EUROBANK ERGASIAS S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

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Company Registration No: 000223001000

Notes to the Financial Statements

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 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 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 financial statements in accordance with the requirements of articles 43a (par.3a) and 37 of Codified Law 2190/1920.

Athens, 18 March 2016

The Certified Auditor

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Balance Sheet

		31 December	
		2015	2014
	Note	**€ million**	€ million
ASSETS			
Cash and balances with central banks	17	**397**	801
Due from credit institutions	19	**5,020**	5,892
Financial instruments at fair value through profit or loss	20	**17**	73
Derivative financial instruments	21	**1,881**	2,121
Loans and advances to customers	22	**32,974**	35,076
Investment securities	24	**14,585**	14,959
Shares in subsidiary undertakings	25	**2,161**	2,570
Property, plant and equipment	26	**256**	282
Investment property	27	**61**	64
Intangible assets	28	**64**	60
Deferred tax assets	15	**4,902**	3,871
Other assets	29	**1,764**	1,725
Assets classified as held for sale	16	**113**	-
Total assets		**64,195**	67,494
LIABILITIES			
Due to central banks	30	**25,267**	12,610
Due to credit institutions	31	**6,255**	13,408
Derivative financial instruments	21	**2,353**	2,470
Due to customers	32	**22,802**	31,985
Debt securities in issue	33	**896**	1,287
Other liabilities	34	**491**	477
Total liabilities		**58,064**	62,237
EQUITY			
Ordinary share capital	36	**656**	4,412
Share premium	36	**8,056**	6,682
Reserves and retained earnings		**(3,574)**	(7,185)
Preference shares	37	**950**	950
Total equity attributable to shareholders of the Bank		**6,088**	4,859
Hybrid Capital	38	**43**	398
Total equity		**6,131**	5,257
Total equity and liabilities		**64,195**	67,494

Notes on pages 8 to 103 form an integral part of these financial statements

Income Statement

	Note	Year ended 31 December 2015 € million	2014 € million
Interest income		**2,028**	2,292
Interest expense		**(1,027)**	(1,293)
Net interest income	8	**1,001**	999
Banking fee and commission income		**203**	198
Banking fee and commission expense		**(143)**	(124)
Net banking fee and commission income		**60**	74
Income from non banking services		**6**	6
Dividend income	10	**369**	60
Net trading income	9	**43**	(15)
Gains less losses from investment securities	9	**(4)**	33
Net other operating income		**9**	3
Operating income		**1,484**	1,160
Operating expenses	11	**(709)**	(699)
Profit from operations before impairments and non recurring income/(expenses) and provisions		**775**	461
Impairment losses on loans and advances	23	**(2,503)**	(1,901)
Impairments and other losses on shares in subsidiary undertakings and joint ventures	25,29	**(308)**	(604)
Other impairment losses	13	**(42)**	(134)
Non recurring income/(expenses) and provisions	13	**(76)**	75
Profit/(loss) before tax		**(2,154)**	(2,103)
Income tax	14	**671**	527
Non recurring tax adjustments	14	**432**	244
Net profit/(loss) from continuing operations		**(1,051)**	(1,332)
Net profit/(loss) from discontinued operations	16	**-**	(51)
Net profit/(loss) attributable to shareholders		**(1,051)**	(1,383)

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Statement of Comprehensive Income

	Year ended 31 December			
		2015		2014
		€ million		€ million
Net profit/(loss)		**(1,051)**		(1,383)
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Cash flow hedges				
- net changes in fair value, net of tax	**28**		(32)	
- transfer to net profit, net of tax	**1**	**29**	18	(14)
Available for sale securities				
- net changes in fair value, net of tax	**69**		(113)	
- transfer to net profit, net of tax (note 24)	**6**	**75**	(17)	(130)
		104		(144)
Items that will not be reclassified to profit or loss:				
- Actuarial gains/(losses) on post employment benefit obligations, net of tax		**0**		(6)
Other comprehensive income		**104**		(150)
Total comprehensive income attributable to shareholders:				
- from continuing operations	**(947)**		(1,482)	
- from discontinued operations	**-**	**(947)**	(51)	(1,533)

Notes on pages 8 to 103 form an integral part of these financial statements

Statement of Changes in Equity

	Total equity attributable to shareholders of the Bank						
	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Hybrid capital € million	Total € million
Balance at 1 January 2014	1,641	6,669	3,457	(9,113)	950	398	4,002
Net profit/(loss)	-	-	-	(1,383)	-	-	(1,383)
Other comprehensive income	-	-	(150)	-	-	-	(150)
Total comprehensive income for the year ended 31 December 2014	-	-	(150)	(1,383)	-	-	(1,533)
Share capital increase, net of expenses	2,771	13	-	(6)	-	-	2,778
Deferred tax on treasury shares' and preferred securities' transactions	-	-	-	11	-	-	11
Share-based payment:							
- Value of employee services	-	-	(1)	-	-	-	(1)
Transfers between reserves	-	-	(234)	234	-	-	-
	2,771	13	(235)	239	-	-	2,788
Balance at 31 December 2014	4,412	6,682	3,072	(10,257)	950	398	5,257
Balance at 1 January 2015	**4,412**	**6,682**	**3,072**	**(10,257)**	**950**	**398**	**5,257**
Net profit/(loss)	-	-	-	(1,051)	-	-	**(1,051)**
Other comprehensive income	-	-	104	-	-	-	**104**
Total comprehensive income for the year ended 31 December 2015	**-**	**-**	**104**	**(1,051)**	**-**	**-**	**(947)**
Share capital increase, net of expenses (note 36)	612	1,374	-	(2)	-	-	**1,984**
Share capital decrease (note 36)	(4,368)	-	4,368	-	-	-	**-**
Effect due to change of the income tax rate on share capital increase expenses	-	-	-	5	-	-	**5**
(Purchase)/sale of preferred securities, net of tax (note 38)	-	-	-	187	-	(355)	**(168)**
	(3,756)	**1,374**	**4,368**	**190**	**-**	**(355)**	**1,821**
Balance at 31 December 2015	**656**	**8,056**	**7,544**	**(11,118)**	**950**	**43**	**6,131**
	Note 36	Note 36			Note 37	Note 38	

Notes on pages 8 to 103 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2015 € million	2014 € million
Cash flows from operating activities			
Profit/(loss) before income tax		**(2,154)**	(2,103)
Adjustments for :			
Impairment losses on loans and advances		**2,503**	1,901
Other impairment losses and provisions		**421**	607
Depreciation and amortisation		**42**	53
Other (income)/losses on investment securities	18	**(42)**	(106)
(Income)/losses on debt securities in issue		**1**	11
(Gain)/ loss on sale of subsidiary undertakings, associates and joint ventures		**(9)**	38
Dividends from subsidiaries, associates and joint ventures		**(367)**	(59)
Other adjustments		**20**	1
		415	343
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**197**	(48)
Net (increase)/decrease in financial instruments at fair value through profit or loss		**55**	(11)
Net (increase)/decrease in due from credit institutions		**652**	1,708
Net (increase)/decrease in loans and advances to customers		**(432)**	661
Net (increase)/decrease in derivative financial instruments		**162**	(38)
Net (increase)/decrease in other assets		**(86)**	28
Net increase/(decrease) in due to central banks and credit institutions		**5,504**	(3,065)
Net increase/(decrease) in due to customers		**(9,112)**	(1,968)
Net increase/(decrease) in other liabilities		**(82)**	(106)
		(3,142)	(2,839)
Net cash from/(used in) operating activities		**(2,727)**	(2,496)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(26)**	(31)
Proceeds from sale of property, plant and equipment and intangible assets		**0**	6
(Purchases)/sales and redemptions of investment securities		**512**	(144)
Acquisition of subsidiaries, associated undertakings, joint ventures and participations in capital increases		**(12)**	(407)
Disposal of holdings in subsidiaries, associated undertakings and joint ventures	29	**7**	140
Dividends from investment securities, subsidiaries, associated undertakings and joint ventures		**369**	60
Net cash from/(used in) investing activities		**850**	(376)
Cash flows from financing activities			
(Repayments)/proceeds from debt securities in issue		**(407)**	(183)
Proceeds from share capital increase (SCI)	36	**2,039**	2,864
Expenses paid for SCI	36	**(72)**	(115)
Purchase of preferred securities		**(90)**	-
Net cash from/(used in) financing activities		**1,470**	2,566
Net increase/(decrease) in cash and cash equivalents		**(407)**	(306)
Cash and cash equivalents at beginning of year	18	**912**	1,218
Cash and cash equivalents at end of year	18	**505**	912

Notes on pages 8 to 103 form an integral part of these financial statements

1. General information

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

These financial statements, 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 financial statements are set out below:

2.1 Basis of preparation

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

Going concern considerations

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

Macroeconomic environment

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.

Liquidity risk

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 Bank'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 Bank 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 Bank

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 Bank's financial statements.

IFRIC 21, Levies

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

The adoption of the interpretation had no significant impact on the Bank's financial statements. See also note 11.

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

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 Bank. Those that may be relevant to the Bank 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 Bank's financial statements.

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

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

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

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

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

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

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

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 Bank's financial statements.

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

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

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 Bank is currently assessing the impact of the new classification and measurement requirements in its financial statements, which will be driven to a large extent by the Bank'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 Bank.

Hedge accounting

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

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

The Bank 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 Bank and will approve the key accounting policy and implementation decisions. The Bank 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 will have no impact to the Bank's financial statements.

IFRS 10 and IAS 28, Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by 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 will have no impact to the Bank's 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 will have no impact to the Bank's 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 Bank is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Bank's financial statements.

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 Bank is currently assessing the impact of IFRS 16 on its financial statements.

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

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

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations;

- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'

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

Annual Improvements to IFRSs 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 Bank's financial statements.

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

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, 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 Bank's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro has been rounded to the nearest million.

2.2 Investments in subsidiaries, associated undertakings and joint ventures

Investments in subsidiaries, associated undertakings and joint ventures, including investments acquired through common control transactions, are accounted at cost less any impairment losses. Cost is the fair value of the consideration given being the amount of cash or shares issued, or if that cannot be determined reliably, the consideration received together with any directly attributable costs.

As an exception to the above measurement basis, when the Bank transfers an existing Group entity to a newly formed subsidiary in a share for share exchange that does not have commercial substance, the Bank's investment in that newly formed subsidiary is recognized at the carrying amount of the transferred entity.

Legal mergers that involve the combination of the Bank with one or more of its subsidiaries are accounted in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" with reference to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework and comply with the IFRS general principles.

In such transactions, the Bank incorporates the acquired assets and liabilities of the merged subsidiary at their carrying amounts in the consolidated financial statements as of the date of the legal merger without any fair value adjustments. Any difference between the carrying amount of the investment in the merged subsidiary before the legal merger, and the carrying amount of net assets acquired is recognized in the Bank's equity.

A listing of Bank's associated undertakings and joint ventures is set out in note 29.

2.3 Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the 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 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 Bank 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) or (b) hedges of the exposure to variability in cash flows of recognized assets or liabilities or highly probable forecasted transactions (cash flow hedge).

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at 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 Bank 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) 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 21.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Bank currently has a legally enforceable right to set off the 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 Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received 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 Bank 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 Bank is classified as investment property. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses, therefore, the policy described above applies also to this category of assets.

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 2.25 are met.

2.8 Intangible assets

(i) Computer software

Costs associated with the maintenance of existing computer software programs are expensed as incurred. Development costs associated with the production of identifiable assets controlled by the Bank 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.

(ii) 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

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, 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 Bank's subsidiaries, associated undertakings and joint ventures are determined in accordance with this accounting policy.

2.10 Financial assets

The Bank classifies its financial assets in the following IAS 39 categories: financial assets at fair-value-through-profit-or-loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective hedging instruments.

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank upon initial recognition designates 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 Bank has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Accounting treatment and calculation

Purchases and sales of financial assets are recognized on trade date, which is the date the Bank commits to purchase or sell the assets. Loans originated by the Bank 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 Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at 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 Bank 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 Bank designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:

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

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Bank is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability and any difference arising is recognized in the income statement.

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

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are 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 Bank repurchases its own debt instruments, 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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses 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 Bank has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread.

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

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

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

2.13 Impairment of financial assets

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

- 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 Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider, such as a reduction of the borrower's monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
- 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 Bank 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 Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider, such as a reduction of the obligors monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
- 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 Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If there is no objective evidence of impairment for a financial asset, the Bank includes it in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Impairment losses recognized for financial assets for which no objective evidence of impairment exists (incurred but not reported loss – IBNR), represent an interim step pending to the identification of impairment losses of individual assets in the group. As soon as information is available that specifically identifies losses on individually impaired assets in the group, those assets are removed from it.

Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be 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 Bank considers a number of factors, including the importance of the individual loan relationship and how it is managed, the size of the loan, and the product line. Consequently, loans to wholesale customers and financial institutions, as well as investment securities are generally considered as individually significant. Retail lending portfolios are generally assessed for impairment on a collective basis as they consist of large homogenous portfolios; exposures that are managed on an individual basis are assessed individually for impairment.

