Eurobank
Cyprus

EUROBANK CYPRUS LTD

Report and
Financial Statements

For the year ended 31 December 2014

Eurobank Cyprus Ltd

Report and financial statements for the year ended 31 December 2014

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Eurobank Cyprus Ltd

Board of Directors and other officers

Board of Directors

R. Kyprianou	Chairman, Non Executive (elected Chairman on 14 February 2014)
M. Zampelas	Vice Chairman, Non Executive
M. Louis	Executive
D. Shacallis	Executive
M. Colakides	Non Executive
K. Vasiliou	Non Executive
L. Demosthenous	Non Executive
O. Ellingham	Non Executive (appointed on 28 April 2014)
A. Soteriou	Non Executive (appointed on 28 April 2014)
F. Karavias	Non Executive (appointed on 11 March 2014 and resigned on 13 February 2015)
Y. Kokkinos	Non Executive (appointed on 18 June 2014 and resigned on 31 October 2014)

Executive Committee

M. Louis
D. Shacallis
C. Hambakis
A. Malliotis
A. Petsas
A. Antoniou
S. Kassianides
D. Eliades
N. Panayi
M. Hadjikyriakos

Company Secretary

D. Shacallis

Registered office

41 Arch. Makariou III Avenue
5th floor
CY-1065 Nicosia
Cyprus

Report of the Board of Directors

The Board of Directors presents its report together with the audited financial statements of Eurobank Cyprus Ltd (the "Bank") for the year ended 31 December 2014.

Principal activity

The principal activity of the Bank, which is unchanged from last year, is the provision of banking and financial services.

Branches

The Bank did not operate through any branches during the year.

Review of developments, position and performance of the Bank's business

The main financial highlights for the year are as follows:

	2014	2013
	€'000	€'000
Operating income	**96.925**	83.440
Operating expenses including provision for impairment of loans and advances	**50.792**	38.695
Profit before tax and government levies	**46.133**	44.745
Profit for the year	**38.552**	35.005
Customer deposits	**3.310.105**	2.471.483
Loans and advances to customers	**1.647.386**	1.742.932
Total assets	**4.338.532**	3.682.467

The financial position, development and performance of the Bank as presented in these financial statements are considered satisfactory.

Report of the Board of Directors (continued)

Business outlook and risks

The Bank considers risk management to be a major process and a major factor contributing to the stability of the Bank's performance. The financial risks which are managed and monitored are credit risk, operational risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Notes 2.1 and 4 of the financial statements.

Operating environment of Cyprus

The Cypriot economy managed to defy expectations by outperforming macroeconomic projections throughout the year. Year 2014 ended better than expected signalling that the economy is close to reverting to growth. Fiscal targets have been met indicating the prudent budget execution and a less severe deterioration of economic activity than originally projected. Reflecting on the progress made, the three main credit rating agencies, namely S&P, Moody's and Fitch upgraded the Cyprus economy in October and November 2014.

In the financial sector significant progress has been made as a result of the recapitalisation and restructuring of credit institutions. The overall results of the stress tests, performed among 130 banks in the euro area including four systemic Cypriot banks were published in October 2014, were encouraging and contributed to strengthening the general confidence in the Cypriot banking sector. The aforementioned results combined with the substantially reduced deposit outflow rates in 2014 have contributed to the further easing of capital controls announced by the Ministry of Finance. Challenges still remain in the area of managing of the banking system's non-performing loans (NPL) nevertheless the successful managing of this category of loans will expedite the restoration of confidence in the market and provide more liquidity.

In February 2015 the Central Bank of Cyprus amended the circular on Pillar II capital requirements arising from high deposit interest rates by reducing the maximum deposit rate by one per cent (100bps) and imposing additional capital requirements on credit institutions whose depository interest rates exceed Euribor/Libor+200 bps. This long-awaited move allowed the banks to proceed with reductions in loan interest rates contributing positively to the borrowers' liquidity and as such to their viability.

The Bank's management is monitoring continuously the market conditions and adjusts its strategy in order to better manage risks under the prevailing conditions and at the same time to take advantage of business opportunities that emerge. The healthy capital adequacy ratio, the ample liquidity reserves and the low NPL ratio will enable the Bank to manage any challenges that may prevail.

Report of the Board of Directors (continued)

Future developments of the Bank

The Bank currently operates through a network of 7 Banking centres in Nicosia, Limassol, Larnaca and Paphos; in January 2015 the Bank opened the 8th Banking Centre in the Famagusta area. The Bank will continue to strengthen its operations investing in human capital and procedures in various areas.

