenue	73	39	(53)	(33)	(1)	(25)	-
Total revenue	649	472	10	115	524	26	1,796
Operating expenses	(493)	(131)	(40)	(63)	(281)	(27)	(1,035)
Impairment losses on loans and advances	(1,172)	(683)	(16)	-	(393)	-	(2,264)
Other impairment losses (note 14)	(1)	(86)	(8)	(29)	(50)	(31)	(205)
Profit/(loss) before tax from continuing operations before non recurring income/(expenses) and provisions	(1,017)	(428)	(54)	23	(200)	(32)	(1,708)
Non recurring income/(expenses) and provisions (note 14 and 31)	(10)	(9)	(1)	(1)	(18)	(4)	(43)
Profit/(loss) before tax from continuing operations(1)	(1,027)	(437)	(55)	22	(218)	(36)	(1,751)
Profit/(loss) before tax from discontinued operations	-	-	72	-	(188)	(69)	(185)
Non controlling interests	-	-	0	-	(1)	(25)	(26)
Profit/(loss) before tax attributable to shareholders	(1,027)	(437)	17	22	(407)	(130)	(1,962)

	31 December 2014						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center (2) € million	Total € million
Segment assets	24,107	12,367	2,166	15,528	13,106	8,244	75,518
Segment liabilities	23,508	2,903	4,240	27,381	11,667	(485)	69,214

	31 December 2014						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	Total € million
Net interest income	128	127	74	61	-	17	407
Net commission income	24	30	13	17	-	5	89
Other net revenue	23	5	1	0	-	0	29
Total external revenue	175	162	88	78	-	22	525
Inter-segment revenue	(0)	(0)	0	0	-	(1)	(1)
Total revenue	175	162	88	78	-	21	524
Operating expenses	(112)	(81)	(51)	(25)	-	(12)	(281)
Impairment losses on losses and advances	(208)	(119)	(48)	(18)	-	0	(393)
Other impairment losses	(29)	(21)	-	(0)	-	0	(50)
Profit/(loss) before tax from continuing operations before non recurring income/(expenses) and provisions	(174)	(59)	(11)	35	-	9	(200)
Non recurring income/(expenses) and provisions	(10)	(6)	(2)	-	-	-	(18)
Profit/(loss) before tax from continuing operations[(1)]	(184)	(65)	(13)	35	-	9	(218)
Profit/(loss) before tax from discontinued operations	1	-	-	-	(189)	-	(188)
Non controlling interests	(1)	(0)	(0)	-	-	-	(1)
Profit/(loss) before tax attributable to shareholders	(184)	(65)	(13)	35	(189)	9	(407)

	31 December 2014						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	International € million
Segment assets[(3)]	3,257	2,998	1,355	3,915	270	1,458	13,106
Segment liabilities[(3)]	2,986	2,677	975	3,487	305	1,229	11,667

[(1)] Income/(loss) from associated undertakings and joint ventures is included.

[(2)] Interbank eliminations between International and the other Group's segments are included. As at 31 December 2014, segment assets and segment liabilities of Global & Capital Markets have been adjusted by € 2.5 bn and € 1.1 bn respectively, equally affecting the elimination center.

[(3)] Intercompany balances among the Countries have been excluded from the reported assets and liabilities of International segment.

Note: In the second quarter of 2015, the Bank transferred its operations in United Kingdom (London branch) to its subsidiary Eurobank Private Bank Luxembourg S.A. In particular, at the date of transfer total assets of London branch amounted to € 198 million and total liabilities amounted to € 196 million.

46.2 Entity wide disclosures

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

	2015 **€ million**	2014 € million
Lending related activities	**2,135**	2,224
Deposits, network and asset management activities	**(244)**	(591)
Capital markets	**(192)**	108
Non banking and other services	**63**	55
	1,762	1,796

Information on the Country by Country Reporting based on Law 4261/2014 are provided in the Appendix.

47. Other significant and post balance sheet events

Acquisition of Alpha Bank's Branch in Bulgaria by Eurobank Bulgaria AD

On 1 March 2016, the acquisition of the entirety of the operations of Alpha Bank's Bulgarian Branch ('Branch') by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria AD ('Postbank'), was completed after obtaining the relevant regulatory approvals. The consideration for the acquisition of the Branch is € 1.

The acquisition of the Branch will be accounted for as a business combination using the purchase method of accounting. The initial accounting for the business combination, including the fair value measurement of the assets and liabilities acquired, has not been finalized due to the short time period between the completion of the transaction and the date these financial statements were authorized for issue. Based on the latest available book values, total assets acquired by Postbank amount to € 481 million, including € 149 million of cash, € 30 million due from credit institutions and € 291 million net customer loans, while total liabilities assumed amount to € 447 million, of which € 283 million are customer deposits and € 162 million liabilities due to Alpha Bank Group. In addition, in the context of the business combination, on 2 March 2016 the Bank acquired € 55 million of Postbank's aforementioned liabilities to Alpha Bank Group for a consideration of € 1.

