



**EUROBANK ERGASIAS S.A.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED**

**30 JUNE 2015**

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## Interim Balance Sheet

	Note	30 June 2015 € million	31 December 2014 € million
<b>ASSETS</b>			
Cash and balances with central banks		769	801
Due from credit institutions		5,915	5,892
Financial instruments at fair value through profit or loss		13	73
Derivative financial instruments		1,620	2,121
Loans and advances to customers	13	33,749	35,076
Investment securities	14	14,435	14,959
Shares in subsidiary undertakings	15	2,423	2,570
Property, plant and equipment		266	282
Investment property		63	64
Intangible assets		63	60
Deferred tax assets	11	4,408	3,871
Other assets	16	2,036	1,725
<b>Total assets</b>		<b>65,760</b>	<b>67,494</b>
<b>LIABILITIES</b>			
Due to central banks	17	32,677	12,610
Due to credit institutions	18	2,146	13,408
Derivative financial instruments		2,411	2,470
Due to customers	19	23,008	31,985
Debt securities in issue	20	1,178	1,287
Other liabilities	21	403	477
<b>Total liabilities</b>		<b>61,823</b>	<b>62,237</b>
<b>EQUITY</b>			
Ordinary share capital	22	4,412	4,412
Share premium	22	6,682	6,682
Reserves and retained earnings		(8,505)	(7,185)
Preference shares	23	950	950
<b>Total equity attributable to shareholders of the Bank</b>		<b>3,539</b>	<b>4,859</b>
Hybrid capital	24	398	398
<b>Total equity</b>		<b>3,937</b>	<b>5,257</b>
<b>Total equity and liabilities</b>		<b>65,760</b>	<b>67,494</b>

Notes on pages 6 to 34 form an integral part of these condensed interim financial statements

## Interim Income Statement

	Note	Six months ended 30 June		Three months ended 30 June	
		2015	2014	2015	2014
		€ million	€ million	€ million	€ million
Net interest income		491	493	244	250
Net banking fee and commission income		42	30	20	15
Income from non banking services		3	3	2	1
Dividend income	7	366	20	359	20
Net trading income		(9)	5	18	(3)
Gains less losses from investment securities		(5)	16	1	9
Net other operating income		8	0	-	1
<b>Operating income</b>		<b>896</b>	<b>567</b>	<b>644</b>	<b>293</b>
Operating expenses	8	(329)	(357)	(166)	(179)
<b>Profit from operations before impairments and non recurring income/(expenses)</b>		<b>567</b>	<b>210</b>	<b>478</b>	<b>114</b>
Impairment losses on loans and advances	9	(2,026)	(828)	(1,773)	(408)
Impairment and other losses on shares in subsidiary undertakings	15	(159)	(38)	(159)	11
Other impairment losses	10	(53)	(28)	(30)	(18)
Restructuring costs and other non recurring income/(expenses)	10	(2)	93	(0)	(7)
<b>Profit/(loss) before tax</b>		<b>(1,673)</b>	<b>(591)</b>	<b>(1,484)</b>	<b>(308)</b>
Income tax	11	486	176	435	83
Non recurring tax adjustments	11	-	77	-	-
<b>Net profit/(loss) from continuing operations</b>		<b>(1,187)</b>	<b>(338)</b>	<b>(1,049)</b>	<b>(225)</b>
Net profit/(loss) from discontinued operations	12	-	(52)	-	-
<b>Net profit/(loss) attributable to shareholders</b>		<b>(1,187)</b>	<b>(390)</b>	<b>(1,049)</b>	<b>(225)</b>

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## Interim Statement of Comprehensive Income

	Six months ended 30 June		Three months ended 30 June	
	2015 € million	2014 € million	2015 € million	2014 € million
Net profit/(loss)	<u>(1,187)</u>	<u>(390)</u>	<u>(1,049)</u>	<u>(225)</u>
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	17	(4)	17	(1)
- transfer to net profit, net of tax	<u>(4)</u>	<u>10</u>	<u>(3)</u>	<u>5</u>
Available for sale securities				
- net changes in fair value, net of tax	(149)	18	(85)	1
- transfer to net profit, net of tax	<u>3</u>	<u>(11)</u>	<u>5</u>	<u>(7)</u>
Other comprehensive income	<u>(133)</u>	<u>13</u>	<u>(66)</u>	<u>(2)</u>
Total comprehensive income attributable to shareholders:				
- from continuing operations	(1,320)	(325)	(1,115)	(227)
- from discontinued operations	<u>-</u>	<u>(52)</u>	<u>-</u>	<u>(227)</u>

Notes on pages 6 to 34 form an integral part of these condensed interim financial statements

## Interim Statement of Changes in Equity

	Total equity attributable to shareholders of the Bank						
	Ordinary share capital	Share premium	Special reserves	Retained earnings	Preference shares	Hybrid capital	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Balance at 1 January 2014	1,641	6,669	3,457	(9,113)	950	398	4,002
Net profit/(loss)	-	-	-	(390)	-	-	(390)
Other comprehensive income	-	-	13	-	-	-	13
Total comprehensive income for the six months ended 30 June 2014	-	-	13	(390)	-	-	(377)
Share capital increase, net of expenses	2,771	12	-	(6)	-	-	2,777
Deferred tax on treasury shares' and preferred securities' transactions	-	-	-	11	-	-	11
Share-based payment: - Value of employee services	-	-	(0)	-	-	-	(0)
	2,771	12	(0)	5	-	-	2,788
Balance at 30 June 2014	4,412	6,681	3,470	(9,498)	950	398	6,413
<b>Balance at 1 January 2015</b>	<b>4,412</b>	<b>6,682</b>	<b>3,072</b>	<b>(10,257)</b>	<b>950</b>	<b>398</b>	<b>5,257</b>
Net profit/(loss)	-	-	-	(1,187)	-	-	(1,187)
Other comprehensive income	-	-	(133)	-	-	-	(133)
Total comprehensive income for the six months ended 30 June 2015	-	-	(133)	(1,187)	-	-	(1,320)
<b>Balance at 30 June 2015</b>	<b>4,412</b>	<b>6,682</b>	<b>2,939</b>	<b>(11,444)</b>	<b>950</b>	<b>398</b>	<b>3,937</b>
	Note 22	Note 22			Note 23	Note 24	

Notes on pages 6 to 34 form an integral part of these condensed interim financial statements

## Interim Cash Flow Statement

	Note	Six months ended 30 June	
		2015 € million	2014 € million
<b>Cash flows from operating activities</b>			
<b>Profit/(loss) before income tax</b>		<b>(1,673)</b>	(591)
Adjustments for :			
Impairment losses on loans and advances		<b>2,026</b>	828
Other impairment losses and provisions		<b>212</b>	(71)
Depreciation and amortisation		<b>22</b>	28
Other (income)/losses on investment securities	26	<b>(2)</b>	(58)
(Income)/losses on debt securities in issue		<b>(1)</b>	2
(Gain)/ loss on sale of subsidiary undertakings, associates and joint ventures		<b>(9)</b>	38
Dividends from subsidiaries, associates and joint ventures		<b>(365)</b>	(19)
Other adjustments		<b>5</b>	0
		<b>215</b>	157
<b>Changes in operating assets and liabilities</b>			
Net (increase)/decrease in cash and balances with central banks		<b>(115)</b>	97
Net (increase)/decrease in financial instruments at fair value through profit or loss		<b>59</b>	(5)
Net (increase)/decrease in due from credit institutions		<b>(56)</b>	1,711
Net (increase)/decrease in loans and advances to customers		<b>(791)</b>	679
Net (increase)/decrease in derivative financial instruments		<b>484</b>	10
Net (increase)/decrease in other assets		<b>7</b>	3
Net increase/(decrease) in due to credit institutions		<b>8,805</b>	(5,655)
Net increase/(decrease) in due to customers		<b>(8,906)</b>	431
Net increase/(decrease) in other liabilities		<b>(92)</b>	(82)
		<b>(605)</b>	(2,811)
<b>Net cash from/(used in) operating activities</b>		<b>(390)</b>	(2,654)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangible assets		<b>(13)</b>	(14)
(Purchases)/sales and redemptions of investment securities		<b>294</b>	212
Acquisition of subsidiaries, associated undertakings, joint ventures and participations in capital increases		<b>(12)</b>	(0)
Disposal of holdings in subsidiaries, associated undertakings and joint ventures		<b>7</b>	139
Dividends from investment securities, subsidiaries, associated undertakings and joint ventures		<b>25</b>	7
<b>Net cash from/(used in) investing activities</b>		<b>301</b>	344
<b>Cash flows from financing activities</b>			
(Repayments)/proceeds from debt securities in issue		<b>(109)</b>	(171)
Proceeds from share capital increase (SCI)		-	2,864
Expenses paid for SCI		-	(104)
<b>Net cash from/(used in) financing activities</b>		<b>(109)</b>	2,589
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(198)</b>	279
Cash and cash equivalents at beginning of period	26	<b>912</b>	1,218
<b>Cash and cash equivalents at end of period</b>	26	<b>714</b>	1,497

Notes on pages 6 to 34 form an integral part of these condensed interim 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 in Greece and through its subsidiaries in Central, Eastern and Southeastern Europe.