Results

The Bank's results for the year are set out on pages 8 and 9.

The Board of Directors at a Board meeting of 23 January 2015, proposed at a Shareholders' Extraordinary General Meeting which took place on 23 January 2015 after the Board meeting, the payment of a dividend distribution of €265,9 million or €221,4 thousands per share. The Board of Directors proposal was approved at the shareholders' meeting and the dividend was executed on the same day.

Share capital

There were no changes in the Bank's share capital during the year ended 31 December 2014.

Capital adequacy

The capital adequacy of the Bank as at 31 December 2014, as disclosed in Note 4.4 of the financial statements, stands at 37,8% (2013: 45%). The capital adequacy ratio as adjusted pro forma to reflect the payment of the above mentioned dividend in January 2015 would amount to 22%.

Board of Directors

The members of the Board of Directors of the Bank as at 31 December 2014 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2014 and up to the date of this report except for the following members who in accordance with the Central Bank of Cyprus new guidelines on Board member independency, resigned: Messrs C. Papaellinas on 4 March 2014, C. Zachariou on 11 March 2014, D. Hadjiargyrou and V. Nicolaides on 14 March 2014.

On 14 February 2014, Mr R. Kyprianou was elected as Chairman of the Board of Directors. On 11 March 2014 Mr F. Karavias was appointed on the Board of Directors who then resigned on 13 February 2015 as a result of his appointment as the Chief Executive Officer of Eurobank Ergasias S.A..

Messrs O. Ellingham and A. Soteriou were appointed on the Board of Directors of the Bank on 28 April 2014. Mr Y. Kokkinos was appointed on the Board of Directors of the Bank on 18 June 2014 and resigned on 31 October 2014.

Report of the Board of Directors (continued)

Bank Management

The Bank's Executive Committee as at 31 December 2014 and at the date of this report is shown on page 1.

Events after the balance sheet date

Events after the balance sheet date are disclosed in Note 31 of the financial statements.

Auditors

The Independent Auditors, PricewaterhouseCoopers Limited have expressed their willingness to continue in office.

By Order of the Board

Michalis Louis
Chief Executive Officer

Nicosia, 27 March 2015

Eurobank Cyprus Ltd

Independent auditor's report

To the Members of Eurobank Cyprus Ltd

Report on the financial statements

We have audited the accompanying financial statements of Eurobank Cyprus Ltd (the "Bank"), which comprise the balance sheet as at 31 December 2014, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Eurobank Cyprus Ltd as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Eurobank Cyprus Ltd

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of these books.
- The Bank's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap.113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

George C. Kazamias

George C Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 27 March 2015

Eurobank Cyprus Ltd

Income Statement
for the year ended 31 December 2014

	Note	**2014 €'000**	2013 €'000
Interest income	5	**118.006**	132.368
Interest expense	5	**(50.505)**	(61.361)
Net interest income		**67.501**	71.007
Banking fee and commission income	6	**21.768**	20.592
Banking fee and commission expense	6	**(9.889)**	(11.657)
Net banking fee and commission income		**11.879**	8.935
Dividend income		**323**	378
Net trading income	7	**49**	874
Gains less losses from investment securities	8	**17.173**	2.246
		17.545	3.498
		96.925	83.440
Staff costs	9	**(13.148)**	(12.530)
Other operating expenses	10	**(9.993)**	(7.590)
		73.784	63.320
Impairment losses on loans and advances	16	**(27.651)**	(18.575)
Profit before tax and government levies		**46.133**	44.745
Government levy on customer deposits	23	**(3.697)**	(4.114)
Income tax expense	11	**(3.884)**	(5.626)
Profit for the year		**38.552**	35.005

The notes on pages 13 to 77 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Statement of Comprehensive Income for the year ended 31 December 2014

	2014 €'000	2014 €'000	2013 €'000	2013 €'000
Profit for the year		**38.552**		35.005
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
-remeasurements of post employment benefit obligations		-		(3.021)
Items that may be subsequently reclassified to profit or loss				
Available-for-sale financial assets (Note 17)				
- net changes in fair value, net of tax	**927**		8.921	
- transfer to profit or loss due to disposal net of tax	**(17.173)**		(2.246)	
		(16.246)		6.675
Other comprehensive income for the year, net of tax		**(16.246)**		3.654
Total comprehensive income for the year		**22.306**		38.659

The notes on pages 13 to 77 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Balance Sheet
at 31 December 2014