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

Impairment measurement

If there is objective evidence that an impairment loss on a financial asset carried at 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 Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The present value of the estimated future cash flows of a 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 Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows of a group of financial assets that 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 Bank to reduce any differences between loss estimates and actual loss experience.

Reversals of impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was 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 Bank considers all relevant information including the occurrence of a significant change in the borrower's financial position to such extent that the borrower can no longer pay his obligation.

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

Unpaid debt continues to be subject to enforcement activity even after it is written-off, except for 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 Bank has granted a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties. Other renegotiations, more of a business nature, are not considered as forbearance measures.

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

Modifications that may not result in de-recognition include:

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

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

De-recognition of financial assets

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

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

Modifications that may result in de-recognition include:

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

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

In addition, the Bank 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 Bank's income statement.

(ii) Available-for-sale assets

The Bank 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 Bank's Balance Sheet while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between the sale and repurchase price 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 Bank 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 Bank'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, 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 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 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 14).

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

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

2.17 Employee benefits

(i) Pension obligations

The Bank provides a number of defined contribution pension plans where annual contributions are invested and allocated to specific asset categories. Eligible employees are entitled to the overall performance of the investment. The Bank's contributions are 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 Bank operates unfunded defined benefit plans in Greece under the regulatory frameworks. In accordance with the local labor legislation, the Bank provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Bank until normal retirement age. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains and losses that arise in calculating the Bank’s 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 Bank also considers potential separations before normal retirement based on the terms of previous voluntary separation schemes.

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the Bank 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 Bank's Management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are 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 Bank's shareholders.

(iv) Performance-based share-based payments

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

The fair value of the shares granted is 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 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 Bank 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.

2.19 Related party transactions

Related parties of the Bank include:

(a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;

(b) members of key management personnel of the Bank, their close family members and entities controlled or jointly controlled by the abovementioned persons;

(c) associates and joint ventures of the Bank

(d) 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.

2.20 Provisions

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

The amount 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.

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

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

2.22 Hybrid Capital

Hybrid capital issued by the Bank, through its special purpose entity, is classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset. Incremental costs directly attributable to the issue of new hybrid capital are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on hybrid capital is recognized as a deduction in the Bank's equity on the date it is due.

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

2.23 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 Bank'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.

2.24 Securitizations

The Bank securitizes financial assets, which generally results in the sale of the assets to special purpose entities, which, in turn issue debt securities to investors and in some instances to Bank's subsidiaries. These securitizations are all consolidated by the Bank as it is exposed to the majority of risks and rewards of ownership in the special purpose entities.

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

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

The Bank presents discontinued operations in a separate line in the income statement if a Bank's subsidiary or a component of the Bank's operations has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations; or

(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

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

2.26 Reclassification of financial assets

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

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

2.27 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.

2.28 Fiduciary activities

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

3. Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Bank's accounting policies, the Bank's Management makes various judgments, estimates and assumptions that 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 Bank 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, 15 and 23.

3.1 Impairment losses on loans and advances

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

Individual impairment assessment

For loans assessed on an individual basis, mainly the Bank's wholesale lending portfolio, management uses its best estimate to determine the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the borrower's financial position and the net realizable value of any underlying collaterals. Expected recoveries from real estate collaterals may be affected from the 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 Bank's wholesale lending portfolio, would give rise to an additional impairment loss in 2015 of approximately € 90 million (2014: € 65 million).

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

Collective impairment assessment

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

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

In assessing the need for collective impairment, management considers factors such as credit quality, portfolio size, concentrations and economic factors. Management'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 Bank 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 Bank'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 Bank's mortgage portfolio, would give rise to an additional impairment loss in 2015 of approximately € 121 million (2014: € 106 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 Bank's unsecured consumer portfolio would give rise to an additional impairment loss in 2015 of approximately € 43 million (2014: € 40 million). The same decrease in the small business lending portfolio's recovery rates would give rise to an additional impairment loss of approximately € 39 million (2014: € 39 million).

Further information in respect of the assumptions applied by the Bank for the calculation of impairment losses on loans and advances during 2015 is provided in note 23.

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:

(a) the likelihood and expected timing of future cash flows;
(b) the selection of the appropriate discount rate, which is based on an assessment of what a market participant would regard as an appropriate spread of the rate over the risk-free rate;
(c) judgment to determine what model to use in order to calculate fair value.

To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available. However, in most cases there will be some historical data on which to base a fair value measurement and consequently even when unobservable inputs are used, fair values will use some market observable inputs.

Information in respect of the fair valuation of the Bank'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 Bank's management exercises judgment. In this respect, the Bank 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 Bank 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 Income taxes

The Bank is subject to income taxes and estimates are required in determining the provision for income taxes. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due 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 Bank recognizes deferred tax assets to the extent that it is probable that sufficient taxable profit will be available against which unused tax losses and deductible temporary differences can be utilized. Recognition therefore involves judgment regarding the Bank's future financial performance 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 Bank has considered all available evidence, including management's projections of future taxable income and the tax legislation.

The most significant judgment exercised by management relates to the recognition of deferred tax assets in respect of realized losses. In the event that, the Bank 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 Bank 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 € 297 million has been recognized in respect to unused tax losses using the Bank's best estimation and judgment as described above. Further information in respect of the recognized deferred tax assets and the Bank's assessment for their recoverability is provided in note 15.

3.5 Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, such as the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Bank determines the appropriate discount rate 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. 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 Bank'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 Bank'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 35.

3.6 Impairment of investment properties

The Bank 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 Bank'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 Bank's investment properties is provided in note 27.

3.7 Other significant accounting estimates and judgments

Information in respect of other estimates and judgments are made by the Bank is provided in notes 16 and 34.

4. Greek Economy Liquidity Support Program

The Bank participates in the Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008 as 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 37).

(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 Bank 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 33).

(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**	2,003
Greek government bonds	**1,676**	1,518
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	**85**	99
Other receivables	**17**	20
Reverse repo agreements with public organizations	**-**	107
Total	**5,311**	5,251

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 Bank's impairment policy and critical accounting estimates' reassessment (note 23).

The Bank 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.

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 [(1)] 31 December 2014 € million	31 December 2014 € million
Total equity attributable to shareholders of the Bank	**6,088**	4,859	4,859
Less: Other regulatory adjustments	**(119)**	(39)	(39)
Common Equity Tier I capital	**5,969**	4,820	4,820
Add: Preferred securities	**30**	318	318
Less: Other regulatory adjustments	**(30)**	(78)	(78)
Total Tier I capital	**5,969**	5,060	5,060
Tier II capital-subordinated debt	**15**	141	141
Add: Other regulatory adjustments	**132**	22	22
Total Regulatory Capital	**6,116**	5,223	5,223
Risk Weighted Assets	**33,445**	33,261	30,421
Ratios:	**%**	%	%
Common Equity Tier I	**17.8%**	14.5%	15.8%
Tier I	**17.8%**	15.2%	16.6%
Capital Adequacy Ratio	**18.3%**	15.7%	17.2%

[(1)] *Pro-forma with the regulatory treatment of Deferred Tax Assets (DTAs) as Deferred Tax Credits (DTCs) (note 15).*

Note: The CET1 as at 31 December 2015, based on the full implementation of the Basel III rules in 2024, would have been 14.4 %.

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

To this direction, the Bank 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 Bank 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 its operations 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 Bank for the year ended 31 December 2015, which are described in note 2. Furthermore, the results of the AQR have been reflected in the Bank's results as at 30 June 2015 to the appropriate extent through the application of the Bank's existing impairment accounting policies, which incorporate the constant evaluation and calibration of estimates and judgments based on the latest available information (note 23).

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 36) 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 33 and 38).

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 16) 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 Bank is well on track to meet its commitments within the prescribed deadlines; in respect of those commitments that should be implemented within 2016, the Bank 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 Bank's operations and reduce the Bank'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 Bank'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 Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

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

The Bank also trades in financial instruments where it takes positions in traded and over the counter 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 Bank 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 Bank'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 Bank. 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 Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to fulfill its payment obligations, when due.

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

(a) Credit Risk Management

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

Credit Committees

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

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

- Special Handling Credit Committees which decide on credit issues and actions to be taken for specific cases of problematic loans.

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

The credit committees meet on a weekly basis or more frequently, if 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 Bank'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 Bank'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 Bank'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 Bank will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to extend credit in the form of loans, guarantees or letters of credit for which the Bank usually receives a commitment fee. Such commitments are irrevocable over the life of the facility or revocable only in response to a material adverse effect.

(d) Concentration risk

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

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

(e) Rating systems

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

Types of collateral commonly accepted by the Bank

The Bank has internal policies in place which set out the following types of collateral that are usually accepted 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 Bank's credit policy.

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

Valuation principles of collaterals

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

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

Guarantees

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

Management of repossessed properties

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

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

Counterparty risk

The Bank mitigates counterparty risk arising from treasury activities by entering into master netting arrangements and similar agreements, as well as collateral agreements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in 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 Bank makes use of International Swaps and Derivatives Association (ISDA) contracts, which limit the exposure via the application of netting and Credit Support Annex (CSAs), which further reduce the total exposure with the counterparty. Under these agreements, the total exposure with the counterparty is calculated on a daily basis taking into account any netting arrangements and collaterals.

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

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

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

7.2.1.1 Maximum exposure to credit risk before collateral held

	2015 € million	2014 € million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from credit institutions	**5,020**	5,892
Financial instruments at fair value through profit or loss:		
- Debt securities	**15**	66
Derivative financial instruments	**1,881**	2,121
Loans and advances to customers:		
- Wholesale lending	**15,194**	15,235
- Mortgage lending	**16,569**	16,620
- Consumer lending	**5,138**	5,269
- Small business lending	**6,436**	6,390
Less: Impairment allowance	**(10,363)**	(8,438)
Investment securities:		
- Debt securities	**14,494**	14,860
Other assets	**1,450**	1,376
Credit risk exposures relating to off-balance sheet items (note 41)	**2,113**	2,923
Total	**57,947**	62,314

The above table represents the Bank'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 Bank'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 Bank's exposure to credit risk arising from its customer lending portfolios in line with the guidelines set by the Hellenic Capital Markets Commission and the Bank of Greece released on 30 September 2013.

(a) Credit quality of loans and advances to customers

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

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

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

For loans in the above categories, although not considered impaired, the Bank recognize a collective impairment 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 Bank 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	**12,079**	**3,219**	**2,654**	**10,191**	**28,143**	**(1,393)**	**(5,095)**	**21,655**	**17,268**
- Mortgage	*8,884*	*2,217*	*143*	*5,325*	16,569	*(48)*	*(2,029)*	*14,492*	*13,378*
- Consumer	*1,007*	*381*	-	*2,576*	3,964	-	*(2,000)*	*1,964*	*116*
- Credit card	*533*	*52*	-	*589*	1,174	-	*(455)*	*719*	*34*
- Small business	*1,655*	*569*	*2,511*	*1,701*	6,436	*(1,345)*	*(611)*	*4,480*	*3,740*
Wholesale Lending	**6,150**	**1,414**	**6,958**	**-**	**14,522**	**(3,737)**	**(131)**	**10,654**	**6,271**
- Large corporate	*4,830*	*1,118*	*4,803*	-	*10,751*	*(2,887)*	*(82)*	*7,782*	*4,333*
- SMEs	*1,320*	*296*	*2,155*	-	*3,771*	*(850)*	*(49)*	*2,872*	*1,938*
Public Sector	**672**	**0**	**0**	**-**	**672**	**(0)**	**(7)**	**665**	**2**
- Greece	*672*	*0*	*0*	-	*672*	*(0)*	*(7)*	*665*	*2*
Total	**18,901**	**4,633**	**9,612**	**10,191**	**43,337**	**(5,130)**	**(5,233)**	**32,974**	**23,541**

	31 December 2014								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million	Total gross amount € million	Individually assessed € million	Collectively assessed € million	Total net amount € million	Value of collateral € million
Retail Lending	13,542	3,917	2,580	8,240	28,279	(1,192)	(3,872)	23,215	18,468
- Mortgage	*9,821*	*2,617*	*77*	*4,105*	*16,620*	*(27)*	*(1,354)*	*15,239*	*14,441*
- Consumer	*1,278*	*478*	-	*2,289*	*4,045*	-	*(1,777)*	*2,268*	*100*
- Credit card	*579*	*78*	-	*567*	*1,224*	-	*(366)*	*858*	*31*
- Small business	*1,864*	*744*	*2,503*	*1,279*	*6,390*	*(1,165)*	*(375)*	*4,850*	*3,896*
Wholesale Lending	6,447	1,543	6,437	-	14,427	(3,113)	(253)	11,061	6,177
- Large corporate	*5,168*	*1,174*	*4,748*	-	*11,090*	*(2,585)*	*(190)*	*8,315*	*4,333*
- SMEs	*1,279*	*369*	*1,689*	-	*3,337*	*(528)*	*(63)*	*2,746*	*1,844*
Public Sector	403	405	0	-	808	(0)	(8)	800	116
- Greece	*403*	*405*	*0*	-	*808*	*(0)*	*(8)*	*800*	*116*
Total	20,392	5,865	9,017	8,240	43,514	(4,305)	(4,133)	35,076	24,761