These condensed interim financial statements were approved by the Board of Directors on 31 October 2015.

## 2. Principal accounting policies

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 ‘Interim Financial Reporting’ and they should be read in conjunction with the Bank’s published annual financial statements for the year ended 31 December 2014. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. Except as indicated, financial information presented in euro has been rounded to the nearest million.

### Going concern considerations

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

#### Macroeconomic environment

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a program agreed with the European Union (EU), the European Central Bank (ECB) and the International Monetary Fund (IMF) (‘the Institutions’). This had led to a significant fiscal consolidation with a primary surplus of 1% of GDP in 2013 and a primary balance of 0% of GDP in 2014, but also to reform fatigue and social unrest. After the parliamentary elections of 25 January 2015, the new Greek government negotiated and managed to achieve a four-month extension of the Master Financial Assistance Facility Agreement (MFFA) on 20 February 2015. Following the prolonged discussions between the Greek Government and the Institutions, the extension of the MFFA expired on 30 June 2015 without a successful conclusion of the review or a new extension. After the imposition of capital controls and a referendum that led to the rejection of the Eurozone proposal as this was tabled in the negotiations before the expiration of the MFFA, the government restarted the negotiations over a new 3-year European Stability Mechanism (ESM) program with a ca € 86 bn financing envelope, which will permit Greece to service its debt, recapitalize its banks, clear accumulated arrears, and finance its budgets. A Preliminary Agreement was reached in the 13 July 2015 Euro Summit. The final agreement on the 3-year ESM program together with an additional series of prerequisite structural reforms passed in the Greek Parliament and got the approval of the Eurogroup on 14 August 2015. The reforms included in the new program aim to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The first installment of the new loan of € 26 bn consists of two sub-tranches: a) € 16 bn of which € 13 bn were disbursed on 20 August 2015 and b) € 10 bn which have been approved for the upcoming banks’ recapitalization. On 20 August the Greek Prime Minister announced the resignation of the government and called early elections, which were held on 20 September 2015.

On 8 October 2015, the new coalition government, consisting of the same parties, won the confidence vote for its programmatic statements in the Greek Parliament, paving the way for the implementation of the agreed reforms in order to achieve the timely completion of the first program review, that represents a key prerequisite for i) the release of additional official funding under the 3-year ESM loan facility and ii) the initiation of official discussions on additional debt relief measures to Greece.

In this context, the restrictions in the free movement of capital with their negative impact on the economic activity, and the effect of the new fiscal discipline package agreed under the new bailout program, create material uncertainties on the current Greek macroeconomic environment, with potentially adverse effects on the liquidity and solvency of the Greek banking sector. On the other hand, the demonstrated resilience of the Greek economy, a swift resolution of uncertainty as regards current negotiations with the Institutions on the first program review, the successful recapitalization of the domestic banking system and the mobilization of EU funding to support domestic investment and job creation would facilitate a stabilization of the domestic environment and a resumption of positive economic growth as early as in the second half of 2016.

**Selected Explanatory Notes to the Condensed Interim Financial Statements**Liquidity risk

Liquidity, of the whole Greek banking sector, was negatively affected in the first two months of 2015 due to the combined effect of deposit withdrawals, reduction of wholesale secured funding and the decision of ECB to lift the waiver of minimum credit rating requirements for marketable instruments issued or guaranteed by Hellenic Republic (i.e. Greek government bonds and Pillar 2 & 3 of the Law 3723/2008). As a result, Greek banks reverted to the fallback funding source, the Emergency Liquidity Assistance (ELA) mechanism to cover their short term liquidity needs.

The prolonged negotiations of the Greek government with the Institutions until the expiration of the extension of the MFFA on 30 June 2015, led to increased uncertainty and significant deposit outflows. With banks' liquidity buffers falling to significantly low levels, the Greek government on 28 June 2015 introduced restrictions on banking transactions and a temporary bank holiday, in order to contain further liquidity outflows. Following the termination of the bank holiday in Greece on 20 July 2015, there has been some gradual relaxation of capital controls with the easing process expected to continue in the following months, being accelerated after the completion of banks' recapitalization.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system. The decisive implementation of the measures agreed in the context of the new ESM program and the completion of banks' recapitalization will permit ECB to reinstate the waiver for the instruments issued or guaranteed by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system and the re-access to the markets for liquidity.

Solvency risk

Despite the fact that the Greek economy showed early signs of recovery during 2014 for the first time since 2007, there are significant downside risks associated with fiscal gap funding uncertainties (as described earlier) and the low levels of investment and consumption levels, which may undermine in the short-term the pace of recovery. The current adverse economic conditions in Greece, including the imposition of capital restrictions, had a negative impact on the liquidity of the Greek banks and raised concerns regarding their solvency position. The new ESM Program agreed between Greece and its European partners in August 2015 includes a buffer of up to € 25 bn for the banking sector in order to address potential banks' recapitalization needs of viable banks and resolution costs of non-viable banks, in full compliance with EU competition and State Aid rules.

ECB Comprehensive assessment 2015

In this context, a comprehensive assessment of the Greek banks ('CA') was conducted by the competent supervisory authorities in order to determine their potential capital needs. The results of the CA have been derived taking into account the combined effect of i) an Asset Quality Review (AQR), by reviewing the quality of the Bank's assets, including the adequacy of asset and collateral valuation and related provisions and ii) a forward looking Stress Test based on 6-month 2015 preliminary data so as to assess the resilience of the Greek banks' balance sheets to stress test scenarios for the period 2015-2017. The results of the CA were announced on 31 October 2015 (note 6).

The sufficient specification of the framework for actions to be taken to ensure financial stability and to strengthen the viability of Greek financial institutions (including the funds for potential recapitalization needs) may entail the prior contribution (burden sharing) of the Bank's issued instruments in reducing the capital shortfall by end of 2015. The State Aid rules in force since 1 August 2013 stipulate that in the event that HFSF participates in the capital increase, the prior contribution of preferred securities holders and subordinated creditors is required to reduce the capital shortfall. In addition, unsecured senior liabilities non preferred by mandatory provisions of law may also be eligible instruments for contributing in the potential recapitalization, taking into account the 14 August Eurogroup statement that bail-in will apply for senior debt bondholders, whereas bail in of depositors is excluded (note 6).

The above conditions pose a significant challenge for the Bank, the capital adequacy of which was comfortably above the minimum required level a few months ago, following the 14 April 2014 share capital increase of € 2,864 million, fully covered by private investors. The Bank expects that the recapitalization process will be completed within the set deadlines constituting a key milestone for rebuilding trust in the banking system and in the economy in general.

## Selected Explanatory Notes to the Condensed Interim Financial Statements

### Going concern assessment

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

- The existence of the new 3-year ESM program with a ca € 86 bn financing envelope (including the up to € 25 bn recapitalization facility), aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration,
- The authorities' commitment to take decisive measures to safeguard the stability in the financial sector, such as the draft law specifying the banks' recapitalization framework, that was submitted to the Greek Parliament on 30 October 2015 (note 6),
- The Institutions' and the Greek government's commitment to take decisive actions on non-performing loans,
- The Bank continues the implementation of its medium term internal capital generating plan, which includes initiatives generating or releasing Common Equity Tier I capital and/or reducing risk weighted assets and
- The Bank's continued access to Eurosystem funding (ECB and ELA liquidity facilities) over the foreseeable future.