	Note	2014 €'000	2013 €'000
Assets			
Cash and balances with central banks	12	**41.110**	79.126
Loans and advances to banks	13	**1.932.030**	1.547.594
Investment in subsidiaries	14	**1**	-
Derivative financial instruments	15	**905**	526
Loans and advances to customers	16	**1.647.386**	1.742.932
Available-for-sale financial assets	17	**526.464**	137.752
Held-to-maturity investments	18	**179.965**	164.672
Intangible assets	19	**2.082**	1.999
Property, plant and equipment	20	**7.249**	6.854
Other assets	21	**1.340**	1.012
Total assets		**4.338.532**	3.682.467
Liabilities			
Due to other banks	22	**416.371**	608.510
Derivative financial instruments	15	**391**	1.791
Due to customers	23	**3.310.105**	2.471.483
Other liabilities	24	**21.803**	33.127
Total liabilities		**3.748.670**	3.114.911
Equity			
Share capital	25	**12.010**	12.010
Share premium	25	**245.384**	245.384
Other reserves		**(1.425)**	14.821
Retained earnings		**333.893**	295.341
Total equity		**589.862**	567.556
Total equity and liabilities		**4.338.532**	3.682.467

On 27 March 2015 the Board of Directors of Eurobank Cyprus Ltd authorised the issuance of these financial statements.

Michalis Louis, Chief Executive Officer

Demetris Shacallis, Chief Financial Officer

The notes on pages 13 to 77 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Statement of Changes in Equity
for the year ended 31 December 2014

	Share capital €'000	Share premium €'000	Available-for-sale revaluation reserve €'000	Retained earnings €'000	**Total €'000**
Balance at 1 January 2013	12.010	245.384	8.146	263.357	**528.897**
Other comprehensive income for the year	-	-	6.675	(3.021)	**3.654**
Profit for the year	-	-	-	35.005	**35.005**
Total comprehensive income for the year	-	-	6.675	31.984	**38.659**
Balance at 31 December 2013/ 1 January 2014	**12.010**	**245.384**	**14.821**	**295.341**	**567.556**
Other comprehensive income for the year	-	-	(16.246)	-	**(16.246)**
Profit for the year	-	-	-	38.552	**38.552**
Total comprehensive income for the year	-	-	(16.246)	38.552	**22.306**
Balance at 31 December 2014	**12.010**	**245.384**	**(1.425)**	**333.893**	**589.862**

The notes on pages 13 to 77 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Cash Flow Statement
for the year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Net cash flows used in operating activities	29	**783.221**	(52.805)
Cash flows from investing activities			
Purchases of intangible assets	19	**(576)**	(513)
Purchases of property, plant and equipment	20	**(1.472)**	(2.690)
Proceeds from sale of property, plant and equipment	20	**2**	15
Payment for investment in subsidiary	14	**(1)**	-
Proceeds from disposal and redemptions of available-for-sale financial assets		**190.218**	122.671
Payments for acquisition of available-for-sale financial assets		**(568.410)**	(15.290)
Interest received on available-for-sale financial assets		**3.223**	2.244
Proceeds from redemption of held-to-maturity debt investments	18	**87.000**	-
Payments for acquisition of held-to-maturity investments	18	**(102.205)**	-
Interest received on held-to-maturity investments	18	**8.811**	8.312
Dividend income received from investment securities		**323**	378
Net cash from investing activities		**(383.087)**	115.127
Net increase in cash and cash equivalents		**400.134**	62.322
Cash and cash equivalents at beginning of year		**1.390.631**	1.328.309
Cash and cash equivalents at end of year	29	**1.790.765**	1.390.631

The notes on pages 13 to 77 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Notes to the financial statements

1 General information

Country of incorporation

Eurobank Cyprus Ltd ("the Bank") is incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office and business address is at 41 Arch. Makariou III Avenue, 5th floor, 1065 Nicosia, Cyprus.