Loans and advances neither past due nor impaired

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

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

	31 December 2015				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	**0**	**12,079**	**-**	**12,079**	**8,718**
- Mortgage	-	*8,884*	-	*8,884*	*7,672*
- Consumer	-	*1,007*	-	*1,007*	-
- Credit card	-	*533*	-	*533*	-
- Small business	*0*	*1,655*	-	*1,655*	*1,046*
Wholesale Lending	**4,750**	**1,290**	**110**	**6,150**	**2,448**
- Large corporate	*3,886*	*880*	*64*	*4,830*	*1,726*
- SMEs	*864*	*410*	*46*	*1,320*	*722*
Public Sector	**585**	**87**	**-**	**672**	**2**
- Greece	*585*	*87*	-	*672*	*2*
Total	**5,335**	**13,456**	**110**	**18,901**	**11,168**

	31 December 2014				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	-	13,542	-	13,542	10,156
- Mortgage	-	*9,821*	-	*9,821*	*8,924*
- Consumer	-	*1,278*	-	*1,278*	-
- Credit card	-	*579*	-	*579*	-
- Small business	-	*1,864*	-	*1,864*	*1,232*
Wholesale Lending	4,431	1,813	203	6,447	2,457
- Large corporate	*3,622*	*1,432*	*114*	*5,168*	*1,684*
- SMEs	*809*	*381*	*89*	*1,279*	*773*
Public Sector	134	269	-	403	114
- Greece	*134*	*269*	-	*403*	*114*
Total	4,565	15,624	203	20,392	12,728

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 past due but not impaired
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	€ million
up to 29 days	1,621	291	36	325	596	149	0	3,018
30 to 59 days	302	55	10	134	146	32	-	679
60 to 89 days	169	35	6	110	376	115	-	811
90 to 179 days	125	-	-	-	-	-	-	125
Total	**2,217**	**381**	**52**	**569**	**1,118**	**296**	**0**	**4,633**
Value of collateral	**1,804**	**-**	**-**	**356**	**648**	**161**	**-**	**2,969**

	31 December 2014							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total past due but not impaired € million
up to 29 days	1,797	341	54	346	344	92	403	3,377
30 to 59 days	443	91	16	234	99	30	-	913
60 to 89 days	198	46	8	164	699	224	2	1,341
90 to 179 days	179	-	-	-	32	23	-	234
Total	2,617	478	78	744	1,174	369	405	5,865
Value of collateral	2,266	-	-	476	639	210	2	3,593

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**	**Total impaired € million**
Balance at 31 December 2014	**4,182**	**2,289**	**567**	**3,782**	**4,748**	**1,689**	**0**	**17,257**
Transfers among product lines	-	-	-	-	2	(2)	-	-
Balance at 1 January	**4,182**	**2,289**	**567**	**3,782**	**4,750**	**1,687**	**0**	**17,257**
Impairment exposures for the year	1,300	387	43	488	170	534	(0)	**2,922**
Transferred to non-impaired	(116)	(81)	(16)	(85)	(38)	(38)	-	**(374)**
Repayments	(20)	(21)	(6)	(42)	(56)	(10)	-	**(155)**
Amounts written off	(0)	(0)	(0)	-	(76)	(19)	-	**(95)**
Foreign exchange differences and other movements	122	2	1	69	53	1	-	**248**
Balance at 31 December	**5,468**	**2,576**	**589**	**4,212**	**4,803**	**2,155**	**-**	**19,803**
Cumulative impairment allowance	**(1,811)**	**(1,937)**	**(449)**	**(1,874)**	**(2,859)**	**(850)**	**-**	**(9,780)**
Net balance at 31 December	**3,657**	**639**	**140**	**2,338**	**1,944**	**1,305**	**-**	**10,023**

	31 December 2014							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
Balance at 31 December 2013	3,057	2,125	595	3,274	1,855	2,999	13	13,918
Transfers among product lines	-	-	-	-	1,685	(1,685)	0	0
Balance at 1 January	3,057	2,125	595	3,274	3,540	1,314	13	13,918
Impairment exposures for the year	1,230	362	46	810	1,097	413	0	3,958
Corporate bond loans transferred from AFS/acquired from subsidiaries (note 22)	-	-	-	-	535	57	-	592
Transferred to non-impaired	(91)	(97)	(3)	(242)	(343)	(55)	(13)	(844)
Repayments	(24)	(25)	(15)	1	(43)	(35)	-	(141)
Amounts written off	(0)	(89)	(55)	(80)	(52)	(4)	-	(280)
Disposals	-	-	-	-	-	(1)	-	(1)
Foreign exchange differences and other movements	10	13	(1)	19	14	0	-	55
Balance at 31 December	4,182	2,289	567	3,782	4,748	1,689	0	17,257
Cumulative impairment allowance	(1,277)	(1,707)	(359)	(1,506)	(2,627)	(528)	-	(8,004)
Net balance at 31 December	2,905	582	208	2,276	2,121	1,161	0	9,253

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

	31 December 2015							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
up to 29 days	**678**	**95**	**2**	**374**	**473**	**264**	**-**	**1,886**
30 to 59 days	**145**	**20**	**0**	**83**	**13**	**3**	**-**	**264**
60 to 89 days	**87**	**12**	**0**	**90**	**416**	**173**	**-**	**778**
90 to 179 days	**238**	**41**	**7**	**157**	**69**	**82**	**-**	**594**
180 to 360 days	**288**	**39**	**8**	**131**	**76**	**91**	**-**	**633**
more than 360 days	**2,221**	**432**	**123**	**1,503**	**897**	**692**	**-**	**5,868**
Total	**3,657**	**639**	**140**	**2,338**	**1,944**	**1,305**	**-**	**10,023**
Value of collateral	**3,902**	**116**	**34**	**2,338**	**1,959**	**1,055**	**-**	**9,404**

	31 December 2014							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
up to 29 days	358	54	-	341	370	210	-	1,333
30 to 59 days	56	7	-	50	30	11	-	154
60 to 89 days	33	4	-	47	432	42	-	558
90 to 179 days	102	30	7	151	86	55	-	431
180 to 360 days	387	30	7	124	140	195	0	883
more than 360 days	1,969	457	194	1,563	1,063	648	-	5,894
Total	2,905	582	208	2,276	2,121	1,161	0	9,253
Value of collateral	3,251	100	31	2,188	2,010	861	-	8,441

(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%	**3,789**	4,066
50%-70%	**2,438**	2,817
71%-80%	**1,206**	1,392
81%-90%	**1,094**	1,292
91%-100%	**1,050**	1,242
101%-120%	**1,875**	2,070
121%-150%	**2,183**	1,881
Greater than 150%	**2,934**	1,860
Total exposure	**16,569**	16,620
Average LTV	**95.32%**	84.32%

The breakdown of collateral and guarantees is presented below:

	31 December 2015				
	Value of collateral received				Guarantees received
	Real Estate € million	Financial € million	Other € million	Total € million	€ million
Retail Lending	**16,834**	**198**	**236**	**17,268**	**162**
Wholesale Lending	**3,021**	**210**	**3,040**	**6,271**	**137**
Public sector	**-**	**2**	**0**	**2**	**18**
Total	**19,855**	**410**	**3,276**	**23,541**	**317**

	31 December 2014				
	Value of collateral received				Guarantees received
	Real Estate € million	Financial € million	Other € million	Total € million	€ million
Retail Lending	18,005	290	173	18,468	135
Wholesale Lending	3,496	383	2,298	6,177	191
Public sector	2	110	4	116	30
Total	21,503	783	2,475	24,761	356

Repossessed assets

The Bank recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Bank repossesses against repayment or reduction of the outstanding loan is real estate, which is recognized within repossessed assets and carried at the lower of cost or net realizable value (see also notes 2.18 and 29). In cases where the Bank makes use of repossessed properties as part of its operations, they are classified as own-used or investment properties as appropriate (see notes 2.7, 26 and 27).

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

	31 December 2015						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/ (loss) on sale € million
Real estate auction items	**389**	**19**	**(84)**	**(32)**	**305**	**5**	**(1)**
- Residential	*272*	*15*	*(57)*	*(24)*	*215*	*5*	*(1)*
- Commercial	*117*	*4*	*(27)*	*(8)*	*90*	*0*	*0*

	31 December 2014						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/ (loss) on sale € million
Real estate auction items	378	48	(52)	(20)	326	1	(0)
- Residential	*265*	*28*	*(33)*	*(11)*	*232*	*1*	*(0)*
- Commercial	*113*	*20*	*(19)*	*(9)*	*94*	*0*	*(0)*

There are no properties classified as investment property or own used, as a result of repossession or transfer from repossessed properties categories in 2014 and 2015.

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

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

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

	31 December 2015								
	Greece			Rest of Europe			Other Countries		
	Gross amount	Out of which: impaired amount	Impairment allowance	Gross amount	Out of which: impaired amount	Impairment allowance	Gross amount	Out of which: impaired amount	Impairment allowance
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Retail Lending	**28,142**	**12,844**	**(6,487)**	**-**	**-**	**-**	**1**	**1**	**(1)**
-Mortgage	*16,569*	*5,468*	*(2,077)*	-	-	-	-	-	-
-Consumer	*3,963*	*2,575*	*(1,999)*	-	-	-	*1*	*1*	*(1)*
-Credit card	*1,174*	*589*	*(455)*	-	-	-	-	-	-
-Small business	*6,436*	*4,212*	*(1,956)*	-	-	-	-	-	-
Wholesale Lending	**13,054**	**6,257**	**(3,341)**	**637**	**525**	**(392)**	**831**	**176**	**(135)**
-Commerce and services	*6,991*	*3,320*	*(1,960)*	*423*	*335*	*(283)*	*227*	*138*	*(120)*
-Manufacturing	*2,759*	*1,191*	*(664)*	*5*	*5*	*(5)*	-	-	-
-Shipping	*113*	*51*	*(24)*	*26*	*12*	*(1)*	*594*	*28*	*(8)*
-Construction	*1,761*	*1,078*	*(535)*	*172*	*162*	*(97)*	*3*	*3*	*(0)*
-Tourism	*1,162*	*605*	*(126)*	-	-	-	-	-	-
-Energy	*257*	*8*	*(10)*	-	-	-	-	-	-
-Other	*11*	*4*	*(22)*	*11*	*11*	*(6)*	*7*	*7*	*(7)*
Public Sector	**672**	**0**	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**41,868**	**19,101**	**(9,835)**	**637**	**525**	**(392)**	**832**	**177**	**(136)**

	31 December 2014								
	Greece			Rest of Europe			Other Countries		
	Gross amount	Out of which: impaired amount	Impairment allowance	Gross amount	Out of which: impaired amount	Impairment allowance	Gross amount	Out of which: impaired amount	Impairment allowance
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Retail Lending	28,273	10,814	(5,058)	6	6	(6)	-	-	-
-Mortgage	*16,620*	*4,182*	*(1,381)*	-	-	-	-	-	-
-Consumer	*4,045*	*2,289*	*(1,777)*	-	-	-	-	-	-
-Credit card	*1,224*	*567*	*(366)*	-	-	-	-	-	-
-Small business	*6,384*	*3,776*	*(1,534)*	*6*	*6*	*(6)*	-	-	-
Wholesale Lending	12,921	5,747	(2,738)	730	532	(512)	776	158	(116)
-Commerce and services	*6,326*	*2,542*	*(1,221)*	*187*	*78*	*(67)*	*171*	*60*	*(53)*
-Manufacturing	*2,470*	*991*	*(462)*	*1*	*1*	*(0)*	-	-	-
-Shipping	*66*	*19*	*(3)*	*78*	*46*	*(29)*	*544*	*37*	*(18)*
-Construction	*1,769*	*948*	*(381)*	*46*	*34*	*(9)*	*3*	*3*	*(0)*
-Tourism	*1,150*	*503*	*(122)*	-	-	-	-	-	-
-Energy	*290*	*14*	*(13)*	-	-	-	-	-	-
-Other	*850*	*730*	*(536)*	*417*	*373*	*(407)*	*59*	*58*	*(45)*
Public Sector	808	0	(8)	-	-	-	-	-	-
Total	42,002	16,561	(7,804)	736	538	(518)	776	158	(116)

(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 Bank 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 Bank 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 Bank are monitored based on the abovementioned EBA ITS guidelines.

Accordingly, forbearance practices as monitored and reported by the Bank occur only in the cases where the contractual payment terms of a loan have been modified, as the borrower is considered unable to comply with the existing loan's terms due to apparent financial difficulties, and the Bank 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 Bank, where there is no apparent financial difficulty of the borrower and may be driven by factors of a business nature are not classified as forbearance measures.

Forborne loans are classified 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 Bank's forbearance activities and are reported in the denounced impaired loans consistently with the Bank's management and monitoring of all denounced loans.