The accounting policies and methods of computation in these condensed interim financial statements are consistent with those in the published annual financial statements for the year ended 31 December 2014, except as described below.

### **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 condensed interim 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 impact on the Bank's condensed interim financial statements. See also note 29.

### 3. Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Bank's accounting policies, the Bank's Management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognized in the financial statements. Estimates and judgments are continuously 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 their impact on the prospects of the Greek economy until 2016 that are largely depended on the factors described in note 2, including the effectiveness of the new fiscal discipline measures and the implementation pace of the several structural reforms, the Bank revisited the significant judgments and key sources of estimation uncertainty in applying its accounting policies, as these are provided in its published financial statements for the year ended 31 December 2014. Accordingly, in the second quarter of 2015, the Bank formulated 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, 9, 11 and 25.

### 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 23).
- (b) Second stream - bonds guaranteed by the Hellenic Republic  
As at 30 June 2015, the government guaranteed bonds, of face value of € 16,453 million, were fully retained by the Bank. In January 2015, the Bank issued new government guaranteed bonds of face value of € 2,736 million while by the end of October 2015, the face value of government guaranteed bonds fully retained by the Bank, was decreased by € 2,410 million (note 20).
- (c) Third stream - lending of Greek Government bonds  
Liquidity obtained under this stream must be used to fund mortgages and loans to small and medium-size enterprises. As at 30 June 2015, the Bank had borrowed special Greek Government bonds of face value of € 1,918 million, which were returned in full in August 2015.

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 30 June 2015, the total carrying value of Greek sovereign major exposures amounted to € 4,866 million (31 December 2014: € 5,251 million). This includes (a) Treasury Bills of € 2,163 million (31 December 2014: € 2,003 million), (b) Greek Government Bonds (GGBs) of € 1,365 million (31 December 2014: € 1,518 million), (c) derivatives with the Greek State of € 848 million (31 December 2014: € 1,102 million), (d) exposure of € 207 million relating with Greek Sovereign risk financial guarantee (31 December 2014: € 204 million), (e) loans guaranteed by the Greek State of € 173 million (31 December 2014: € 198 million), (f) loans to Greek local authorities and public organizations of € 91 million (31 December 2014: € 99 million), and (g) other receivables of € 19 million (31 December 2014: € 20 million). Reverse repo agreements with public organizations matured in January 2015 (31 December 2014: € 107 million).

As at 30 June 2015, given the challenging financial situation in Greece, the Bank evaluated the recoverability of its exposure to Greek sovereign debt, considering the existing economic conditions, the forecast for the Greek economy in the context of the new financial assistance program agreed with the official sector and the financial markets' trends.

Although the agreement for Greece's third bail-out program significantly reduced the country's risk of default and the uncertainty in the markets, the risks that relate with the implementation of the fiscal discipline measures, the structural reforms agenda and the achievement of the agreed fiscal targets still remain, resulting in the continuance of the uncertainty over the prospects of the Greek economy and the capacity of the Greek state to service its sovereign debt.

Notwithstanding the risks and uncertainties mentioned above, the Bank, having considered the agreed actions for the Greek economy's revival and the commitments for the stability of the financial sector, has not recognized any impairment losses for Greek sovereign debt securities. Information for the fair values of Greek sovereign exposures carried at fair value is provided in notes 14 and 25.

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 9).

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.

## 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 on the bail-in tool which shall be applicable as at 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 Branch of the Hellenic Deposit and Investment Guarantee Fund ('HDIGF') as the national resolution fund. The powers provided to the said competent Greek authorities are divided into three categories: (a) preparation and prevention with preparatory steps such as recovery plans while BoG prepares a resolution plan for each credit institution, (b) early intervention with predetermined measures at an early stage so as to avoid insolvency and (c) resolution if insolvency of an institution presents a concern as regards the general public interest.

In the context of the said law (article 32 of Law 4335/2015), BoG has the power to apply a set of resolution tools individually or in combination, in case certain trigger conditions for resolution are met as follows: (a) the determination that the institution is failing or is likely to fail, (b) there is no reasonable prospect that any alternative private sector measures or supervisory action taken in respect of the institution, would prevent the failure of the institution within a reasonable timeframe and (c) there is a necessity of a resolution action in favor of the public interest.

The said resolution tools are the following: (a) sale of business, (b) bridge institution, (c) asset separation (which may be used only in conjunction with other tools) and (d) as of 1 January 2016 the bail-in tool.

**Selected Explanatory Notes to the Condensed Interim Financial Statements**

Additionally, in adverse conditions of a systemic crisis, extraordinary public financial support may be provided through (additional) financial stabilization tools, which consist of public equity support and temporary public ownership (articles 57 and 58 of Law 4335/2015). As of 1 January 2016, for the said public financial support to be provided, shareholders, holders of other instruments of ownership, holders of relevant capital instruments and 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).

According to Law 4336/2015, it is provided that all the necessary political actions for the assurance of financial stability and the enforcement of the viability of the banking sector shall be taken. The principal strategic concern shall focus on the restoration of financial stability and improvement of the banks' viability through the following measures: i) normalization of liquidity and payment conditions and enforcement of banking assets, ii) enforcement of corporate governance and iii) dealing with the problem of non-performing loans. In this context, a capital buffer of up to € 25 bn is provided to address potential recapitalization needs of viable banks and the resolution cost of non-viable banks, in full compliance with the regulations of the EU for competition and public assistance.

On 30 October 2015, the Greek Government submitted to the Greek Parliament a draft law which amends the law regarding the Hellenic Financial Stability Fund (i.e. Law 3864/2010 as in effect and applied until today), in order to align it with the integration of the BRRD directive and the new recapitalization framework.

The most significant changes of Law 3864/2010 in the abovementioned draft law with respect to the recapitalization framework are set out below:

According to article 6 of Law 3864/2010, as amended by the present draft law, in case the credit institution has a capital shortfall, it may submit a request for capital support to HFSF up to the amount of the shortfall, as determined by the competent authority (either the European Central Bank in the context of the SSM or Bank of Greece). The request is followed by a letter of the competent authority, which defines the amount of the capital shortfall, the conclusive date by which the credit institution shall cover the abovementioned capital shortfall and the capital raising plan as submitted to the competent authority. The said request is also followed by an amendment draft of the already approved by the European Commission restructuring plan, or alternatively by a draft restructuring plan, as the case may be.

According to article 6a, in the event that the voluntary measures set out in the credit institution's restructuring plan or amended restructuring plan, as the case may be, are insufficient to cover its capital shortfall and there is a need to avoid significant side effects to the economy with adverse effects upon the public, and in order to ensure that the use of public funds remains the minimum necessary, the Cabinet, following a recommendation by the Bank of Greece, would issue an Act for the mandatory application of the measures provided in this article 6a (burden-sharing measures), aimed at allocating the residual amount of the capital shortfall of the credit institution to the holders of its capital instruments and other obligations, as may be deemed necessary. The unsecured senior liabilities non preferred by mandatory provisions of law have been added to the instruments, whose nominal value may be reduced or which may be converted to ordinary shares in order to restore capital adequacy as required by the competent authority.

It is also provided that in case of conversion of the preference shares of Law 3723/2008 into ordinary shares in accordance with article 6a of Law 3864/2010, the HFSF acquires ownership of such ordinary shares.

According to new article 6b, in case the Minister of Finance decides -in accordance with the provisions of article 56 of Law 4335/2015- to implement (as a financial stabilization tool) the public equity support tool of article 57 of Law 4335/2015, HFSF participates in the recapitalization of the credit institution and receives in exchange Common Equity Tier 1 (CET1) instruments and additional Tier 1 instruments or Tier 2 instruments, described in article 57, par. 1 of Law 4335/2015.