Principal activity

The principal activity of the Bank, which is unchanged from last year, is the provision of banking and financial services.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all IFRSs issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2014 have been endorsed by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39, "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Bank's presentation currency is the Euro (€) being its functional currency. Except as indicated, financial information presented in Euro has been rounded to the nearest thousand.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern considerations:

In making its assessment of the Bank's ability to continue as a going concern, the Board of Directors has taken into consideration the following:

a) *Position of the Group*

Since May 2010, Greece has undertaken significant structural reforms to restore competitiveness and promote economic growth through a program agreed with the EU, the ECB and the IMF ("the Institutions"). This had led to primary fiscal surpluses in 2013 and 2014, but also to reform fatigue and social unrest. Following the recent parliamentary elections of 25 January, the new government negotiated a four-month extension of the Master Financial Assistance Facility Agreement (MFFA), the purpose of which is the successful completion of the review on the basis of the conditions in the current arrangement, making best use of the given flexibility which will be considered jointly with the Greek authorities and the Institutions. These conditions create uncertainties on the Greek macroeconomic environment, with potentially adverse effects on the liquidity and solvency of the Greek Banking sector.

The Greek banking system and Eurobank specifically, still maintain ample liquidity buffers to correspond to persevering adverse liquidity conditions and the Eurosystem has demonstrated its commitment to support Greek banks as long as Greece remains within the EU support program.

In addition, the capital adequacy position of Eurobank currently stands strong, following April's 2014 Share Capital Increase of € 2.86 billion. More specifically, the CET 1 ratio of the Group as of 31 December 2014 stood at 16.2%. Furthermore, the ECB comprehensive assessment results, as published in October 2014, reaffirmed the solid capital position of the Group stating the lack of any capital shortfall, in both the base and the adverse scenarios.

The Bank does not have any sovereign exposure with Greece. In addition, any residual risk emanating from Greek corporates, which are all performing, is limited and closely monitored by the Bank. Post year end the Bank maintains zero net placements with banking institutions operating in Greece.

b) *The Cyprus economy*

The Cypriot economy managed to defy expectations by outperforming macroeconomic projections throughout the year. Year 2014 ended better than expected signalling that the economy is close to reverting to growth. Fiscal targets have been met indicating the prudent budget execution and a less severe deterioration of economic activity than originally projected. Reflecting on the progress made, the three main credit rating agencies, namely S&P, Moody's and Fitch upgraded the Cyprus economy in October and November 2014.

In the financial sector significant progress has been made as a result of the recapitalisation and restructuring of credit institutions. The overall results of the stress tests, performed among 130 banks in the euro area including four systemic Cypriot banks were published in October 2014, were encouraging and contributed to

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

strengthening the general confidence in the Cypriot banking sector. The aforementioned results combined with the substantially reduced deposit outflow rates in 2014 have contributed to the further easing of capital controls announced by the Ministry of Finance. Challenges still remain in the area of managing of the banking system's non-performing loans nevertheless the successful managing of this category of loans will expedite the restoration of confidence in the market and provide more liquidity.

In February 2015 the Central Bank of Cyprus amended the circular on Pillar II capital requirements arising from high deposit interest rates by reducing the maximum deposit rate by one per cent (100bps) and imposing additional capital requirements on credit institutions whose depository interest rates exceed Euribor/Libor+200 bps. This long-awaited move allowed the banks to proceed with reductions in loan interest rates contributing positively to the borrowers' liquidity and as such to their viability.

The Bank's management is monitoring continuously the market conditions and adjusts its strategy in order to better manage risks under the prevailing conditions and at the same time to take advantage of business opportunities that emerge. The healthy capital adequacy ratio, the ample liquidity reserves and the low NPL ratio will enable the Bank to manage any challenges that may prevail.

Taking into account all the above factors the Bank's Board of Directors has concluded that the Bank's financial statements are appropriately prepared on a going concern basis.

2.2 Adoption of new and revised IFRS

During the current year the Bank adopted all the new and revised IFRSs that are relevant to its operations and are effective for accounting periods beginning on 1 January 2014. This adoption did not have a material effect on the accounting policies of the Bank with the exception of the following:

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

- IAS 27, Amendment – "Separate Financial Statements"
  The amendment is issued concurrently with IFRS 10 'Consolidated Financial Statements' and together they supersede IAS 27 'Consolidated and Separate Financial Statements'. The amendment prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
  The adoption of the amendment had no impact on the Bank's financial statements.

- IAS 28, Amendment – "Investments in Associates and Joint Ventures"
  The amendment replaces IAS 28 'Investments in Associates'. The objective of the amendment is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures following the publication of IFRS 11. An exemption from applying the equity method is provided, when the investment in

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

associate or joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment –linked insurance funds. In this case, investments in those associates and joint ventures may be measured at fair value through profit or loss.
The adoption of the amendment had no impact on the Bank's financial statements.

- IAS 32, Amendment – "Offsetting Financial Assets and Financial Liabilities"
  The amendment clarifies the requirements for offsetting financial assets and financial liabilities.
  The adoption of the amendment had no impact on the Bank's financial statements.