Forbearance programs

Forbearance 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 Bank from suffering credit losses. The Bank 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 Bank'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 Bank performs an assessment of the borrower's financial condition and its ability to repay, under the Bank'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 Bank 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 Bank 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 Bank 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 Bank's forborne activities:

	2015 **€ million**	2014 € million
Forbearance measures:		
Interest only schedule	**208**	100
Reduced payment schedule	**3,362**	1,593
Payment moratorium/Holidays	**84**	766
Term extension	**1,262**	460
Arrears capitalisation	**1,390**	817
Partial debt write-off	**34**	21
Hybrid (i.e. combination of more than one type)	**340**	447
Debt for equity exchange	**49**	5
Other	**171**	100
Total net amount	**6,900**	4,309

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	**18,901**	**2,429**	**12.9**
Past due but not impaired	**4,633**	**1,230**	**26.5**
Impaired	**19,803**	**4,629**	**23.4**
Total Gross Amount	**43,337**	**8,288**	**19.1**
Individual impairment allowance	**(5,130)**	**(417)**	**8.1**
Collective impairment allowance	**(5,233)**	**(971)**	**18.6**
Total Net amount	**32,974**	**6,900**	**20.9**
Collateral received	**23,541**	**5,538**	

	31 December 2014		
	Total loans & advances € million	Forborne loans & advances € million	% of forborne loans & advances
Neither past due nor impaired	20,392	1,676	8.2
Past due but not impaired	5,865	748	12.8
Impaired	17,257	2,572	14.9
Total Gross Amount	43,514	4,996	11.5
Individual impairment allowance	(4,305)	(250)	5.8
Collective impairment allowance	(4,133)	(437)	10.6
Total Net amount	35,076	4,309	12.3
Collateral received	24,761	3,610	

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

	2015 € million
Balance at 1 January	**4,310**
Forbearance measures in the year	**2,883**
Interest income	**171**
Repayment of loans (partial or total)	**(86)**
Loans & advances that exited forbearance status [1]	**(161)**
Impairment loss	**(217)**
Other	**0**
Net Balance at 31 December	**6,900**

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

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

	2015 € million	2014 € million
Retail Lending	**5,905**	3,390
- Mortgage	*4,357*	*2,540*
- Consumer	*292*	*126*
- Credit card	*0*	*0*
- Small business	*1,256*	*724*
Wholesale Lending	**995**	919
-Large corporate	*545*	*555*
-SMEs	*450*	*364*
Total net amount	**6,900**	4,309

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

	2015 € million	2014 € million
Greece	**6,848**	4,288
Rest of Europe	**42**	21
Other countries	**10**	-
Total net amount	**6,900**	4,309

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	**-**	**54**	**-**	**0**	**54**
Aa1 to Aa3	**-**	**-**	**10,042**	**50**	**10,092**
A1 to A3	**-**	**6**	**115**	**58**	**179**
Lower than A3	**13**	**3,025**	**1,071**	**41**	**4,150**
Unrated	**2**	**13**	**19**	**-**	**34**
Total	**15**	**3,098**	**11,247**	**149**	**14,509**

	31 December 2014				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	-	101	-	45	146
Aa1 to Aa3	-	-	10,089	69	10,158
A1 to A3	0	30	117	89	236
Lower than A3	58	2,676	1,305	143	4,182
Unrated	8	7	189	-	204
Total	66	2,814	11,700	346	14,926

Securities rated lower than A3 include: € 3,833 million related to Greek sovereign debt (2014: € 3,521 million), € 100 million related to Eurozone members sovereign debt, i.e. Italy (2014: € 100 million) and € 110 million related to sovereign debt issued mainly by European Union members and candidate members (2014: € 265 million).

The following tables present the Bank'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	**3,833**	**10,420**	**-**	**14,253**
Banks	**1**	**-**	**-**	**1**
Corporate	**107**	**138**	**10**	**255**
Total	**3,941**	**10,558**	**10**	**14,509**

	31 December 2014			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	3,521	10,668	-	14,189
Banks	2	28	0	30
Corporate	410	287	10	707
Total	3,933	10,983	10	14,926

7.2.1.4 Offsetting of financial assets and financial liabilities

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

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

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

Regarding the former, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, there is a legally enforceable right to offset the 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 Bank's accounting policy 2.5.

Regarding the latter, the International Swaps and Derivatives Association (ISDA) and similar master netting arrangements do not meet the criteria for offsetting in the balance sheet, as they create a right of set - off that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties may not intend to settle on a net basis or to 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 Bank 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 Bank receives and provides collateral in the form of marketable securities and cash that are included in the tables below under columns "financial instruments" and "cash collateral" at their fair value.

	31 December 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						
Derivative financial instruments	1,854	-	1,854	(1,777)	(25)	52
Total	1,854	-	1,854	(1,777)	(25)	52

	31 December 2015					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabiltiies € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilties presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	2,353	-	2,353	(795)	(1,524)	34
Repurchase agreements with banks	5,632	-	5,632	(5,577)	(55)	-
Repurchase agreements with customers	53	-	53	(53)	-	0
Total	8,038	-	8,038	(6,425)	(1,579)	34

	31 December 2014					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Derivative financial instruments	2,091	-	2,091	(1,982)	(38)	71
Reverse repos with banks	6	-	6	(6)	-	-
Total	2,097	-	2,097	(1,988)	(38)	71

	31 December 2014					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabiltiies € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilties presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	2,453	-	2,453	(882)	(1,522)	49
Repurchase agreements with banks	11,379	-	11,379	(11,092)	(206)	81
Repurchase agreements with customers	53	-	53	(53)	-	0
Total	13,885	-	13,885	(12,027)	(1,728)	130

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

7.2.2 Market risk

The Bank takes on exposure to market 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 Bank's income or the fair value of its financial instruments. Specifically, the market risks the Bank is exposed to, are the following:

(a) Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its 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 Bank 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 Bank undertakes arises mainly from the investment portfolio.

(d) Implied volatilities

The Bank 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 is managed and monitored using Value at Risk (VaR) methodology.

(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 Bank measures is an estimate based upon a 99% confidence level and a holding period of 1 day and the methodology used for the calculation is Monte Carlo simulation (full 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 Bank's market risk control regime, VaR limits have been established for all (trading and investment portfolios) operations and actual exposure is reviewed daily by management. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

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

	2015 **€ million**	2014 € million
Interest rate risk	**38**	10
Foreign Exchange Risk	**0**	0
Equities Risk	**2**	2
Total VaR	**38**	11

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

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

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

	31 December 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	**-**	**-**	**-**	**2**	**2**
Fixed coupon bonds	-	-	-	2	2
Investment securities	**509**	**1,333**	**10,585**	**864**	**938**
Fixed coupon bonds	421	1,155	600	864	938
Variable coupon bonds	88	178	9,985	-	-
Derivatives[(1)]	**163**	**(906)**	**1,317**	**(197)**	**(565)**

	31 December 2014				
	Less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	6	1	3	2	(1)
Fixed coupon bonds	6	1	3	2	(1)
Variable coupon bonds	-	-	0	-	-
Investment securities	732	1,274	10,729	937	823
Fixed coupon bonds	599	807	728	937	823
Variable coupon bonds	133	467	10,001	-	-
Derivatives[(1)]	1,122	(1,223)	1,355	(547)	(690)

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

(ii) Foreign exchange risk concentration

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

	31 December 2015							
	USD	CHF	RON	RSD	BGN	OTHER	EUR	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
ASSETS								
Cash and balances with central banks	7	1	-	-	-	3	386	397
Due from credit institutions	186	197	58	-	1	65	4,513	5,020
Financial instruments at fair value through profit or loss	1	-	-	-	-	-	16	17
Derivative financial instruments	19	2	-	-	-	-	1,860	1,881
Loans and advances to customers	780	3,950	-	-	-	34	28,210	32,974
Investment securities	60	-	1	-	-	2	14,522	14,585
Other assets[1]	7	1	282	221	83	37	8,577	9,208
Assets classified as held for sale	-	-	-	-	-	-	113	113
Total Assets	1,060	4,151	341	221	84	141	58,197	64,195
LIABILITIES								
Due to central banks and credit institutions	737	1	-	-	-	6	30,778	31,522
Derivative financial instruments	36	-	332	-	375	-	1,610	2,353
Due to Customers	924	20	2	-	-	115	21,741	22,802
Debt securities in issue	-	-	-	-	-	-	896	896
Other Liabilities	7	-	-	-	-	-	484	491
Total Liabilities	1,704	21	334	-	375	121	55,509	58,064
Net on balance sheet position	(644)	4,130	7	221	(291)	20	2,688	6,131
Derivative forward foreign exchange position	643	(4,126)	(35)	-	(2)	23	3,472	(25)
Total Foreign Exchange Position	(1)	4	(28)	221	(293)	43	6,160	6,106

	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	7	-	-	-	-	37	757	801
Due from credit institutions	585	183	75	-	1	90	4,958	5,892
Financial instruments at fair value through profit or loss	8	-	-	-	-	-	65	73
Derivative financial instruments	37	-	-	-	-	1	2,083	2,121
Loans and advances to customers	930	4,357	-	-	-	60	29,729	35,076
Investment securities	269	-	5	-	-	26	14,659	14,959
Other assets[1]	5	1	291	221	80	37	7,937	8,572
Total Assets	1,841	4,541	371	221	81	251	60,188	67,494
LIABILITIES								
Due to central banks and credit institutions	1,018	11	-	-	-	60	24,929	26,018
Derivative financial instruments	59	-	335	-	375	1	1,700	2,470
Due to Customers	1,937	22	3	-	-	251	29,772	31,985
Debt securities in issue	7	-	-	-	-	-	1,280	1,287
Other Liabilities	4	-	-	-	-	1	472	477
Total Liabilities	3,025	33	338	-	375	313	58,153	62,237
Net on balance sheet position	(1,184)	4,508	33	221	(294)	(62)	2,034	5,256
Derivative forward foreign exchange position	1,181	(4,522)	(72)	-	-	102	3,343	32
Total Foreign Exchange Position	(3)	(14)	(39)	221	(294)	40	5,377	5,288

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

7.2.3 Liquidity risk

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

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

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

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

Liquidity Risk Management Framework

The Bank’s Liquidity Risk Management Policy defines the following supervisory and control structure:

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

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 Bank's liquidity position;

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

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

(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 Bank 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 Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Under these contracts the Bank has posted or received collateral, which covers the corresponding net liabilities or net assets from derivative transactions. The collateral posted in 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	**397**	**-**	**-**	**-**	**397**
- Due from credit institutions	**1,158**	**358**	**393**	**1,356**	**3,265**
- Loans and advances to customers	**5,288**	**300**	**2,273**	**25,113**	**32,974**
- Debt Securities	**426**	**1,150**	**591**	**12,342**	**14,509**
- Equity Securities	**-**	**-**	**-**	**93**	**93**
- Derivative financial instruments	**-**	**-**	**-**	**71**	**71**
- Other assets[(1)]	**3**	**5**	**21**	**9,179**	**9,208**
- Assets classified as held for sale	**-**	**-**	**-**	**113**	**113**
Total	**7,272**	**1,813**	**3,278**	**48,267**	**60,630**

	31 December 2014				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	801	-	-	-	801
- Due from credit institutions	1,552	301	311	2,121	4,285
- Loans and advances to customers	7,567	221	1,243	26,045	35,076
- Debt Securities	607	875	820	12,624	14,926
- Equity Securities	-	-	-	106	106
- Derivative financial instruments [(2)]	-	-	-	95	95
- Other assets[(1)]	10	15	66	8,481	8,572
Total	10,537	1,412	2,440	49,472	63,861

[(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 Bank has received high liquid collaterals.*

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

(a) Cash and balances with central banks;

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

(c) Interbank placings maturing within one month.

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2015 and 2014. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket. The Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Bank has already posted collateral which covers the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the "less than 1 month" time bucket.

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

	31 December 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	26,260	467	191	4,685	31,603
- Due to customers	17,678	2,977	1,987	187	22,829
- EMTNs	20	90	176	622	908
- Other liabilities	58	95	338	-	491
	44,016	3,629	2,692	5,494	55,831
Derivative financial instruments:	36	-	-	-	36

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	1,621	492
Capital expenditure	10	-
Operating lease commitments	23	107
	1,654	599

	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	18,009	5,855	221	2,005	26,090
- Due to customers	18,725	5,357	7,144	910	32,136
- EMTNs	0	27	83	661	771
- Securitizations (redemptions and coupons)[1]	71	141	632	94	938
- Other liabilities	56	94	327	-	477
	36,861	11,474	8,407	3,670	60,412
Derivative financial instruments:	47	-	-	-	47

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

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	2,400	523
Capital expenditure	6	-
Operating lease commitments	25	117
	2,431	640

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 Bank'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 36), 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 Bank'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 Bank 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 Bank.

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 mainly unquoted equities, certain OTC derivatives and loans and advances to customers.