According to article 7, the HFSF provides capital support as determined by the competent authority, but only up to the amount of the relevant credit institution's capital shortfall remaining outstanding after the implementation of the voluntary measures and mandatory (burden-sharing) measures provided in article 6 and following any potential participation of private investors and the approval of the restructuring plan by the European Commission and further following:

## Selected Explanatory Notes to the Condensed Interim Financial Statements

- (i) completion of the mandatory (burden-sharing) measures of article 6a of Law 3864/2010 and confirmation by the European Commission (as part of the approval of the restructuring plan) that the credit institution concerned falls within the ambit of the exception of the article 32 of Law 4335/2015; or
- (ii) placement of the credit institution concerned into resolution (articles 56 and 57 of Law 4335/2015) and taking of the measures required by Law 4335/2015,

in each case through HFSF's subscription for ordinary shares, Contingent Convertible Securities (CoCos) or other convertible financial instruments issuable by the credit institution. For these purposes, the HFSF may exercise, dispose of or waive any pre-emption rights in the context of a share capital increase or issue of CoCos or other convertible financial instruments.

The exact proportion of HFSF's participation between ordinary shares, the conditions for the issuance of CoCos or other convertible financial instruments, as well as the conditions for the conversion of such instruments and any other necessary details will be set for in a Cabinet Act.

Furthermore, the subscription price of the new shares is defined as the market price as it occurs from the bookbuilding process of the credit institution. By decision of the General Council of the HFSF, HFSF can accept this price on the basis of a valuation of an independent financial advisor, who estimates that the book building process is in accordance with international best practice at certain circumstances.

Other than the amendments in relation to the recapitalization framework, new provisions are introduced, according to article 10, that allow the HFSF to evaluate the Board and Committees of the credit institutions based on the best international practices.

### Capital position

As at 30 June 2015, the Group's and Bank's Common Equity Tier I ratio (Basel III (CRDIV) rules estimate) stands at 10.4% and 10.3%, respectively.

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.

During the last years the Bank, apart from the share capital increase of € 2,864 million completed in April 2014, 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 restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce Risk Weighted Assets.

### European Central Bank's 2015 Comprehensive Assessment

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

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

- (a) 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
- (b) A forward looking Stress Test (ST) to examine the resilience of the banks' balance sheet to a potential further deterioration of market conditions.

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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, leading to a CET1 ratio of 8.6%, after taking into account the entire amount of losses identified in the AQR, which 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.

Following these results, the Bank will shortly submit a capital plan to the ECB for approval, describing in detail the measures it intends to implement in order to cover the shortfall identified in the CA, for under both the base and the adverse scenario.

The 2015 AQR is a prudential exercise, which was performed under the same methodology as the 2014 AQR. This methodology 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 six months ended 30 June 2015, which are described in note 2 of the Financial Statements for the year ended 31 December 2014. Furthermore, the AQR impact has been already captured in the first half of 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 9).

**Restructuring plan**

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

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

In the context of the new recapitalization process, in case that additional State Aid is necessary, the restructuring plan will be revisited and resubmitted for approval to the European Commission. The approval process is expected to be completed within 2015.

## Selected Explanatory Notes to the Condensed Interim Financial Statements

### 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.

### 7. Dividend income

During the first half of 2015, the Bank recognized dividend income mainly resulting from shares in subsidiaries amounting to € 366 million (30 June 2014: € 20 million) of which € 341 million will be cash settled in the third quarter of 2015 (note 16).

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

	<b>30 June 2015 € million</b>	<b>30 June 2014 € million</b>
ERB New Europe Holding B.V.	262	-
Eurolife ERB Insurance Group Holdings S.A.	38	-
Eurobank Factors S.A.	25	-
Eurobank Equities S.A.	16	-
Eurobank Fund Management Company (Luxemburg) S.A.	18	-
Eurobank Property Services S.A.	-	13
Grivalia Properties R.E.I.C.	6	6
Other (including AFS and trading portfolio)	1	1
<b>Total</b>	<b>366</b>	<b>20</b>

### 8. Operating expenses

	<b>30 June 2015 € million</b>	<b>30 June 2014 € million</b>
Staff costs	(185)	(203)
Administrative expenses	(100)	(104)
Depreciation of property, plant and equipment	(15)	(20)
Amortisation of intangible assets	(7)	(8)
Operating lease rentals	(22)	(22)
<b>Total</b>	<b>(329)</b>	<b>(357)</b>

The average number of employees of the Bank during the period was 9,073 (30 June 2014: 8,959). As at 30 June 2015, the number of branches of the Bank was amounted to 533.

**Selected Explanatory Notes to the Condensed Interim Financial Statements**
**9. 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:

	30 June 2015				
	Wholesale € million	Mortgage € million	Consumer <sup>(1)</sup> € million	Small business € million	Total € million
<b>Balance at 1 January</b>	<b>3,374</b>	<b>1,381</b>	<b>2,143</b>	<b>1,540</b>	<b>8,438</b>
Impairment loss for the period <sup>(2)</sup>	628	695	248	395	1,966
Recoveries of amounts previously written off	-	-	2	-	2
Amounts written off	(27)	(0)	(0)	(0)	(27)
NPV unwinding	(40)	(35)	(4)	(42)	(121)
Foreign exchange differences and other movements	36	7	(18)	6	31
<b>Balance at 30 June</b>	<b>3,971</b>	<b>2,048</b>	<b>2,371</b>	<b>1,899</b>	<b>10,289</b>

<sup>(1)</sup> Credit cards balances are included.

<sup>(2)</sup> Impairment losses on loans and advances as presented in income statement for the period ended 30 June 2015 include an amount of € 60 million which has been provided against the interbank placement with the Bank's indirect subsidiary 'PJSC Universal Bank' in Ukraine (note 30).

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.

In this context, in the second quarter of 2015, the Bank assessed the borrowers' financial performance, the recovery value of the underlying collaterals and calibrated its provisioning models in order to reflect:

- the negative ramifications of the recent financial and political turmoil in Greece, i.e. the third bailout program that provides, among others, for a new package of fiscal measures, the prolonged uncertainty of domestic political landscape and the imposition of capital controls;
- their consequential impact 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, the macroeconomic assumptions 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 unemployment rate's level, i.e. 26.9% in 2015, 27.1% in 2016 and 25.7% in 2017, were taken into consideration in estimating the impairment losses. Prior to the recent financial crisis, the Bank's own estimates on the respective macroeconomic variables provided for the growth of the real GDP rate by 0.2% in 2015, 2.0% in 2016 and 2.5% in 2017, and the gradual decrease of the unemployment rate to 25.7% in 2015, 24.0% in 2016 and 22.0% in 2017;
- the downward trend in the real estate market in Greece, based on the latest available information and the expected further delay of its recovery period. Particularly, the residential property prices are estimated 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 estimated to decline by 3.7% in 2015, 0.3% in 2016 and increase by 1.3% in 2017. The above estimates for residential and commercial properties represent the consensus forecasts of the Chief Economists of the four Greek systemic banks and the Bank's own estimates. Prior to the recent financial crisis, 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 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 revised 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.

## Selected Explanatory Notes to the Condensed Interim Financial Statements

Additionally, as at 30 June 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 has been already captured, to the appropriate extent, based on its existing impairment policies and within the context of its revised estimates, as described above (see also note 3).

Accordingly, in the second quarter of 2015, the Bank recognised an impairment loss of € 562 million and € 1,151 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.

### 10. Other impairment and non recurring income/(expenses)

	30 June 2015 € million	30 June 2014 € million
Impairment and valuation losses on investment and repossessed properties	(28)	(6)
Impairment losses on bonds <sup>(1)</sup>	(20)	(22)
Impairment losses on mutual funds and equities	(5)	-
<b>Other impairment losses</b>	<b>(53)</b>	<b>(28)</b>
Reversal of provision for claims in dispute	-	103
Integration costs relating with the operational merger of NHPB and New Proton	(0)	(10)
Restructuring costs	(2)	-
<b>Restructuring costs and other non recurring income/(expenses)</b>	<b>(2)</b>	<b>93</b>
<b>Total</b>	<b>(55)</b>	<b>65</b>

<sup>(1)</sup>In the first half of 2014, an amount of € 13 million was included for corporate bonds held by a Group's subsidiary and guaranteed by the Bank.

The deteriorating macroeconomic conditions described in note 9 and the persistent decline in real estate market prices in Greece were taken into consideration in assessing the recoverable amount of investment and repossessed properties portfolio. As a result, as at 30 June 2015, the Bank recognized impairment and valuation losses on investment and repossessed properties amounting to € 28 million.