The acquisition of the Branch constitutes a step forward for Postbank to further strengthen its position in the Bulgarian banking sector and expand its customer base in both the retail and corporate business segments. Postbank is expected to benefit from significant synergies, while maintaining its strong capital ratios and substantial liquidity buffers.

Visa Europe sale transaction

In December 2015 Visa Europe announced the proposed sale of 100% of its share capital to Visa Inc. for an upfront cash consideration of € 11.5 bn and preference shares convertible into Visa Inc. ordinary shares valued at € 5 bn. The transaction is expected to be completed in the second quarter of 2016, subject to regulatory approvals. The Group entities which are members of Visa Europe are entitled to a share of the upfront consideration, both in cash and preference shares, based on the fees contributed to Visa Europe. In addition, the Group could potentially receive an earn-out cash payment after the fourth anniversary of the closing of the transaction, based on the achievement of net revenue targets. The Group will recognize its share of the Visa Europe sale proceeds upon the finalization of the transaction in 2016.

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

Note 2 – Principal accounting policies
Note 4 – Greek Economy Liquidity Support Program
Note 6 – Capital Management
Note 12 – Operating Expenses
Note 32 – Other Assets
Note 33 – Due to central banks
Note 36 – Debt securities in issue

48. Related parties

In May 2014, following the completion of the Bank's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the HFSF, the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's share capital increase (note 39), fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014, which regulates, among others, (a) the Bank's corporate governance, (b) the restructuring plan and its monitoring, (c) the monitoring of the implementation of the Bank's Non-Performing Loans (NPL) management framework and of the Bank's performance on NPL resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the Bank's actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for the Bank's Group Risk and Capital Strategy and for the Bank's Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and (g) the duties, rights and obligations of HFSF's Representative in the Bank's Board. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.

The outstanding balances of the said related party transactions and the relating income and expenses are as follows:

	31 December 2015			31 December 2014		
	Key management personnel (KMP)[(1)] € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million	Key management personnel (KMP)[(1)] € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million
Loans and advances to customers net of provision[(3)]	7	6	0	6	4	0
Other assets [(2)]	0	-	2	0	-	3
Due to customers	5	9	0	5	9	0
Other liabilities [(2)]	0	-	-	0	-	9
Net interest income	0	0	0	(0)	(1)	0
Net banking fee and commission income	0	-	-	0	-	-
Impairment losses on loans and advances	-	(0)	-	-	(8)	-
Other operating income/(expense)	0	(0)	-	(0)	(0)	1
Guarantees Issued	0	-	-	-	-	-
Guarantees Received	0	-	-	0	-	-

[(1)]Key management personnel includes directors and key management personnel of the Group and HFSF (until early May 2014) and their close family members. For the period until early May 2014, the amounts of income and expenses in relation with transactions with directors and key management personnel of HFSF and their close family members were immaterial.
[(2)]Receivable from/payable to HFSF pursuant to the terms of the relevant binding agreement for the acquisition of NHPB.
[(3)] Including an impairment allowance of € 16.85 million against loans balances with a Group's joint venture.

In addition, as at 31 December 2015 the loans, net of provisions, granted to non consolidated entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements (note 27) amounted to € 4.3 million (2014: 3 million).

Key management compensation (directors and other key management personnel of the Group)

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 6.56 million (2014: € 6.19 million) and long-term employee benefits (excluding share-based payments) of € 0.85 million (2014: € 0.67 million). Additionally, the Group has recognized € 0.87 million expense relating with GRIVALIA PROPERTIES's equity settled share based payments. The cost of these benefits is determined based on the fair value of the instruments as of the date they are granted and recognized as an expense in the period, starting from the date they are granted until the maturity date of the relevant rights with an equal parallel increase in equity (2014: € 0.1 million income relating with forfeited share options).

49. Board of Directors

The Board of Directors was elected by the Annual General Meeting held on 27 June 2013 for a three years term of office. The Annual General Meeting held on 26 June 2015 approved the extension of the term of office of the current Board until 2018 and more specifically by 27 June 2018, prolonged until the end of the period the Annual General Meeting for the year 2018 will take place. Further to the changes already reported up to the publication of the Annual Financial Report for the year ended 31 December 2014, the below changes in the composition of the Board of Directors have taken place since then:

On 28 April 2015, the Extraordinary General Meeting elected two new Board members, Mr. Stavros Ioannou and Mr. Theodoros Kalantonis.

On 13 May 2015, following the resignation of Mr. Josh Seegopaul, the Board appointed Mr. Stephen L. Johnson as new Board member.