Financial instruments carried at fair value

The fair value hierarchy categorization of the Bank'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	**14**	**2**	**1**	**17**
Derivative financial instruments	**0**	**1,862**	**19**	**1,881**
Available-for-sale investment securities	**3,146**	**0**	**43**	**3,189**
Total financial assets	**3,160**	**1,864**	**63**	**5,087**
Financial liabilities measured at fair value:				
Derivative financial instruments	**1**	**2,352**	**-**	**2,353**
Due to customers:				
- Structured deposits	**-**	**4**	**-**	**4**
Trading liabilities	**10**	**-**	**-**	**10**
Total financial liabilities	**11**	**2,356**	**-**	**2,367**

	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	32	41	0	73
Derivative financial instruments	-	2,119	2	2,121
Available-for-sale investment securities	2,869	1	43	2,913
Total financial assets	2,901	2,161	45	5,107
Financial liabilities measured at fair value:				
Derivative financial instruments	1	2,469	-	2,470
Due to customers:				
- Structured deposits	-	149	-	149
Trading liabilities	9	-	-	9
Total financial liabilities	10	2,618	-	2,628

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

During the year ended 31 December 2015, the Bank 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).

Reconciliation of Level 3 fair value measurements

	2015 € million	2014 € million
Balance at 1 January	**45**	250
Transfers into Level 3	**25**	7
Transfers out of Level 3	**(1)**	-
Transfers to loans and advances to customers (note 22)	**-**	(150)
Additions, net of disposals and redemptions	**5**	(25)
Total gain/(loss) for the year included in profit or loss	**(13)**	(39)
Total gain/(loss) for the year included in other comprehensive income	**0**	-
Foreign exchange differences and other	**2**	2
Balance at 31 December	**63**	45

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 Bank's income statement (2014: of the total loss of € 39 million, € 38 million were presented in line 'Other impairment losses' and € 1 million in line 'Net trading income').

Bank's valuation processes and techniques

The Bank's processes and procedures governing the fair valuations are established by the Group Market Counterparty Risk Sector in line with the Bank's accounting policies. The Bank 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 Bank and the counterparty, where appropriate.

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

The Bank determines fair values for debt securities held using quoted market prices in active markets for securities with similar credit risk, maturity and yield, 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 Bank and designated at FVTPL, fair values are determined by discounting the expected cash flows at a risk-adjusted rate, where the Bank's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Bank or other Greek issuers.

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 Bank'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	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
	€ million	**€ million**	**€ million**	**€ million**	**€ million**
Loans and advances to customers	**-**	**-**	**33,019**	**33,019**	**32,974**
Investment securities					
- Debt securities lending portfolio	**206**	**10,758**	**-**	**10,964**	**11,247**
- Held to maturity securities	**-**	**135**	**-**	**135**	**149**
Total financial assets	**206**	**10,893**	**33,019**	**44,118**	**44,370**
Debt securities in issue held by third party investors	**-**	**32**	**-**	**32**	**42**
Total financial liabilities	**-**	**32**	**-**	**32**	**42**

	31 December 2014				
	Level 1	Level 2	Level 3	Fair value	Carrying amount
	€ million	€ million	€ million	€ million	€ million
Loans and advances to customers	-	-	34,930	34,930	35,076
Investment securities					
- Debt securities lending portfolio	315	10,853	-	11,168	11,700
- Held to maturity securities	61	268	-	329	346
Total financial assets	376	11,121	34,930	46,427	47,122
Debt securities in issue held by third party investors	-	326	-	326	402
Total financial liabilities	-	326	-	326	402

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 Bank 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 Bank's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Bank or other Greek issuers.

For other financial instruments which are short term or re-price at frequent intervals (cash and balances with central banks, 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.

8. Net interest income

	2015 € million	2014 € million
Interest income		
Customers	**1,481**	1,641
Banks	**62**	111
Securities	**182**	224
Derivatives	**303**	316
	2,028	2,292
Interest expense		
Customers	**(264)**	(641)
Banks	**(443)**	(263)
Debt securities in issue	**(16)**	(21)
Derivatives	**(304)**	(368)
	(1,027)	(1,293)
Total	**1,001**	999

Interest Income 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	**661**	**252**	**913**
Wholesale lending[1]	**388**	**180**	**568**
Total interest income from customers	**1,049**	**432**	**1,481**

	31 December 2014		
	Interest Income on non-impaired loans and advances € million	Interest Income on impaired loans and advances € million	Total € million
Retail lending	820	200	1,020
Wholesale lending[1]	448	173	621
Total interest income from customers	1,268	373	1,641

[1] *Including interest income on loans and advances to the Public Sector.*

The unwinding of the discount of the impairment allowance (note 23) amounting to € 253 million (retail lending € 171 million & wholesale lending € 82 million) is included in interest income on impaired loans and advances to customers (2014: retail lending € 158 million & wholesale lending € 81 million).

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

	2015 € million	2014 € million
Debt securities and other financial instruments	**51**	15
Equity securities	**3**	33
Gains/(losses) on derivative financial instruments	**(20)**	(28)
Revaluation on foreign exchange positions	**5**	(2)
Total	**39**	18

10. Dividend income

During the year, the Bank recognized dividend income mainly resulting from shares in subsidiaries amounting to € 369 million (2014: € 60 million).

The analysis of the aforementioned dividends per entity is as follows:

	2015 € million	2014 € million
ERB New Europe Holding B.V.	**262**	-
Eurolife ERB Insurance Group Holdings S.A.	**38**	-
Eurolife ERB General Insurance S.A.	**-**	36
Eurobank Factors S.A.	**25**	-
Eurobank Equities S.A.	**16**	-
Eurobank Fund Management Company (Luxembourg) S.A.	**18**	-
Eurobank Property Services S.A.	**-**	13
Grivalia Properties R.E.I.C.	**6**	6
ERB Insurance Services S.A.	**-**	4
Eurobank Asset Management Mutual Fund Management Company S.A.	**2**	-
Other (including AFS and trading portfolio)	**2**	1
Total	**369**	60

11. Operating expenses

	2015 € million	2014 € million
Staff costs (note 12)	**(373)**	(396)
Administrative expenses	**(167)**	(162)
Contributions to resolution and deposit guarantee funds	**(83)**	(42)
Depreciation of property, plant and equipment	**(27)**	(37)
Amortisation of intangible assets	**(15)**	(16)
Operating lease rentals	**(44)**	(46)
Total	**(709)**	(699)

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, 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.

For the year ended 31 December 2015, the contributions to the resolution and deposit guarantee funds, as notified by Bank of Greece (BoG), amounted to € 71 million, including € 30 million in the context of Directive 2014/59/EU, which related to the Bank's annual contribution to HDIGF. 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 event

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.

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 Bank auditors may provide further to the statutory audit. For any such services to be assigned to the Bank's auditors there are specific controlling mechanisms in order for the Bank's Audit Committee to ensure there is proper balance between audit and non-audit work. Finally, according to Bank's Policy, there is periodic tendering of the statutory auditors at least once every four years in order to ensure the External Auditors' Independence.

The fees charged by the Bank's independent auditor "PricewaterhouseCoopers" for audit and other services provided are analyzed as follows:

	2015 **€ million**	2014 € million
Statutory audit	**(1.2)**	(1.2)
Tax audit-article 65a, law 4174/2013	**(0.2)**	(0.3)
Other audit related assignments	**(0.5)**	(0.5)
Non audit assignments	**(0.3)**	(0.7)
Total	**(2.2)**	(2.7)

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

12. Staff costs

	2015 **€ million**	2014 € million
Wages, salaries and performance remuneration	**(266)**	(289)
Social security costs	**(66)**	(71)
Additional pension and other post employment costs	**(11)**	(12)
Other	**(30)**	(24)
Total	**(373)**	(396)

The average number of employees of the Bank during the year was 9,083 (2014: 8,971). As at 31 December 2015, the number of branches of the Bank amounted to 515.

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

	2015 € million	2014 € million
Impairment and valuation losses on investment and repossessed properties	**(41)**	(25)
Impairment losses/Reversal on bonds	**9**	(79)
Impairment losses on mutual funds and equities	**(10)**	(23)
Impairment losses on other receivables	**-**	(5)
Impairment losses on intangibles assets	**-**	(2)
Other impairment losses	**(42)**	(134)
Provision for Voluntary Exit Scheme	**(62)**	-
Integration costs relating with the operational merger of NHPB and New Proton	**0**	(10)
Restructuring costs	**(9)**	(15)
Other expenses	**(5)**	(3)
Reversal of provision for claims in dispute	**-**	103
Non recurring income/(expenses) and provisions	**(76)**	75
Total	**(118)**	(59)

The current macroeconomic conditions and the persistent decline in real estate market prices in Greece, as described in note 23, were taken into consideration by the Bank in assessing the recoverable amount of its investment and repossessed properties portfolios. As a result, for the year ended 31 December 2015, the Bank recognized impairment and valuation losses on investment and repossessed properties of € 41 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 Bank'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 Bank 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 Bank's restructuring plan and in line with the related principal commitments described therein (note 6), a Voluntary Exit Scheme (VES) was designed for the Bank'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 Bank's operating efficiency and is expected to result in an estimated annual saving of € 29 million.

As at 31 December 2015, the Bank has recognized restructuring expenses amounting to € 9 million, mainly relating to the closing of branches in the framework of its network rationalization in Greece. As at 31 December 2014, the Bank has recognized restructuring expenses amounting to € 15 million.

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

As at 31 December 2015 and 2014, the Bank has recognized other expenses amounting to € 5 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 Bank proceeded with the release of the provision of € 103 million, recognized in 2013 based on the management's estimates of the final amount of the consideration to be received for the disposal of Polish operations.

14. Income tax and non recurring tax adjustments

	2015 € million	2014 € million
Current tax	**(8)**	(10)
Deferred tax	**679**	537
Income tax	**671**	527
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 withhodling tax claims	**-**	43
Non recurring current tax adjustments	**-**	43
Tax (charge)/income from continuing operations	**1,103**	771
Total tax (charge)/income from discontinued operations	**-**	18
Total	**1,103**	789

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 € 509 million as at 31 December 2015, out of which € 490 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 € 490 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 € 58 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 Bank recognized in the income statement a one off tax income of € 34 million. In addition, during the year ended 31 December 2014, following a favorable Supreme Court decision, the Bank 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 Bank 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 15).

The tax on the Bank'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	**(2,154)**	(2,103)
Tax at the applicable tax rates	**625**	547
Tax effect of:		
- income not subject to tax and non deductible expenses	**54**	(11)
- change in applicable tax rate	**432**	-
- provisions for tax litigations and witholding tax claims	**-**	43
- other non recurring tax adjustments	**-**	202
- other	**(8)**	(10)
Total tax (charge)/income from continuing operations	**1,103**	771
Total tax (charge)/income from discontinued operations	**-**	18
Total	**1,103**	789

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.

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 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.

15. 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	**3,871**	3,024
Income statement credit/(charge) from continued operations	**1,111**	738
Income statement credit/(charge) from discontinued operations	**-**	18
Available for sale investment securities	**(35)**	44
Cash flow hedges	**(9)**	5
Deferred tax on equity transactions [1]	**(55)**	42
Effect due to change in nominal tax rates recognised directly in equity (including OCI)	**19**	-
Balance at 31 December	**4,902**	3,871

[1] *Deferred tax on equity transactions in 2015 refers to a) Deferred Tax Asset (DTA) of € 23 million on SCI and LME expenses (note 36) and b) Deferred Tax Liability (DTL) of € 78 million on hybrid instruments transactions (note 38).*

Deferred income tax asset is attributable to the following items:

	2015 € million	2014 € million
PSI+ tax related losses	**1,302**	1,211
Loan impairment	**2,829**	1,993
Unused tax losses	**297**	258
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	**12**	37
Fixed assets	**2**	(5)
Defined benefit obligations	**10**	8
Other	**73**	36
Net deferred income tax	**4,902**	3,871

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

	2015 € million	2014 € million
Loan impairment	**550**	625
Unused tax losses	**10**	(53)
Change in nominal tax rates [1]	**490**	-
Tax deductible PSI+ losses	**(47)**	(45)
Change in fair value and other temporary differences	**108**	229
Deferred income tax (charge)/credit	**1,111**	756

[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 Bank recognized net deferred tax assets amounting to € 4.9 bn as follows:

(a) € 1,302 million refer to losses resulted from the Bank's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;

(b) € 2,829 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;

(c) € 297 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) € 428 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.

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 Bank 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, 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 Bank'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 Bank 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 Bank's performance in combination with the previous years' tax losses caused by one off or non-recurring events.

As at 31 December 2015, the Bank 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 Bank'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 Bank 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 Bank in preparing the abovementioned restructuring plan are aligned with those provided by the European Commission in September 2015. The Bank'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).

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.

16. Discontinued operations

Investment in Eurolife ERB Insurance Group holdings S.A. classified as held for sale

On 22 December 2015, the Bank 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, b) Eurolife's Romanian life and non-life insurance activities 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.

As at 31 December 2015, the fair value less costs to sell of the Bank's holding in Eurolife, as determined by Management based on independent valuation reports, exceeds the respective carrying amount of the investment in Eurolife of € 113 million. Therefore no impairment loss was recognized upon the remeasurement of the Bank's investment 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 Bank's investment, 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.

Disposal of Polish operations

During the year ended 31 December 2014, the result 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 13).