- IAS 36, Amendment – "Recoverable Amount Disclosures for Non-Financial Assets"
  The amendment restricts the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed.
  It also includes detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period.
  The adoption of the amendment had no impact on the Bank's financial statements.

- IAS 39, Amendment – "Novation of derivatives and continuation of hedge accounting"
  The amendment provides relief from discontinuing hedge accounting when, as a result of laws and regulations, a derivative designated as a hedging instrument is novated to effect clearing with a central counterparty and specific criteria are met.
  The adoption of the amendment had no impact on the Bank's financial statements.

- IFRS 10, "Consolidated Financial Statements"
  IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC 12 'Consolidation-Special Purpose Entities'. Under IFRS 10, there is a new definition of control, providing a single basis for consolidation for all entities. This basis is built on the concept of power over the investee, variability of returns from the involvement with the investee and their linkage, replacing thus focus on legal control or exposure to risks and rewards, depending on the nature of the entity.
  The adoption of IFRS 10 had no impact on the Bank's financial statements.

- IFRS 11, "Joint Arrangements"
  IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities - Non–monetary Contributions by Ventures' and establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly.
  Under IFRS 11, there are only two types of joint arrangements, joint operations and joint ventures and their classification is based on the parties' rights and obligations arising from the arrangement, rather than its legal form.
  The equity method of accounting is now mandatory for joint ventures. The option to use the proportionate consolidation method to account for joint ventures, is no longer allowed. In joint operations, each party that has joint control of the arrangement recognizes in its financial statements, in relation to its involvement in the joint

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

operation, its assets, liabilities and transactions, including its share in those arising jointly. The adoption of IFRS 11 had no impact on the Bank's financial statements.

- IFRS 12, "Disclosure of Interests in Other Entities"
  IFRS 12 specifies the disclosures required in annual financial statements to enable users of financial statements to evaluate the nature of and risks associated with the reporting entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Accordingly, the Bank has applied the aforementioned disclosures in note 14 in the Financial Statements for the year ending 31 December 2014.
- IFRS 10, 11 and 12 Amendments – "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
  The amendments clarify the transition guidance in IFRS 10 and provide additional transition relief in IFRS 10, 11 and 12, requiring adjusted comparative information to be limited only to the preceding comparative period. In addition, for disclosures related to unconsolidated structured entities, the requirement to present comparative information for periods before IFRS 12 is first applied, is removed.
  The adoption of the amendments had no impact on the Bank's financial statements.

- IFRS 10, 12 and IAS 27 Amendments – "Investment Entities"
  The amendments require that 'investment entities', as defined below, account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. Under the amendments an 'Investment entity' is an entity that:
  - obtains funds from one or more investors for the purpose of providing those investors with investment management services;
  - commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
  - measures and evaluates the performance of substantially all of its investments on a fair value basis.

  The amendments also set out disclosure requirements for investment entities.
  The adoption of the amendments had no impact on the Bank's financial statements.

New standards and interpretations not yet adopted by the Bank

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

- IAS 1, Amendment – "Disclosure initiative" (effective 1 January 2016, not yet endorsed by EU)
  The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The adoption of the amendment is not expected to impact the Bank's financial statements.

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

New standards and interpretations not yet adopted by the Bank

- IAS 16 and IAS 38, Amendments – "Clarification of Acceptable Methods of Depreciation and Amortization" (effective 1 January 2016, not yet endorsed by EU)
  The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
  The adoption of the amendments is not expected to impact the Bank's financial statements.

- IAS 19, Amendment - "Defined Benefit Plans: Employee Contributions" (effective 1 January 2016)
  The amendment clarifies the accounting for post-employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service. The adoption of the amendment is not expected to impact the Bank's financial statements.

- IAS 27, Amendment – "Equity Method in Separate Financial Statements" (effective 1 January 2016, not yet endorsed by EU)
  This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method.
  The adoption of the amendment is not expected to impact the Bank's financial statements.

- IFRS 9, "Financial Instruments" (effective 1 January 2018, not yet endorsed by EU)
  In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 'Financial Instruments'. IFRS 9 sets out revised requirements on the classification and measurements of financial assets, addresses the reporting of fair value changes in own debt when designated at fair value, replaces the existing incurred loss model used for the impairment of financial assets with an expected credit loss model and incorporates changes to hedge accounting.
  The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

Classification and measurement

IFRS 9 applies one classification approach for all types of financial assets, according to which the classification and measurement of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A business model refers to how an entity manages its financial assets so as to generate cash flows, by collecting contractual cash flows, or selling financial assets or both. Upon assessment, each financial asset will be classified in one of the three categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income.
With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch.