Following the above, on 13 May 2015 the Board was reconstituted as a body, as follows:

N. Karamouzis	Chairman, Non-Executive (nominated as Chairman on 1 February 2015)
S. Lorentziadis	Vice Chairman, Non-Executive Independent
F. Karavias	Chief Executive Officer (nominated as CEO on 1 February 2015)
S. Ioannou	Deputy Chief Executive Officer (nominated as Deputy CEO on 28 April 2015)
T. Kalantonis	Deputy Chief Executive Officer (nominated as Deputy CEO on 28 April 2015)
W. S. Burton	Non-Executive
G. Chryssikos	Non-Executive
J. S. Haick	Non-Executive Independent
B. P. Martin	Non-Executive Independent
S. L. Johnson	Non-Executive Independent (nominated as Non-Executive Independent on 13 May 2015)
C. Andreou	Non-Executive (Greek State representative under Law 3723/2008 – appointed as of 6 March 2015)
K. H. Prince – Wright	Non-Executive (HFSF representative under Law 3864/2010)

50. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting.

Under article 1 par. 3 of Law 3723/2008, during the period of the participation of the banks in the first stream of the Greek Economy Liquidity Support Program, the amount of dividends that may distributed to ordinary shareholders of the Bank cannot exceed 35% of the profits as provided in article 3 par. 1 of Law 148/1967. Under Law 3756/2009, as in force, any distribution of profits to ordinary shareholders of the banks participating in the first stream of the Greek Economy Liquidity Support Program for the financial years 2008 to 2013 could only take place in the form of ordinary shares, other than treasury shares. Based on the 2015 results of the Bank and in accordance with the article 1, par.3 of 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, 17 March 2016

Nikolaos V. Karamouzis	**Fokion C. Karavias**	**Harris V. Kokologiannis**
I.D. No AB – 336562	I.D. No AI - 677962	I.D. No AK-021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	GENERAL MANAGER OF GROUP FINANCE GROUP CHIEF FINANCIAL OFFICER

APPENDIX – Disclosures under Law 4261/2014

Country by Country Reporting

Pursuant to article 81 of Law 4261/2014, which incorporated article 89 of Directive 2013/36/EC into the Greek legislation, the Group provides the following information for each country in which it has an establishment:

(i) Names, nature of activities and geographical location.

(ii) The operating income (turnover), the profit/(loss) before tax, the tax on profit/ (loss) and the current tax on a consolidated basis for each country; intercompany transactions among countries are eliminated through the line 'Intra-Group amounts'. The amounts disclosed are prepared on the same basis as the Group's financial statements for the year ended 31 December 2015.

(iii) The number of employees on a full time equivalent basis.

(iv) The public subsidies received.

For the listing of the Bank's subsidiaries at 31 December 2015, the country of their incorporation and the line of their business refer to note 27.

The information per country is set out below:

	Year ended 31 December 2015				
	Operating income € million	Profit/(loss) before tax € million	Tax on profit/(loss) € million	Current tax € million	Number of employees at 31 December
Greece	1,240.5	(2,205.7)	1,065.2	(17.6)	10,485
Bulgaria	172.4	29.4	(5.3)	(5.1)	2,020
Romania	142.0	17.6	(6.4)	(2.0)	2,221
Cyprus	81.8	44.9	(11.2)	(11.3)	258
Serbia	81.7	(0.3)	(0.0)	(0.2)	1,243
Luxembourg (1)	36.1	18.2	(3.1)	(2.6)	92
Turkey	12.7	12.7	(2.5)	(2.5)	-
Netherlands	0.9	(4.8)	(0.5)	(0.5)	-
Other countries (2)	2.1	1.9	(0.1)	(0.1)	-
Intra-Group amounts	(8.6)	-	-	-	
Total from continuing operations	**1,761.6**	**(2,086.1)**	**1,036.1**	**(41.9)**	**16,319**
Insurance operations classified as held for sale (3) (note 17)		66.6	(86.3)	(19.3)	322
Operations in Ukraine classified as held for sale (note 17)		(117.5)	31.8	0.7	668
Total from discontinued operations		**(50.9)**	**(54.5)**	**(18.6)**	**990**
Total	**1,761.6**	**(2,137.0)**	**981.6**	**(60.5)**	**17,309**

(1) The operations of Eurobank Private Bank Luxembourg S.A.'s branch in London are included within Luxembourg.

(2) Amounts reported under 'Other countries' refer to (a) the Group's SPVs issuing EMTNs and preferred securities i.e. ERB Hellas Plc in the United Kingdom, ERB Hellas (Cayman Islands) Ltd in Cayman Islands and ERB Hellas funding Ltd in Channel Islands and (b) a holding company, Berberis investments Ltd in Channel Islands.

(3) Insurance operations classified as held for sale include Eurolife's Romanian Life and Non Life activities. For the year ended 31 December 2015 for these entities the profit before tax, tax on profit and current tax amounted to € 1.3 million, € 0.2 million and € 0.2 million respectively.

For the year ended 31 December 2015, none of the Bank's subsidiaries has received any public subsidy.

The Bank participates in the Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008, as in force. For further details, refer to note 4.

Article 82 of Law 4261/2014

Due to the loss in 2015, the Group's return on assets is negative.