17. Cash and balances with central banks

	2015 € million	2014 € million
Cash in hand	**361**	373
Balances with central banks	**36**	428
Total	**397**	801
of which:		
Mandatory and collateral deposits with central banks	**19**	256
Placement to ECB deposit facility	**-**	150

Mandatory deposits with central banks include (a) deposits of € 19 million (2014: € 222 million) with the Bank of Greece which represent the minimum level of average monthly deposits which the bank is required to maintain; they can be withdrawn at any time provided the average monthly minimum deposits are maintained and (b) for 2014 deposits of € 34 million with the Bank of England in accordance with UK regulatory requirements.

18. 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)	**378**	545
Due from credit institutions	**127**	366
Financial instruments at fair value through profit or loss	**-**	1
Total	**505**	912

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

	2015 € million	2014 € million
Amortisation of premiums/discounts and accrued interest	**(44)**	(72)
(Gains)/losses from sale	**4**	(33)
Dividends	**(2)**	(1)
Total	**(42)**	(106)

19. Due from credit institutions

	2015 € million	2014 € million
Pledged deposits with banks	**4,333**	4,917
Placements and other receivables from banks	**588**	724
Current accounts and settlement balances with banks	**99**	245
Reverse repos with banks	**-**	6
Total	**5,020**	5,892

	2015 € million	2014 € million
Included in due from credit institutions were unsubordinated amounts due from:		
-subsidiary undertakings	**2,838**	3,183
Included in due from credit institutions were subordinated amounts due from:		
-subsidiary undertakings	**210**	211

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

	2015 € million	2014 € million
Other European countries	**4,983**	5,491
Other countries	**37**	401
Total	**5,020**	5,892

20. 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	**-**	9
- Other issuers	**3**	47
	15	66
Equity securities	**2**	7
Total	**17**	73

21. Derivative financial instruments and hedge accounting

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

The table below presents the fair values of the Bank'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 Bank's exposure at the reporting date.

	31 December 2015			31 December 2014		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
	€ million	€ million	€ million	€ million	€ million	€ million
Derivatives that do not qualify for hedge accounting and held for trading						
- Interest rate swaps	**17,538**	**1,649**	**1,432**	18,770	1,762	1,589
- Interest rate options	**3,964**	**49**	**99**	6,133	119	162
- Cross currency interest rate swaps	**1,313**	**74**	**147**	2,732	101	100
- Currency forwards/currency swaps	**3,137**	**13**	**29**	3,774	19	22
- Currency options	**418**	**3**	**1**	932	15	13
- Commodity derivatives	**142**	**17**	**17**	206	27	26
- Warrants	**2,403**	**10**	**-**	2,381	17	-
- Other (see below)	**19**	**0**	**0**	208	0	2
		1,815	**1,725**		2,060	1,914
Derivatives designated as fair value hedges						
Interest rate swaps	**755**	**0**	**328**	1,131	0	363
		0	**328**		0	363
Derivatives designated as cash flow hedges						
- Interest rate swaps	**459**	**-**	**94**	475	-	122
- Cross currency interest rate swaps	**3,266**	**66**	**206**	4,301	61	71
		66	**300**		61	193
Total derivatives assets/liabilities		**1,881**	**2,353**		2,121	2,470

Other derivative contracts relate to exchange traded interest futures.

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

The Bank 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 Bank, as well as the relevant accounting treatment are disclosed in note 2.4. In particular:

(a) Fair value hedges

The Bank 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 Bank recognized a gain of € 31 million (2014: € 83 million loss) from changes in the fair value of the hedging instruments and € 25 million loss (2014: € 80 million gain) from changes in the fair value of the hedged items attributable to the hedged risk.

(b) Cash flow hedges

The Bank 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).

In addition, the Bank 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 Bank'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**	**334**	**418**	**769**
Corporate	**46**	**0**	**1**	**47**
Total	**1,128**	**334**	**419**	**1,881**

	31 December 2014			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,198	0	0	1,198
Banks	27	438	383	848
Corporate	62	1	12	75
Total	1,287	439	395	2,121

Note: The Bank'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).

22. Loans and advances to customers

	2015 € million	2014 € million
Wholesale lending	**15,194**	15,235
Mortgage lending	**16,569**	16,620
Consumer lending [1]	**5,138**	5,269
Small business lending	**6,436**	6,390
	43,337	43,514
Less: Impairment allowance (note 23)	**(10,363)**	(8,438)
Total	**32,974**	35,076

[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 € 0.6 bn.

As of 30 September 2014, in accordance with IAS 39, the Bank has elected to reclassify certain impaired corporate bond loans from the 'Available-for-sale' portfolio to 'Loans and advances to customers' portfolio that met the definition of loans and receivables and the Bank has the intention and ability to hold them for the foreseeable future or until maturity. The reclassifications were made with effect from 30 September 2014 at the loans' fair value of € 150 million (gross amount of € 550 million less fair value adjustment of € 400 million), which became their amortized cost at the reclassification date.

In addition, in December 2014 the Bank acquired a fully impaired bond loan of € 42 million, previously held by a subsidiary and guaranteed by the Bank itself. The said loan was presented within Loans and advances to customers on a gross basis and therefore the gross balance of Loans and advances to customers and the impairment allowance reported in the notes to the financial statements have increased by the fair value adjustment of € 42 million (note 23).

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 income statement for the 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	2014
	€ million	€ million
Gross investment in finance leases receivable:		
Not later than 1 year	**33**	41
Later than 1 year and not later than 5 years	**10**	9
Later than 5 years	**7**	2
	50	52
Unearned future finance income on finance leases	**(1)**	(3)
Net investment in finance leases	**49**	49
Less: impairment allowance	**(21)**	(10)
Total	**28**	39
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**33**	41
Later than 1 year and not later than 5 years	**9**	7
Later than 5 years	**7**	1
	49	49
Less: impairment allowance	**(21)**	(10)
Total	**28**	39

23. Impairment allowance for loans and advances to customers

The movement of the impairment allowance for loans and advances to customers by product line is as follows:

	31 December 2015				
	Wholesale	**Mortgage**	**Consumer** [(1)]	**Small business**	**Total**
	€ million	**€ million**	**€ million**	**€ million**	**€ million**
Balance at 1 January	**3,374**	**1,381**	**2,143**	**1,540**	**8,438**
Impairment loss for the year [(2)]	720	797	350	531	**2,398**
Recoveries of amounts previously written off	-	-	4	1	**5**
Amounts written off	(156)	(14)	(2)	(13)	**(185)**
NPV unwinding	(82)	(71)	(9)	(91)	**(253)**
Foreign exchange differences and other movements	19	(16)	(31)	(12)	**(40)**
Balance at 31 December	**3,875**	**2,077**	**2,455**	**1,956**	**10,363**

	31 December 2014				
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Total € million
Balance at 1 January	2,402	964	2,057	1,298	6,721
Impairment loss for the year [2]	691	490	279	421	1,881
Recoveries of amounts previously written off	1	-	4	-	5
Amounts written off	(105)	-	(144)	(80)	(329)
NPV unwinding	(81)	(60)	(10)	(88)	(239)
Foreign exchange differences and other movements	24	(13)	(43)	(11)	(43)
	2,932	1,381	2,143	1,540	7,996
Adjustment for reclassified/acquired loans (note 21)	442	-	-	-	442
Balance at 31 December	3,374	1,381	2,143	1,540	8,438

[1] *Credit cards balances are included.*

[2] *Impairment losses on loans and advances as presented in income statement for the year ended 31 December 2015 include an amount of € 105 million (2014: € 20 million), which has been provided against the interbank placement and other receivables with the Bank's indirect subsidiary 'PJSC Universal Bank' in Ukraine (note 44).*

The critical accounting estimates and judgements that are made by the Bank'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 Bank 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank, 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 Bank 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 Bank 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 Bank'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 Bank recognized an impairment loss of € 720 million and € 1,678 million for wholesale and retail loan exposures, respectively. Considering the interrelationship among the key parameters used by the Bank 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.

24. Investment securities

	2015 € million	2014 € million
Available-for-sale investment securities	**3,189**	2,913
Debt securities lending portfolio	**11,247**	11,700
Held-to-maturity investment securities	**149**	346
Total	**14,585**	14,959

For the year ended 2015, the Bank proceeded with an intercompany disposal of held-to-maturity (HTM) securities of face value of € 95 million to its subsidiary in Cyprus, in the context of compliance with local regulatory requirements. The disposal of the securities did not trigger tainting rules of the Bank's HTM portfolio, as the change of the said regulatory requirements could not have been reasonably anticipated upon initial classification of those securities and does not change the Bank's intention and ability to hold its existing HTM portfolio to maturity. In addition, in March 2015, the Bank proceeded with an intercompany disposal to its subsidiary in Bulgaria, of a bond included in 'Debt securities lending' portfolio, of face value of € 93 million.

In 2008 and 2010, in accordance with the amendments to IAS 39, the Bank reclassified eligible debt securities from the 'Available-for-sale' portfolio to 'Debt securities lending' portfolio carried at amortized cost. Interest on the reclassified securities continued to be recognized in interest income using the effective interest rate method. As at 31 December 2015, the carrying amount of the reclassified securities was € 859 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 € 334 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

24.1 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**	**880**	**-**	**1,664**
- Greek government treasury bills	**2,157**	**-**	**-**	**2,157**
- Other government bonds	**95**	**284**	**-**	**379**
- Other issuers	**62**	**41**	**149**	**252**
	3,098	**11,247**	**149**	**14,494**
Equity securities	**91**	**-**	**-**	**91**
Total	**3,189**	**11,247**	**149**	**14,585**

	31 December 2014			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Debt securities				
- EFSF bonds	-	10,061	-	10,061
- Greek government bonds	618	890	-	1,508
- Greek government treasury bills	1,994	-	-	1,994
- Other government bonds	163	383	61	607
- Other issuers	39	366	285	690
	2,814	11,700	346	14,860
Equity securities	99	-	-	99
Total	2,913	11,700	346	14,959

24.2 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	**2,913**	**11,700**	**346**	**14,959**
Additions, net of disposals and redemptions	118	(423)	(216)	**(521)**
Net gains/(losses) from changes in fair value for the year	93	-	-	**93**
Amortisation of premiums/discounts and interest	67	(22)	(1)	**44**
Amortisation of mark-to-market of reclassified securities	-	1	2	**3**
Changes in fair value due to hedging	-	(13)	-	**(13)**
Impairment losses/reversal	(6)	-	9	**3**
Exchange adjustments & Other	4	4	9	**17**
Balance at 31 December	**3,189**	**11,247**	**149**	**14,585**

	31 December 2014			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Balance at 1 January	1,219	13,375	414	15,008
Additions, net of disposals and redemptions	1,973	(1,777)	(52)	144
Transfers to loans (note 22)	(150)	-	-	(150)
Net gains/(losses) from changes in fair value for the year	(155)	-	-	(155)
Amortisation of premiums/discounts and interest	58	14	0	72
Amortisation of mark-to-market of reclassified securities	-	1	2	3
Changes in fair value due to hedging	-	73	-	73
Impairment losses/reversal	(37)	-	(29)	(66)
Exchange adjustments	5	14	11	30
Balance at 31 December	2,913	11,700	346	14,959

24.3 Equity reserve: revaluation of the available-for-sale investments

Gains and losses arising from the changes in the fair value of available-for-sale investments are 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	**(101)**	29
Net gains/(losses) from changes in fair value	**93**	(155)
Deferred income taxes	**(24)**	42
	69	(113)
Net (gains)/losses transferred to net profit on disposal	**(5)**	(35)
Impairment losses transferred to net profit	**4**	12
Deferrred income taxes on net (gains)/losses transferred to net profit on disposal	**1**	6
Deferred income tax on impairment losses transferred to net profit	**(1)**	(3)
	(1)	(20)
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	**8**	4
Deferred income taxes	**(1)**	(1)
	7	3
Balance at 31 December	**(26)**	(101)

25. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 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
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.	d	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.		20.00	Greece	Real estate
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Hellenic Post Credit S.A.		50.00	Greece	Credit card management and other services
Eurobank ERB Mutual Funds Mngt Company S.A.	a	100.00	Greece	Mutual fund management
Eurolife ERB Insurance Group Holdings S.A.	g	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
Eurobank Bulgaria A.D. [(1)]		34.56	Bulgaria	Banking
ERB Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
ERB Leasing E.A.D.	b	100.00	Bulgaria	Leasing
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd		100.00	Cyprus	Special purpose investment vehicle
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		99.99	Luxembourg	Fund management
Eurobank Holding (Luxembourg) S.A.		99.99	Luxembourg	Holding company
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.	f	100.00	Netherlands	Holding company
Bancpost S.A.		93.78	Romania	Banking
ERB IT Shared Services S.A. [(1)]		1.10	Romania	Informatics data processing
ERB Leasing IFN S.A. [(1)]		2.36	Romania	Leasing
Eurobank Finance S.A. [(1)]		19.65	Romania	Investment banking
Eurobank Property Services S.A.		80.00	Romania	Real estate services
Eurobank A.D. Beograd		55.80	Serbia	Banking
ERB Leasing A.D. Beograd [(1)]		25.81	Serbia	Leasing
ERB Property Services d.o.o. Beograd		80.00	Serbia	Real estate services
ERB Istanbul Holding A.S.		100.00	Turkey	Holding company
ERB Hellas Plc		99.99	United Kingdom	Special purpose financing vehicle
Anaptyxi II Plc		-	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle
Daneion 2007-1 Plc		-	United Kingdom	Special purpose financing vehicle
Daneion APC Ltd		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc		-	United Kingdom	Special purpose financing vehicle

[(1)] *Not direct control by the Bank.*

In addition, the following entities are controlled by the Bank:

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

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

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

(a) Eurobank ERB Mutual Funds Mngt Company S.A., Greece

In January 2015, the Bank acquired from Hellenic Post (ELTA) 49% of Hellenic Postbank – Hellenic Post Mutual Funds Management Company S.A. and thus the total Bank's participation to the company amounts 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.