In the first half of 2015, the Bank recognized an additional impairment loss of € 20 million for the Ukrainian government bonds that are 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 are, 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 above mentioned announcement due to the forthcoming restructuring agreement, triggered the settlement of the Bank's Credit Default Swaps (CDSs) that are 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 proceeded with the partial reversal of the cumulative recognized impairment by € 30 million, in order to reflect the settlement price.

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.

**Selected Explanatory Notes to the Condensed Interim Financial Statements**
**11. Income tax and non recurring tax adjustments**

	30 June 2015 € million	30 June 2014 € million
Current tax	(3)	(4)
Deferred tax	489	180
<b>Income tax</b>	<b>486</b>	<b>176</b>
Recognition of DTA following Circular 1143/15.05.2014	-	34
Reversal of provision of withholding tax claims	-	43
<b>Tax (charge)/income from continuing operations</b>	<b>486</b>	<b>253</b>
Tax (charge)/income from discontinued operations	-	18
<b>Total</b>	<b>486</b>	<b>271</b>

According to Law 4172/2013, as was in force at the end of the current reporting period, the nominal Greek corporate tax rate applied for income generated in accounting year 2014 and for the period ended 30 June 2015 was 26%. 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.

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 change which is a non-adjusting event for the period ended 30 June 2015 will result in an increase of net deferred tax asset by € 509 million.

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 first half of 2014, the Bank recognized in income statement a one off tax income of € 34 million. In addition, as at 30 June 2014, following a favourable Supreme Court decision, the Bank recognized a non-recurring tax income of € 43 million due to reversal of provisions in relation to withholding tax claims against the State.

For the year ended 31 December 2011 and onwards, the Greek sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, are required to obtain an 'Annual Tax Certificate' provided for in article 82 of Law 2238/1994 (currently article 65a of Law 4174/2013), 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 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 certificate with a matter of emphasis for their unaudited by tax authorities periods/tax years 18/1-30/6/2013 and 9/10/2011- 31/12/2012, respectively, with regards to potential tax obligations resulting from their carve out. For both cases the Bank has formed adequate provisions. In accordance with the aforementioned tax legislation and considering related preconditions, tax audit for the years 2011 and 2012 for the Bank is considered finalized, according to the Ministerial Decision 1159/2011.

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

Selected Explanatory Notes to the Condensed Interim Financial Statements

The movement on deferred income tax is as follows:

	<b>30 June 2015 € million</b>
<b>Balance at 1 January</b>	<b>3,871</b>
Income statement credit/(charge) from continued operations	489
Available for sale investment securities	53
Cash flow hedges	(5)
<b>Balance at 30 June</b>	<b>4,408</b>

Deferred income tax assets are attributable to the following items:

	<b>30 June 2015 € million</b>	<b>31 December 2014 € million</b>
PSI+ tax related losses	1,189	1,211
Loan impairment	2,478	1,993
Unused tax losses	249	258
Valuations through the income statement	269	250
Costs directly attributable to equity transactions	45	48
Cash flow hedges	31	35
Valuations directly to available-for-sale revaluation reserve	89	37
Fixed assets	(1)	(5)
Defined benefit obligations	9	8
Other	50	36
<b>Net deferred income tax</b>	<b>4,408</b>	<b>3,871</b>

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

	<b>30 June 2015 € million</b>	<b>30 June 2014 € million</b>
Loan impairment	485	125
Unused tax losses	(9)	66
Tax deductible PSI+ losses	(22)	(22)
Change in fair value and other temporary differences	35	63
<b>Deferred income tax (charge)/credit</b>	<b>489</b>	<b>232</b>

As at 30 June 2015, the Bank recognized net deferred tax assets amounting to € 4.408 bn as follows:

- € 1,189 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;
- € 2,478 million refer to temporary differences arising from loan impairment that can be utilized in future periods with no specified time limit and according to current tax legislation;
- € 249 million refer to unused tax losses. The ability to utilize tax losses carried forward mainly expires in 2018;
- € 45 million mainly refer to costs directly attributable to Bank's share capital increases, subject to 10 years' amortization for tax purposes starting from the year they have been incurred;
- € 447 million refer to other temporary differences the majority of which can be utilized in future periods with no specified time limit and according to current tax legislation.

The recognition of the above presented deferred tax assets is based on management's assessment that it is expected that the Bank, based on its business plan, will have sufficient taxable profits, against which the unused tax losses and the deductible temporary differences can be utilized.

## Selected Explanatory Notes to the Condensed Interim Financial Statements

According to article 5 of Law 4303/2014 (a new article 27A was incorporated in the Law 4172/2013), which is applicable to Greek financial institutions, including leasing and factoring companies, deferred tax assets that have been or will be recognized due to losses from the Private Sector Involvement ('PSI') and the Greek State Debt Buyback Program, accumulated provisions and other general losses due to credit risk in relation to existing receivables as of 31 December 2014 (excluding any receivables raised for Group companies or connected parties), will be converted into directly enforceable claims (tax credit) against the Greek State, provided that the after tax accounting result for the period, is a loss. As at 30 June 2015, deferred tax assets eligible for conversion to tax credits amounted to € 3,667 million.

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

The claim will arise upon approval of the financial statements and will be offset against the relevant amount of income tax. When the amount of income tax is insufficient to offset the above claim, any remaining claim will give rise to a direct refund right against the Greek State. For this purpose, a special reserve equal to 110% of the above claim will be created exclusively for a share capital increase and the issuance of capital conversion rights (warrants) without consideration in favor of the Greek State. The above rights will be convertible into ordinary shares and will be freely transferable. Existing shareholders will have a call option within a reasonable period based on their participation in the share capital at the time of issuance of those rights. 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 effective from the tax year 2015 onwards.

### Post balance sheet events

According to Law 4336/2015 which has been voted on 14 August 2015 there is a provision, amongst others, for the future amendment of the aforementioned legal framework for the conversion of Deferred Tax Assets (DTAs) to tax credit against the Greek State, with the view of minimizing the funding from the new ESM program and the connection between banks and the State.

A draft law referring to the Greek Banks' recapitalization was submitted to the Greek Parliament on 30 October 2015. Such draft bill includes, amongst others, a provision amending the existing Deferred Tax Credits (DTCs) framework. The main proposed amendments provide that eligible DTAs could be converted into DTCs from fiscal year 2016 onwards and that the eligible DTA on accumulated provisions and other losses in general due to credit risk is the one corresponding to those (provisions and credit losses) accounted as at 30 June 2015.

## 12. Discontinued operations

### Disposal of Polish operations

During the first half of 2014, the gain on the disposal of Polish operations was adjusted with € 70 million losses, before tax (€ 52 million losses, after tax), while the relating provision recognized in 2013 based on management's estimates of the final amount of the consideration to be received was released accordingly (note 10).

## 13. Loans and advances to customers

	<b>30 June 2015 € million</b>	<b>31 December 2014 € million</b>
Wholesale lending	15,414	15,235
Mortgage lending	16,958	16,620
Consumer lending <sup>(1)</sup>	5,155	5,269
Small business lending	6,511	6,390
	<b>44,038</b>	43,514
Less: Impairment allowance (note 9)	<b>(10,289)</b>	(8,438)
	<b>33,749</b>	35,076

<sup>(1)</sup> Credit cards balances are included.

**Selected Explanatory Notes to the Condensed Interim Financial Statements**

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

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

As at 30 June 2015, the carrying amount of these loans is € 111 million which approximates their fair value and impairment losses of € 15 million were recognized in the income statement for the six months ended 30 June 2015. No amounts would have been recognized in the OCI had these financial assets not been reclassified.

As at 30 June 2015, the 90 days past due loans (gross) amounted to € 15,766 million.