(b) ERB Leasing E.A.D, Bulgaria

In January 2015, the share capital of ERB Leasing E.A.D, increased by € 11 million.

(c) Global Fund Management S.A, Greece

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

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

In May 2015, the Bank acquired from Eurobank Equities S.A. 0.44% of Eurobank Ergasias Leasing S.A. and thus the total Bank participation to the company amounts to 100%. In December 2015, Eurobank Ergasias Leasing S.A. merged with T Credit S.A.

(e) Byzantium Finance Plc, United Kingdom

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

(f) ERB New Europe Holding B.V.

In June 2015, following the dividend distributed from ERB New Europe Holding B.V. to the Bank in the second quarter of 2015 (note 10), the Bank reassessed the recoverable amount of its investment and an impairment charge amounted to € 159 million was recorded accordingly.

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

In December 2015, the Bank announced that it has reached an agreement with Fairfax Financial Holdings Limited to sell 80% of Eurolife ERB Insurance Group Holdings S.A. (note 16).

Transfer of London branch

In the second quarter of 2015, as part of the Group's reorganization initiatives, the Bank transferred the operations of its London Branch to its subsidiary Eurobank Private Bank Luxembourg S.A. At the date of transfer (a) the total assets of London branch amounted to € 198 million of which loans and advances to customers € 153 million and cash and balances with central bank € 39 million and (b) the total liabilities amounted to € 196 million of which due to customers € 71 million. The funding of the Bank to London Branch of € 124 million was repaid by Eurobank Private Bank Luxembourg S.A. The above transaction represents a common control transaction that was performed for a total consideration of € 2.6 million equal to the book value of net assets transferred.

Grivalia Properties R.E.I.C

In the first quarter of 2014 Fairfax Financial Holdings Limited (through its subsidiaries) acquired from the Bank its pre-emption rights in Grivalia Properties R.E.I.C share capital increase, of a deemed cost of € 69 million, for a total consideration of € 20 million and thus a loss of € 49 million was recognized in Bank's income statement. In addition, in June 2014, the Bank disposed of 13.47% of its interest that was held in Grivalia Properties and accordingly, the carrying amount of the Bank's participation in Grivalia Properties decreased by € 109 million and a gain of € 11 million was recognized in the income statement.

Impairment in Subsidiaries undertakings

In the context of impairment testing of Goodwill at Group level, the Bank reassessed the recoverable amounts of its subsidiaries under the current economic environment. Accordingly, an impairment charge of the investment in its subsidiaries was recorded as follows:

	2015 € million	2014 € million
Eurobank Ergasias Leasing S.A.	**124**	188
Eurobank Holding (Luxembourg) S.A.	**-**	142
NEU Property Holdings Ltd	**-**	78
ERB New Europe Holding B.V	**159**	77
Bankpost S.A	**-**	42
Eurobank A.D. Beograd	**-**	15
Eurobank Financial Planning Services S.A	**-**	12
Eurobank Equities S.A.	**17**	-
ERB Leasing E.A.D.	**8**	-
Be-Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services	**-**	1
ERB IT Shared Services S.A	**-**	5
Other subsidiaries	**-**	7
Total	**308**	567

26. 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	**366**	**119**	**319**	**804**
Transfers	(3)	(1)	(11)	**(15)**
Additions	2	3	8	**13**
Disposals and write-offs	(4)	(5)	(2)	**(11)**
Balance at 31 December	**361**	**116**	**314**	**791**
Accumulated depreciation:				
Balance at 1 January	**(139)**	**(103)**	**(280)**	**(522)**
Transfers	0	1	4	**5**
Disposals and write-offs	1	5	2	**8**
Charge for the year	(12)	(5)	(9)	**(26)**
Balance at 31 December	**(150)**	**(102)**	**(283)**	**(535)**
Net book value at 31 December	**211**	**14**	**31**	**256**

	31 December 2014			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	386	120	324	830
Transfers	(15)	-	12	(3)
Additions	5	3	8	16
Disposals and write-offs	(10)	(4)	(25)	(39)
Balance at 31 December	366	119	319	804
Accumulated depreciation:				
Balance at 1 January	(132)	(100)	(284)	(516)
Transfers	1	0	(3)	(2)
Disposals and write-offs	5	3	21	29
Charge for the year	(13)	(6)	(14)	(33)
Balance at 31 December	(139)	(103)	(280)	(522)
Net book value at 31 December	227	16	39	282

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

27. Investment property

	2015 **€ million**	2014 € million
Cost:		
Balance at 1 January	**71**	62
Transfers from/ to property plant and equipment	**3**	15
Additions	**0**	0
Impairments	**(6)**	(6)
Balance at 31 December	**68**	71
Accumulated depreciation:		
Balance at 1 January	**(7)**	(5)
Transfers from/ to property plant and equipment	**(0)**	(1)
Charge for the year	**(0)**	(1)
Balance at 31 December	**(7)**	(7)
Net book value at 31 December	**61**	64

During the year ended 31 December 2015, an amount of € 3 million (2014: € 2.5 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 Bank's properties. The fair value measurements of the Bank'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
Class of Property				
-Commercial	**67**	**59**	73	62
-Land Plots	**2**	**2**	2	2
Total	**69**	**61**	75	64

The basic methods used for estimating the fair value of the Bank's investment property are the income approach (income capitalization/discounted cash flow method) and the comparative method, which are also used in combination depending on the class of property being valued.

The discounted cash flow method is used for estimating the fair value of the Bank's commercial investment property. Fair value is calculated through the projection of a series of cash flows using explicit assumptions regarding the benefits and liabilities of ownership (income and operating costs, vacancy rates, income growth), including the residual value anticipated at the end of the projection period. To this projected cash flows series, an appropriate, market-derived discount rate is applied to establish its present value.

Under the income 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 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 Bank'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.

28. Intangible assets

	2015 € million	2014 € million
Cost:		
Balance at 1 January	**159**	157
Additions & transfers	**22**	4
Disposals and write-offs	**(0)**	-
Impairment	**-**	(2)
Balance at 31 December	**181**	159
Accumulated amortisation:		
Balance at 1 January	**(99)**	(86)
Transfers	**(3)**	3
Amortisation charge for the year	**(15)**	(16)
Disposals and write-offs	**0**	-
Balance at 31 December	**(117)**	(99)
Net book value at 31 December	**64**	60

29. Other assets

	2015 € million	2014 € million
Receivable from Deposit Guarantee and Investment Fund	**677**	668
Repossessed properties and relative prepayments	**309**	344
Pledged amount for a Greek sovereign risk financial guarantee	**258**	257
Other guarantees	**109**	49
Income tax receivable	**237**	212
Prepaid expenses and accrued income	**27**	49
Investment in associated undertakings and joint ventures (see below)	**5**	5
Other assets	**142**	141
Total	**1,764**	1,725

As at 31 December 2015, other assets amounting to € 142 million (2014: € 141 million) mainly consist of receivables from (a) settlement balances with customers, (b) public entities and (c) legal cases net of provisions.

The following is the listing of the Bank'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	a	Greece	Investment Financing	9.91
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.*

(a) Global Finance S.A., Greece

In December 2015, the Bank, through its subsidiary Berberis Investment Limited, increased its indirect participation in Global Finance S.A. by acquiring from individuals 13.96% of Global Finance S.A. The Bank's participation was not changed and remained to 9.91%, with the total Group participation to the company amounting to 33.82%. Hence, thereafter, Global S.A. is considered as a Bank's associated undertaking.

(b) Cardlink S.A., Greece

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

Post balance sheet event

Unitfinance S.A., Greece

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

30. 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.

31. Due to credit institutions

	2015 € million	2014 € million
Secured borrowing from other banks	**5,632**	12,071
Borrowings from international financial and other institutions	**321**	254
Interbank takings	**269**	948
Current accounts and settlement balances with banks	**33**	135
Total	**6,255**	13,408

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 24). At the same date, secured borrowings from international financial and other institutions amounted to € 180 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.

32. Due to customers

	2015 € million	2014 € million
Savings and current accounts	**13,286**	11,235
Term deposits	**9,430**	20,148
Repurchase agreements	**53**	553
Other term products	**33**	49
Total	**22,802**	31,985

As at 31 December 2015, the carrying amount of structured deposits designated at fair-value-through-profit-or-loss was € 4 million (2014: € 149 million) and their cumulative fair value change was € 1 million gain (2014: € 50 million loss), which is attributable to changes in market conditions.

The fair value change of structured deposits is offset in the income statement against changes in the fair value of structured derivatives.

Under the law 4151/2013, the dormant deposit accounts balances are statute barred for the benefit of the Greek State after the 20-year lapse of the last transaction. Accordingly, in April 2015 the Bank transferred to the Greek State an amount of € 8 million (2014: € 6 million).

The other term products concern subordinated notes held by the Bank's customers.

33. Debt securities in issue

	2015 € million	2014 € million
Securitized	**805**	938
Subordinated-Lower Tier II (note 32)	**42**	218
Medium-term notes (EMTN)	**49**	78
Government guaranteed bonds	**-**	53
Total	**896**	1,287

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

Securitized - Asset Backed Securities

In June 2004, the Bank issued residential mortgage backed securities by Themeleion Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 47 basis points. As at 31 December 2015, the liability was fully redeemed (2014: € 10 million).

In June 2005, the Bank issued residential mortgage backed securities by Themeleion II Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 44 basis points. As at 31 December 2015, the liability was fully redeemed (2014: € 27 million).

In June 2006, the Bank issued residential mortgage backed securities by Themeleion III Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 21 basis points As at 31 December 2015, the liability was fully redeemed (2014: € 44 million).

In June 2007, the Bank issued residential mortgage backed securities by Themeleion IV Mortgage Finance PLC, a special purpose entity, at an average funding cost of three month Euribor plus 37 basis points. As at 31 December 2015, the liability was fully redeemed (2014: € 50 million).

During the year, the Bank 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.

Securitized - Corporate Loan Asset Backed Securities

In July 2008, the Bank proceeded with the first issuance of bond loan asset backed securities by Anaptyxi SME I PLC, a special purpose entity. As at 31 December 2015 the liability amounted to € 805 million (2014: € 807 million).

Subordinated (Lower TIER II)

The Lower Tier II unsecured subordinated notes issued by the Bank 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 Bank and are listed on the Luxembourg Stock Exchange.

On 29 October 2015, the Bank launched a Liability Management Exercise (LME), in combination with its share capital increase (note 36). 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 subordinated loan notes € 154 million. The corresponding face value of the said notes amounted to € 192 million. Accordingly, the LME of subordinated notes generated a gain of € 27 million, after tax, presented in line ''Net trading income'' of Bank's income statement.

As at 31 December 2015, the liability amounted to € 42 million (2014: € 218 million).

Medium-term notes (EMTN)

As at 31 December 2015, the notes issued by the Bank under the EMTN program, totaling to € 49 million (2014: € 77 million), were fully retained by the Bank's subsidiaries. During the year, the Bank proceeded with the redemption of notes of face value of € 25 million.

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 Bank 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 Bank 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.

34. Other liabilities

	2015 € million	2014 € million
Sovereign risk financial guarantee	**50**	52
Other provisions	**127**	73
Deferred income and accrued expenses	**38**	55
Standard legal staff retirement indemnity obligations (note 35)	**36**	32
Other liabilities	**240**	265
Total	**491**	477

As at 31 December 2015, other liabilities amounting to € 240 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 € 127 million mainly include outstanding litigations and claims dispute of € 56 million (of which € 40 million relate to outstanding litigations with DEMCO S.A., note 41), operational risk events of € 8 million and restructuring costs of € 62 million, all of which relate to the Voluntary Exit Scheme (note 13).

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

	31 December 2015		
	Litigations and claims in dispute € million	**Other € million**	**Total € million**
Balance at 1 January	**53**	**20**	**73**
Amounts charged during the year	5	63	**68**
Amounts used during the year	(0)	(10)	**(10)**
Amounts reversed during the year	(2)	(1)	**(3)**
Other movements	0	(1)	**(1)**
Balance at 31 December	**56**	**71**	**127**

	31 December 2014		
	Litigations and claims in dispute € million	Other € million	Total € million
Balance at 1 January	149	56	205
Amounts charged during the year	9	31	40
Amounts used during the year	-	(2)	(2)
Amounts reversed during the year (note 13)	(105)	0	(105)
Other movements	-	(65)	(65)
Balance at 31 December	53	20	73

Note: In December 2014, the Bank acquired from its subsidiary, an impaired loan guaranteed and therefore, the respective provision amounting to €42 million, reduced the carrying amount of the loan (note 22).