**14. Investment securities**

	<b>30 June 2015 € million</b>	<b>31 December 2014 € million</b>
Available-for-sale investment securities	2,895	2,913
Debt securities lending portfolio	11,311	11,700
Held-to-maturity investment securities	229	346
	<b>14,435</b>	<b>14,959</b>

The investment securities per category are analyzed as follows:

	<b>30 June 2015</b>			
	<b>Available- -for-sale securities € million</b>	<b>Debt securities lending portfolio € million</b>	<b>Held-to- -maturity securities € million</b>	<b>Total € million</b>
<b>Debt securities</b>				
- EFSF bonds	-	10,051	-	10,051
- Greek government bonds	481	875	-	1,356
- Greek government treasury bills	2,162	-	-	2,162
- Other government bonds	119	280	51	450
- Other issuers	40	105	178	323
	<b>2,802</b>	<b>11,311</b>	<b>229</b>	<b>14,342</b>
<b>Equity securities</b>	93	-	-	93
<b>Total</b>	<b>2,895</b>	<b>11,311</b>	<b>229</b>	<b>14,435</b>

## Selected Explanatory Notes to the Condensed Interim Financial Statements

	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
	<u>2,814</u>	<u>11,700</u>	<u>346</u>	<u>14,860</u>
Equity securities	99	-	-	99
Total	<u>2,913</u>	<u>11,700</u>	<u>346</u>	<u>14,959</u>

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 30 June 2015, the carrying amount of the reclassified securities was € 851 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 30 June 2015 would have resulted in € 351 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

## 15. Shares in subsidiary undertakings

### Hellenic Postbank - Hellenic Post 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%.

### ERB Leasing E.A.D, Bulgaria

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

### Global Fund Management S.A, Greece

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

### 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%.

### Byzantium Finance Plc, United Kingdom

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

### 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 7), the Bank reassessed the recoverable amount of its investment and an impairment charge amounted to € 159 million was recorded accordingly.

### Transfer of London branch

In the second quarter of 2015, as part of the Group's reorganization initiatives, the Bank transferred the operations of Eurobank Ergasias S.A London Branch to its subsidiary Eurobank Private Bank Luxemburg 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

## Selected Explanatory Notes to the Condensed Interim Financial Statements

of the Bank to London Branch of € 124 million was repaid by Eurobank Private Bank Luxemburg 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 Holding 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.

### Post balance sheet event

#### Hellenic Postbank – Hellenic Post Mutual Funds Mngt, Greece

In September 2015, the Annual General Meeting of shareholders of the company decided its liquidation.

## 16. Other assets

	<b>30 June 2015 € million</b>	<b>31 December 2014 € million</b>
Receivable from Deposit Guarantee and Investment Fund	672	668
Reposessed properties and relative prepayments	324	344
Pledged amount for a Greek sovereign risk financial guarantee	258	257
Income tax receivable	220	212
Prepaid expenses and accrued income	30	49
Investments in associated undertakings and joint ventures	5	5
Dividends receivable from shares in subsidiaries (note 7)	341	-
Other assets	<u>186</u>	<u>190</u>
	<b><u>2,036</u></b>	<b><u>1,725</u></b>

As at 30 June 2015, other assets amounting to € 186 million mainly consist of receivables from (a) settlement balances with customers, (b) guarantees, (c) public entities, and (d) fraudulent and legal cases, net of provisions.

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.

## 17. Due to central banks

	<b>30 June 2015 € million</b>	<b>31 December 2014 € million</b>
Secured borrowing from ECB and BoG	<b><u>32,677</u></b>	<b><u>12,610</u></b>

As at 30 June 2015, the Bank has increased its dependency on Eurosystem financing facilities to € 32.7 bn (of which € 22.9 bn funding from ELA) as a result of deposit withdrawals and reduction of wholesale secured funding. As at 30 September 2015, the Eurosystem funding stood at € 31.6 bn, of which € 22.3 bn funding from ELA.

**Selected Explanatory Notes to the Condensed Interim Financial Statements**
**18. Due to credit institutions**

	<b>30 June 2015 € million</b>	<b>31 December 2014 € million</b>
Secured borrowing from other banks	1,442	12,071
Borrowing from international financial institutions	239	254
Interbank takings	307	948
Current accounts and settlement balances with banks	58	135
Other borrowings	100	-
	<b><u>2,146</u></b>	<b><u>13,408</u></b>

As at 30 June 2015, other borrowings 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.

**19. Due to customers**

	<b>30 June 2015 € million</b>	<b>31 December 2014 € million</b>
Term deposits	12,256	20,148
Savings and current accounts	10,652	11,235
Repurchase agreements	53	553
Other term products	47	49
	<b><u>23,008</u></b>	<b><u>31,985</u></b>

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

**20. Debt securities in issue**

	<b>30 June 2015 € million</b>	<b>31 December 2014 € million</b>
Securitized	905	938
Subordinated-Lower Tier II (note 19)	220	218
Medium-term notes (EMTN)	53	78
Government guaranteed bonds	-	53
	<b><u>1,178</u></b>	<b><u>1,287</u></b>

**Asset Backed Securities**

During the first half of 2015, the Bank proceeded with the redemption of residential mortgage backed and consumer loans backed securities of face value of € 2,596 million, € 11 million of which were held by third parties.

**Medium-term notes (EMTN)**

During the first half of 2015, the Bank proceeded with the redemption of notes of face value of € 25 million.

As at 30 June 2015, the notes issued by the Bank under the EMTN program, totalling to € 53 million (2014: € 78 million), were fully retained by the Bank's subsidiaries.

## Selected Explanatory Notes to the Condensed Interim Financial Statements

### Government guaranteed and covered bonds

In January 2015, the Bank issued new government guaranteed bonds of face value of € 2,736 million.

During the second quarter of 2015, the Bank proceeded with the cancellation of covered bonds of face value of € 3,050 million, held by the Bank and its subsidiaries.

As at 30 June 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 € 16,453 million and € 100 million respectively, were retained by the Bank and its subsidiaries.

According to the State Aid rules, as in force, it is provided that in the event that HFSF participates in the capital increase, the prior contribution of preferred securities holders and subordinated creditors is required to reduce the capital shortfall. In addition, senior notes may also be eligible instruments for contributing in the potential recapitalization, taking into account the 14 August Eurogroup statement that the bail-in will apply for senior bondholders whereas bail in of depositors is excluded (note 2).

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website.

### Post balance sheet events

By the end of October 2015, the face value of government guaranteed bonds fully retained by the Bank was decreased by € 2,410 million.

On 29 October 2015, the Bank launched a Liability Management Exercise (LME), aiming to strengthen the Bank's CET1 (note 29).

## 21. Other liabilities

	30 June 2015 € million	31 December 2014 € million
Sovereign risk financial guarantee	51	52
Other provisions	64	73
Deferred income and accrued expenses	56	55
Standard legal staff retirement indemnity obligations	34	32
Other liabilities	198	265
	<b>403</b>	<b>477</b>

As at 30 June 2015, other liabilities amounting to € 198 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 30 June 2015, other provisions amounting to € 64 million consist of amounts for (a) outstanding litigations and claims in dispute of € 55 million (note 27), and (b) other provisions for operational risk events of € 8 million, and untaken vacation indemnity of € 1 million.

## 22. Ordinary share capital and share premium

The par value of the Bank's shares is € 0.30 per share (31 December 2014: € 0.30). All shares are fully paid. The balance of ordinary share capital, share premium and the number of ordinary shares issued by the Bank, are as follows:

	Ordinary share capital € million	Share premium € million	Number of issued ordinary shares
Balance at 30 June 2015	<b>4,412</b>	<b>6,682</b>	<b>14,707,876,542</b>

## Selected Explanatory Notes to the Condensed Interim Financial Statements

### 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.

### 23. Preference shares

Preference Shares		
	30 June 2015	31 December 2014
Number of shares	€ million	€ million
345,500,000	950	950

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

The preference shares pay a non-cumulative coupon, subject to meeting minimum capital adequacy requirements, set by Bank of Greece (BoG), availability of distributable reserves in accordance with article 44a of Company Law 2190/1920 and the approval of the Annual General Meeting. Five years after the issue of the preference shares, the Bank may redeem the preference shares at their nominal value. If such redemption is not possible, because the Bank's capital adequacy ratio would fall below the minimum requirements set by the BoG, the preference shares will be converted into ordinary shares or shares of any other class existing at the time of the conversion following a decision of the Minister of Finance and after a recommendation by the Governor of the BoG and on condition that at the expiry of the five year period, the Bank will have submitted, and the Minister of Finance will have approved, further to a recommendation by the Governor of the BoG, a restructuring plan of the Bank pursuant to the legislation as in force. The conversion ratio will take into account the average market price of the Bank's ordinary shares during the calendar year preceding such conversion. In case of non-redemption at the expiration of the five year period, the abovementioned coupon is increased by 2% each year, following relevant decision by the Minister of Finance, upon recommendation of the BoG.

Based on the 2014 results and Law 3723/2008 in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted.

### 24. Hybrid capital

The outstanding amount of hybrid capital issued by the Bank, in the form of preferred securities, through its Special Purpose Entity, ERB Hellas Funding Limited, as at 30 June 2015 is analyzed as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
At 30 June 2015	72	151	154	21	398

On 30 December 2014, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series A, Series C and Series D, which otherwise would have been paid on 18 March 2015, 9 January 2015 and 29 January 2015, respectively.

On 31 March 2015, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series C and Series D, which otherwise would have been paid on 9 April 2015 and 29 April 2015, respectively.

On 30 June 2015, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series C and Series D, which otherwise would have been paid on 9 July 2015 and 29 July 2015, respectively.

**Selected Explanatory Notes to the Condensed Interim Financial Statements**

According to the State Aid rules, as in force it is provided that in the event that HFSF participates in the capital increase, the prior contribution of hybrid capital holders and subordinated creditors is required to reduce the capital shortfall (note 2).

**Post balance sheet events**

On 30 September 2015, ERB Hellas Funding Ltd announced the non-payment of the non-cumulative preferred dividend on the preferred securities of Series B, Series C and Series D, which otherwise would have been paid on 2 November 2015, 9 October 2015 and 29 October 2015, respectively.

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. Accordingly, the Hybrid capital of the Bank was reduced to € 77 million and the resulting gain of € 178 million after tax, was recorded directly in equity.

On 29 October 2015, the Bank launched a Liability Management Exercise (LME), aiming to strengthen the Bank's CET1 (note 29).

**25. Fair value of financial assets and liabilities**

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

**Financial instruments carried at fair value**

Trading assets, derivatives and other transactions undertaken for trading purposes, as well as available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques. These financial instruments carried at fair value are categorized into the three levels of the fair value hierarchy as at 30 June 2015 based on whether the inputs to the fair values are observable or unobservable, as follows:

- (a) Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that 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 the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognized market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.
- (c) Level 3 – Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equities and certain OTC derivatives.

**Selected Explanatory Notes to the Condensed Interim Financial Statements**

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

	30 June 2015			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	9	3	1	13
Derivative financial instruments	0	1,602	18	1,620
Available-for-sale investment securities	2,829	25	41	2,895
<b>Total financial assets</b>	<b>2,838</b>	<b>1,630</b>	<b>60</b>	<b>4,528</b>
Financial liabilities measured at fair value:				
Derivative financial instruments	2	2,409	-	2,411
Due to customers:				
- Structured deposits	-	110	-	110
Trading liabilities	8	-	-	8
<b>Total financial liabilities</b>	<b>10</b>	<b>2,519</b>	<b>-</b>	<b>2,529</b>
	31 December 2014			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	32	41	0	73
Derivative financial instruments	-	2,119	2	2,121
Available-for-sale investment securities	2,869	1	43	2,913
<b>Total financial assets</b>	<b>2,901</b>	<b>2,161</b>	<b>45</b>	<b>5,107</b>
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
<b>Total financial liabilities</b>	<b>10</b>	<b>2,618</b>	<b>-</b>	<b>2,628</b>

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.

In the first half of 2015, the Bank transferred the Greek listed available for sale shares and the available for sale mutual funds with underlying Greek listed shares of € 20 million and € 2 million respectively, from Level 1 to Level 2 due to their market's temporary closing (see below).

In the first half of 2015 the Bank transferred derivative financial instruments of € 23 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).

Selected Explanatory Notes to the Condensed Interim Financial Statements
Reconciliation of Level 3 fair value measurements

	30 June 2015 € million
<b>Balance at 1 January</b>	45
Transfers into Level 3	23
Transfers out of Level 3	(1)
Additions, net of disposals and redemptions	0
Total gain/(loss) for the period included in profit or loss	(9)
Total gain/(loss) for the period included in other comprehensive income	1
Other	1
<b>Balance at 30 June</b>	<b>60</b>

Bank's valuation processes

The Bank uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty, where appropriate.

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

Valuation techniques

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

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

## Selected Explanatory Notes to the Condensed Interim Financial Statements

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

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

### Financial instruments not carried at fair value

The following table presents the carrying amounts and fair values of financial assets and liabilities which are not carried at fair value on the balance sheet:

	30 June 2015	
	Carrying amount € million	Fair value € million
Loans and advances to customers	33,749	33,900
Investment securities		
- Debt securities lending portfolio	11,311	10,987
- Held-to-maturity securities	229	216
<b>Total financial assets</b>	<b>45,289</b>	<b>45,103</b>
Debt securities in issue held by third party investors	320	122
<b>Total financial liabilities</b>	<b>320</b>	<b>122</b>
	31 December 2014	
	Carrying amount € million	Fair value € million
Loans and advances to customers	35,076	34,930
Investment securities		
- Debt securities lending portfolio	11,700	11,167
- Held-to-maturity securities	346	329
<b>Total financial assets</b>	<b>47,122</b>	<b>46,426</b>
Debt securities in issue held by third party investors	402	326
<b>Total financial liabilities</b>	<b>402</b>	<b>326</b>

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value on the balance sheet date are in line with those used to calculate the fair values for financial instruments carried at fair value and are as follows:

- 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.
- 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 or by using the discounted cash flows method.

## Selected Explanatory Notes to the Condensed Interim Financial Statements

- (c) Debt securities in issue held by third party investors: 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.

### Fair values of financial assets and liabilities with Greek sovereign and other Greek issuers

As at 30 June 2015, the economic and political situation in Greece, as described in note 2, contributed to the financial markets' increased volatility and instigated a sharp drop in the market prices of Greek securities, affecting accordingly, the relevant market variables used as inputs in the valuation techniques applied by the Bank, e.g. credit spreads, implied volatilities.

Additionally, the bank holiday and the imposition of capital controls on 28 June 2015 forced the closing of the Electronic Secondary Securities Market (HDAT) and the Athens Stock Exchange until 3 August 2015 that are presumed by the Bank as the principal markets for Greek government securities and Greek listed shares, respectively.

In the absence of HDAT's prices, the fair value measurement of Greek government securities was based on the quoted prices obtained by internationally recognized market data providers as at 30 June 2015. Since the imposition of capital controls until 30 June 2015, the Bank recorded a mark to market loss of € 135 million, in relation to these securities. Additionally, the Bank transferred into level 2 of the fair value hierarchy, the Greek listed available for sale shares and the available for sale mutual funds with underlying Greek listed shares, due to their market's temporary closing as mentioned above.

### Post Balance sheet event

The markets' positive sentiment subsequent to the announcement for the agreement of Greece's third bailout program, on 13 July 2015, led to improvement of the Hellenic's Republic credit spreads and the increase of the Greek government securities' market prices that are, subsequent to the announcement, traded at significant higher levels, signaling in parallel the markets' gradual normalization. From 30 June 2015 until 30 September 2015, the Bank recognized a mark to market gain of € 272 million, deriving from the increase in their market prices. Additionally, in the third quarter of 2015, the Bank recognized a gain of € 65 million for derivatives with the Greek State.

## 26. Cash and cash equivalents and other information on Interim Cash Flow Statement

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

	30 June 2015 € million	31 December 2014 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central bank)	438	545
Due from credit institutions	275	366
Financial instruments at fair value through profit or loss	1	1
	<u>714</u>	<u>912</u>

## Selected Explanatory Notes to the Condensed Interim Financial Statements

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

	30 June 2015 € million	30 June 2014 € million
Amortisation of premiums/discounts and accrued interest	(6)	(41)
(Gains)/losses from sale	5	(16)
Dividends	(1)	(1)
	<u>(2)</u>	<u>(58)</u>

## 27. Contingent liabilities and commitments

Credit related commitments are analyzed as follows:

	30 June 2015 € million	31 December 2014 € million
Guarantees <sup>(1)</sup> and standby letters of credit	1,340	1,302
Guarantees to Bank's SPV's issuing EMTNs	1,051	1,062
Other guarantees (medium risk) and documentary credits	416	445
Commitments to extent credit	115	114
	<u>2,922</u>	<u>2,923</u>

<sup>(1)</sup> Guarantees that carry the same credit risk as loans

### Legal Proceedings

As at 30 June 2015, there were a number of legal proceedings outstanding against the Bank for which a provision of € 55 million was recorded (31 December 2014: € 53 million).