35. Standard legal staff retirement indemnity obligations

The Bank provides for staff retirement indemnity obligation for its employees in Greece and abroad, who are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Bank until normal retirement age, in accordance with the local labor legislation. The above retirement indemnity obligations typically expose the Bank to actuarial risks such as interest rate risk and salary risk. Therefore, a decrease in the discount rate used to calculate the present value of the estimated future cash outflows or an increase in future salaries will increase the staff retirement indemnity obligations of the Bank.

The movement of the liability for standard legal staff retirement indemnity obligations is as follows:

	2015	2014
	€ million	€ million
Balance at 1 January	**32**	21
Current service cost	**2**	2
Interest cost	**1**	1
Past service cost and (gains)/losses on settlements	**4**	4
Remeasurements:		
Actuarial (gains)/losses arizing from changes in financial assumptions	**1**	9
Actuarial (gains)/losses arizing from experience adjustments	**(0)**	(1)
Benefits paid	**(4)**	(4)
Balance at 31 December	**36**	32

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

	2015	2014
	%	%
Discount rate	**2.6**	2.6
Future salary increases	**2.2**	1.8

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 € (2.5 million)/2.8 million.

An increase /(decrease) of the future salary growth assumed by 0.5%/(0.5%), would result in an increase /(decrease) of the standard legal staff retirement obligations by € 2.7 million/ (€ 2.5 million).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and assumptions used in preparing the above sensitivity analysis were consistent with those used to estimate the retirement benefit obligation and did not change compared to the previous year.

36. Ordinary share capital and share premium

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 the number of shares issued by the Bank, is as follows:

	Ordinary Share capital € million	Share premium € million	Number of issued ordinary shares
Balance at 1 January 2014	1,641	6,669	5,469,166,865
Share capital increase , net of expenses	2,771	13	9,238,709,677
Balance at 31 December 2014	4,412	6,682	14,707,876,542
Balance at 1 January 2015	**4,412**	**6,682**	**14,707,876,542**
Share capital decrease through reverse split	(4,368)	-	**(14,560,797,776)**
Share capital increase , net of expenses	612	1,374	**2,038,920,000**
Balance at 31 December 2015	**656**	**8,056**	**2,185,998,766**

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 € 78 million, including € 3 million intragroup cost (€55 million, net of tax), of which an amount of € 72 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.

37. Preference shares

	Preference Shares		
	Number of shares	2015 € million	2014 € million
Balance at 31 December	**345,500,000**	**950**	950

On 12 January 2009 the Extraordinary General Meeting of the Bank approved the issue of 345,500,000 non-voting, non-listed, non-transferable, tax deductible, non-cumulative 10% preference shares, with nominal value € 2.75 each, under Law 3723/2008 "Greek Economy Liquidity Support Program", to be fully subscribed to and paid by the Greek State with bonds of equivalent value. The proceeds of the issue total € 940 million, net of expenses, and the transaction was completed on 21 May 2009. In accordance with the current legal and regulatory framework, the issued shares have been classified as Common Equity Tier I capital.

The preference shares pay a non-cumulative coupon, 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.

38. Hybrid capital

On 18 March 2005, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier I capital for the Bank (Tier I Series A). 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 Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier I capital for the Bank (Tier I Series B). 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 Bank, 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 Bank (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 Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 300 million preferred securities which represent Tier I capital for the Bank (Tier I Series D). 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 46). 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 hybrid capital issued by the Bank in the form of preferred securities, 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	**72**	**151**	**154**	**21**	**398**
Purchase of preferred securities (including LME)	(71)	(148)	(138)	(2)	**(359)**
Issue costs transferred to retained earnings upon purchase	1	1	2	0	**4**
Balance at 31 December	**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 36). 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 Bank'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 deferred tax liability of € 73 million and related costs), was recorded directly in the Bank's equity.

39. 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	204	1,124	(58)	2,187	3,457
Transfers between reserves	-	(235)	-	1	(234)
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	(113)	-	(113)
- transfer to net profit, net of tax	-	-	(17)	-	(17)
Cash flow hedges					
- net changes in fair value, net of tax	-	-	(32)	-	(32)
- transfer to net profit, net of tax	-	-	18	-	18
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(6)	(6)
Value of employee services	-	-	-	(1)	(1)
Balance at 31 December	204	889	(202)	2,181	3,072

	31 December 2015				
	Statutory reserves € million	**Non-taxed reserves € million**	**IAS 39 reserves € million**	**Other reserves € million**	**Total € million**
Balance at 1 January	**204**	**889**	**(202)**	**2,181**	**3,072**
Share capital decrease by reducing the ordinary shares' par value				4,368	**4,368**
Available-for-sale securities					
- net changes in fair value, net of tax	-	-	69	-	**69**
- transfer to net profit, net of tax	-	-	6	-	**6**
Cash flow hedges					
- net changes in fair value, net of tax	-	-	28	-	**28**
- transfer to net profit, net of tax	-	-	1	-	**1**
Balance at 31 December	**204**	**889**	**(98)**	**6,549**	**7,544**

In 2015, the increase of Bank's other reserves by € 4,368 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 36). In addition, as at 31 December 2015 included in other reserves non distributable Bank's reserves amounting to € 1,788 million (2014: € 1,788 million).

Included in IAS 39 reserves as at 31 December 2015 is € 72 million loss (2014: € 101 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.

40. Transfers of financial assets

The Bank enters into transactions by which it transfers recognized financial assets directly to third parties or to Special Purpose Entities (SPE).

a) The Bank sells, in exchange for cash, securities under an agreement to repurchase them ('repos') and assumes a liability to repay to the counterparty the cash received. In addition, the Bank pledges, in exchange for cash, securities and loans and receivables and assumes a liability to repay to the counterparty the cash received. The Bank has determined that it retains substantially all the risks, including associated credit and interest rate risks, and rewards of these financial assets and therefore has not derecognized them. As a result of the above transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction. The related liability is recognized in Due to central banks and credit institutions (notes 30 and 31) and Due to customers (note 32), as appropriate.

The Bank 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 Bank has determined that it retains substantially all risks, including associated credit and interest rate risks, and rewards of these loans and therefore has not derecognized them. As a result of the above transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of their retention by the SPE. Moreover, the note holders' recourse is limited to the transferred loans. The related liability is recognized in Debt securities in issue (note 33).

The table below sets out the details of Bank's financial assets that have been sold or otherwise transferred, but which do not qualify for derecognition:

	Carrying amount	
	2015	2014
	€ million	€ million
Financial instruments at fair value through profit or loss	**9**	19
Loans and advances to customers	**22,324**	11,031
-securitized loans [1]	***440***	*2,447*
-pledged loans under covered bond program	***145***	*4,066*
-pledged loans with central banks	***21,510***	*4,281*
-other pledged loans	***229***	*237*
Investment securities [2]	**13,380**	13,894
Total	**35,713**	24,944

[1] For certain securitizations retained by the Group's subsidiaries, the Bank has additionally posted collaterals (pledged deposits) to its subsidiaries amounting to € 0.8 bn (2014: € 0.8 bn).

[2] It includes EFSF bonds of face value € 9,958 million (2014: € 9,958 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 Bank may sell or re-pledge any securities borrowed or obtained through reverse repos and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognized by the Bank. As at 31 December 2015, the Bank had not sold or re-pledged securities borrowed or obtained through reverse repos (2014: € 186 million). Furthermore, as at 31 December 2014, under the third stream of Greek Economy Liquidity Support Program, the Bank 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 Bank through securities lending, reverse repo and other agreements (points a, b and c) amounted to € 35,318 million, while the associated liability from the above transactions amounted to € 31,937 million (notes 30, 31, 32 and 33)(2014: cash value € 27,354 million and liability € 26,426 million).

In addition, the Bank'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 19 and 29.

41. Contingent liabilities and other commitments

	2015 € million	2014 € million
Guarantees [(1)] and standby letters of credit	**1,302**	1,302
Guarantees to Bank's SPV's issuing EMTNs	**284**	1,062
Other guarantees (medium risk) and documentary credits	**409**	445
Commitments to extent credit	**118**	114
Capital expenditure	**10**	6
Total	**2,123**	2,929

[(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 Bank for which a provision of € 56 million was recorded (2014: € 53 million).

42. Operating leases

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

	Land and buildings	
	2015 € million	2014 € million
Not later than one year	**23**	25
Later than one year and no later than five years	**50**	48
Later than five years	**57**	69
Total	**130**	142

There are no material future minimum sublease payments to be received under non-cancellable subleases.

Leases as lessor - Non-cancellable operating lease rentals are receivable as follows:

	Land and buildings	
	2015 € million	2014 € million
Not later than one year	**2**	2
Later than one year and no later than five years	**2**	2
Later than five years	**0**	-
Total	**4**	4

43. Other significant and post balance sheet events

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 Bank which is a member of Visa Europe is 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 Bank 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 Bank 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

Note 6 - Capital Management

Note 11 – Operating Expenses

Note 29 – Other Assets

Note 30 – Due to central banks

Note 33 – Debt securities in issue

44. 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 36), 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			
	Subsidiaries € million	Key management personnel (KMP)[1] € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million
Due from credit institutions	3,048	-	-	-
Financial Instruments at fair value through P&L	2	-	-	-
Derivative financial instruments assets	9	-	-	-
Investment Securities	24	-	-	-
Loans & advances to customers, net of provision	1,640	7	6	0
Other assets[2]	27	-	-	2
Due to credit institutions	1,954	-	-	-
Derivative financial instruments liabilities	4	-	-	-
Due to customers	727	2	9	0
Debt securities in issue	853	-	-	-
Other liabilities	15	-	-	-
Net interest income	32	0	0	0
Net banking fee and commission income	14	-	-	-
Dividend income	367	-	-	-
Net trading income	47	-	-	-
Gains less losses from investment securities (note 24)	(8)	-	-	-
Other operating income/(expense)	(25)	-	(0)	-
Impairment losses on loans and advances and collectors fees	(122)	-	(0)	-
Guarantees issued	936	-	-	-
Guarantees received	-	0	-	-

	31 December 2014			
	Subsidiaries € million	Key management personnel (KMP)[1] € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million
Due from credit institutions	3,394	-	-	-
Financial Instruments at fair value through P&L	47	-	-	-
Derivative financial instruments assets	15	-	-	-
Investment Securities	313	-	-	-
Loans & advances to customers, net of provision	1,590	6	4	0
Other assets[2]	29	-	-	3
Due to credit institutions	3,368	-	-	-
Derivative financial instruments liabilities	3	-	-	-
Due to customers	1,492	3	9	0
Debt securities in issue	885	-	-	-
Other liabilities [2]	18	-	-	9
Net interest income	(7)	(0)	(0)	0
Net banking fee and commission income	12	-	-	-
Dividend income	60	-	-	-
Net trading income	(2)	-	-	-
Other operating income/(expense)	(17)	-	(0)	1
Impairment losses on loans and advances and collectors fees	(39)	-	(8)	-
Guarantees issued	1,785	-	-	-
Guarantees received	-	0	-	-

[1] *Key management personnel includes directors and key management personnel of the Bank and HFSF (until early May 2014) and their close family members. For the period until early May 2014, the amounts of income and expenses in relation with transactions with directors and key management personnel of HFSF and their close family members were immaterial.*

[2] *Receivable from/payable to HFSF pursuant to the terms of the relevant binding agreement for the acquisition of NHPB.*

In addition, at 31 December 2015 the loans, net of provisions, granted to entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements (note 25) amounted to € 4.3 million (2014: € 3 million).

During the period ended 31 December 2015, the Bank has recorded impairment losses of € 105 million against the interbank placement and other receivables with each indirect subsidiary ''PJSC Universal Bank'' in Ukraine, which has been classified as held for sale operations in Group's financial statements as of March 2014. In fourth quarter 2015, part of the said impaired placement amounted to € 67 million transferred to the Bank's subsidiary '' ERB New Europe Holding B.V.''. As at 31 December 2015, the impairment allowance for loans and receivables with Bank's consolidated subsidiaries and joint ventures amounted to € 125.3 million (2014: € 88.5 million).

Furthermore, in the fourth quarter of 2015 the Bank proceeded with the buyback of its hybrid instruments of face value € 325 million previously held by ERB Hellas Cayman (note 38), while intragroup costs directly attributable to recent Bank's share capital increase of € 2,039 million amounted to € 3 million (note 36).

In relation to the guarantees issued, the Bank has received cash collateral of € 206 million (2014: €523 million) which is included in Due to customers.

Key management compensation (directors and other key management personnel of the Bank)

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 5.67 million (2014: € 5.80 million) and long-term employee benefits (excluding share-based payments) of € 0.65 million (2014: € 0.65 million expense and 0.10 million income relating with forfeited share options).

45. Board of Directors

The Board of Directors was elected by the Annual General Meeting held on 27 June 2013 for a three years term of office. 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)

46. 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 37).

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	CHIEF	GENERAL MANAGER OF GROUP
OF THE	EXECUTIVE	FINANCE
BOARD OF DIRECTORS	OFFICER	GROUP CHIEF FINANCIAL OFFICER