## 28. 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)

## 29. Post balance sheet events

### Resolution Fund contributions

In the context of Directive 2014/59/EU for the recovery and resolution of credit institutions and investment firms (BRRD), which has been enacted in Greece with Law 4335/2015 (note 6), 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 institutions authorized in their territory. The terms of calculation and payment of the contributions for the year 2015 are expected to be specified by Bank of Greece (BoG) within the following months. In this context, the Bank recognized a provision of € 40 million in relation to the above expected contributions, in the third quarter of 2015.

In addition, according to Law 4335/2015 and following the designation of Resolution Branch of HDIGF as the national resolution fund (note 6), total assets and liabilities of the said scheme were transferred to a separate account within HDIGF ('Account for the Settlement of Past Years' Resolution Measures') for which the Bank expects that it will continue to recognize annual contributions as specified by HDIGF. The process for determining such contributions and other key terms of the abovementioned account are expected to be defined upon the transposition of Directive 2014/49/EU on deposit guarantee schemes in the Greek law.

Furthermore, in line with Law 3746/2009 and following a decision notified by HDIGF in October 2015, Greek banks are 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 is expected to amount to € 12 million and will be recognized in the fourth quarter of 2015.

As per the draft law submitted to the Greek Parliament on 30 October 2015, the provision of Law 4335/2015 for the establishment of a separate account within HDIGF, referred to the above, is abolished.

### Liability Management Exercise

On 29 October 2015, the Bank launched a Liability Management Exercise (LME), aiming to strengthen the Bank's CET1 and, in combination with the planned share capital increase of the Bank through a bookbuilding process, to cover the additional Bank's capital requirements, which have been derived from the Comprehensive Assessment of the Greek financial sector that was conducted by the SSM (note 6).

LME is effected on a voluntary basis inviting the eligible securities' holders to:

- a) tender such outstanding securities issued by the Bank and its SPVs (ERB Hellas Funding, ERB Hellas PLC and ERB Hellas Cayman) for purchase against cash at a purchase price equal to, in the case of:
  - Tier I securities (preferred securities), 50% of the liquidation preference of such securities
  - Tier II securities (subordinated securities), 80% of their outstanding principal amount plus accrued interest
  - Senior securities, 100% of their outstanding principal amount plus accrued interest
  - Structured senior securities, the relevant early repurchase price
- b) irrevocably instruct the relevant Offeror which for all the said securities' takeover will be the Bank, exempting Series C of the Tier I securities, where the Offeror will be ERB Hellas Funding Limited to deposit the aggregate purchase proceeds in the share capital increase account for the sole purpose of subscribing for new ordinary registered shares of the Bank at the new shares price to be set through the results of the bookbuilding process during the Bank's upcoming share capital increase.

The Bank will accept less than the aggregate tendered amount of securities if (i) the sum of the LME generated capital amount and the bookbuilding process capital amount would exceed the capital requirement and (ii) the Bank determines in its sole discretion that it is appropriate to apply a scaling factor to acceptances in respect of the offers.

The Offer Period is expected to commence, on or about 4 November 2015 and will expire on 11 November 2015, whereas the announcement of the LME results is expected on or about 16 November 2015.

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

Note 2-Principal accounting policies

Note 4- Greek Economy Liquidity Support Program

Note 6-Capital management

Note 10-Other impairment and non-recurring income/(expenses)

Note 11-Income tax and non-recurring tax adjustments

## Selected Explanatory Notes to the Condensed Interim Financial Statements

Note 15-Shares in subsidiary undertakings

Note 17-Due to central banks

Note 20-Debt securities in issue

Note 24-Hybrid capital

Note 25-Fair value of financial assets and liabilities

### 30. Related parties

In May 2013, following its full subscription in the Bank's recapitalization of € 5,839 million, the HFSF became the controlling shareholder and a related party of the Bank. In May 2014, following the completion of the Bank's share capital increase for raising € 2,864 million, fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%.

In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Bank's General Assemblies have been switched to restricted ones. Accordingly, as of early May 2014, the HFSF is no more the controlling shareholder of the Bank but is considered to have significant influence over it.

Furthermore, in the context of the amended HFSF Law and following the completion of the aforementioned Bank's share capital increase, on 28 August 2014 HFSF entered into a new Relationship Framework Agreement (RFA) with Eurobank, similar to that of the other systemic banks, which regulates, among others, (a) the Bank's corporate governance, (b) the development and approval of the Bank's Restructuring Plan, (c) the material obligations deriving from the Restructuring Plan and the switch of voting rights, (d) the monitoring of the implementation of the Restructuring Plan and the Bank's ensuing risk profile and (e) the significant matters requiring the HFSF's consent.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Bank at times may hold positions in debt and equity instruments of related parties.

The outstanding balances of the said related party transactions and the relating income and expenses are as follows:

	30 June 2015				31 December 2014			
	Subsidiaries € million	Key management personnel (KMP) <sup>(1)</sup> € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million	Subsidiaries € million	Key management personnel (KMP) <sup>(1)</sup> € million	Entities controlled or jointly controlled by KMP, associates & joint ventures € million	HFSF € million
Due from credit institutions	3,257	-	-	-	3,394	-	-	-
Financial Instruments at fair value through P&L	3	-	-	-	47	-	-	-
Derivative Financial instruments assets	8	-	-	-	15	-	-	-
Investment Securities	90	-	-	-	313	-	-	-
Loans & advances to customers, net of provision	1,577	8	4	0	1,590	6	4	0
Other assets <sup>(2)</sup>	372	-	-	4	29	-	-	3
Due to credit institutions	1,396	-	-	-	3,368	-	-	-
Derivative financial instruments liabilities	3	-	-	-	3	-	-	-
Due to customers	1,384	2	8	0	1,492	3	9	0
Debt securities in issue	859	-	-	-	885	-	-	-
Other liabilities	15	-	-	-	18	-	-	9
Guarantees issued	1,696	-	-	-	1,785	-	-	-
Guarantees received	-	0	-	-	-	0	-	-
	<b>Six months ended 30 June 2015</b>				<b>Six months ended 30 June 2014</b>			
Net interest income	(7)	0	0	-	3	(0)	(0)	-
Net banking fee and commission income	8	-	-	-	3	-	-	-
Dividend income	365	-	-	-	19	-	-	-
Net trading income	9	-	-	-	(1)	-	-	-
Other operating income/(expense)	(8)	-	(0)	1	(9)	-	(0)	-
Impairment losses on loans and advances and collectors fees	(72)	-	-	-	(36)	-	(2)	-

<sup>(1)</sup> 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.

<sup>(2)</sup> Receivable from HFSF pursuant to the terms of the relevant agreement for the acquisition of NHPB.

## Selected Explanatory Notes to the Condensed Interim Financial Statements

In addition, at 30 June 2015 the loans, net of provisions, granted to entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements amounted to €3.8 million (31 December 2014: €3 million).

During the period ended 30 June 2015, the Bank has recorded impairment losses of € 60 million against the interbank placement with its indirect subsidiary “PJSC Universal Bank” in Ukraine, which has been classified as held for sale operations in Group’s financial statements as of March 2014. As at 30 June 2015, the impairment allowance for loans and receivables with Bank’s consolidated subsidiaries and joint ventures amounted to € 148.4 million (31 December 2014: €88.5 million).

In relation to the guarantees issued, the Bank has received cash collateral of € 535 million as at 30 June 2015 (31 December 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 € 3.06 million (30 June 2014: € 2.72 million) and long-term employee benefits of € 0.34 million (30 June 2014: € 0.33 million expense and € 0.12 million income relating with forfeited share options).

Athens, 31 October 2015

**Nikolaos V. Karamouzis**

I.D. No AB – 336562

CHAIRMAN  
OF THE  
BOARD OF DIRECTORS

**Fokion C. Karavias**

I.D. No AI - 677962

CHIEF  
EXECUTIVE  
OFFICER

**Harris V. Kokologiannis**

I.D. No AK-021124

GENERAL MANAGER OF GROUP  
FINANCE  
GROUP CHIEF FINANCIAL  
OFFICER