Impairment of financial assets

Under IFRS 9 the same impairment model applies to all financial instruments which are subject to impairment accounting.
The new impairment model is forward-looking and requires, the recognition of expected credit losses, in contrast to IAS 39, that required a trigger event to have occurred before credit losses were recognized. IFRS 9 includes a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Accordingly, upon initial application of IFRS 9, for financial assets that are not credit-impaired and for which no significant increase in credit risk since initial recognition is observed, the respective credit losses will be recognized in profit or loss and will be based on the 12-month expected credit losses. However, if the credit risk of the financial assets increases significantly since initial recognition, a provision is required to be recognized for credit losses expected over their remaining lifetime ('lifetime expected losses').
For financial assets that are credit-impaired on origination, the expected life time credit losses will be applied. In measuring expected credit losses information about past events, current conditions and forecasts of future conditions should be considered.

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

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

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

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

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

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

- IFRS 10 and IAS 28, Amendments- "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective 1 January 2016, not yet endorsed by EU)

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

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

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

  This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The adoption of the amendment is not expected to impact the Bank's financial statements.

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

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

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

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)
The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:
- Definition of vesting condition in IFRS 2 "Share – based Payment";
- Accounting for contingent consideration in a business combination in IFRS 3 "Business Combinations";
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 "Operating Segment";
- Short-term receivables and payables in IFRS 13 "Fair Value Measurement";
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 "Property, Plant and Equipment";
- Key management personnel in IAS 24 "Related Party Disclosures"; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 "Intangible Assets"

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

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 January 2015)
The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project. The topics addressed by these amendments are set out below:
- Scope exceptions for joint ventures in IFRS 3 "Business Combinations";
- Scope of portfolio exception in IFRS 13 "Fair Value Measurement";
- Clarifying the interrelationship between IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when classifying property as investment property or owner-occupied property in IAS 40; and
- Meaning of "effective IFRSs" in IFRS 1 First-time Adoption of International Financial Reporting Standards

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

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016, not yet endorsed by EU)
The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Clarifying in IFRS 5 "Non-current assets held for sale and discontinued operations" that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

- Adding in IFRS 7 "Financial instruments: Disclosures" specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, "Disclosure – Offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by IAS 34.

- Clarifying in IAS 19 "Employee benefits" that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

- Clarifying in *IAS 34* "Interim financial reporting" what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

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

IFRIC 21, Levies (effective 1 January 2015)

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

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

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro thousands, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions that are transactions denominated, or require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in a foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within foreign exchange income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2.4 Derivative financial instruments and hedge accounting

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps and other derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2 Summary of significant accounting policies (continued)

2.4 Derivative financial instruments and hedge accounting (continued)

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognizing the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as hedges of the exposure to changes in the fair value of recognised assets or liabilities or unrecognized firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

(i) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged item for which the effective interest method is not used remains until the disposal of the equity security.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify and/or are not designated for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement under "Net Trading Income/Loss".

The fair values of derivative instruments held for trading and used for hedging purposes are disclosed in Note 15.

2 Summary of significant accounting policies (continued)

2.5 Interest income and expense

Interest income and expenses for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement on an accruals basis, using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Then interest income is calculated on the recoverable amount.

2.6 Fees and commissions

Fees and commissions are generally recognised in the income statement on an accruals basis. Commissions and fees relating to foreign exchange transactions, private banking activities, trade services, remittances and bank charges are recognised on the completion of the underlying transaction.

2.7 Operating leases

Accounting for leases as lessee

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

2.8 Income taxation

(i) Current income tax

Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense /(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

2 Summary of significant accounting policies (continued)

2.8 Income taxation (continued)

If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The Bank does not offset income tax liabilities and current income tax assets.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment and amortisation of computer software.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to items recognised in other comprehensive income, is also recognised in the other comprehensive income.

2.9 Employee benefits

As from 12 December 2013 the Bank and the employees contribute to a defined contributions scheme.

Under the defined contributions scheme the Bank and members of staff pay fixed contributions into a separate provident fund. The Bank's contributions are recognised in the period they relate to and included in staff costs in the income statement.

The Bank and the members of staff also contribute to the Government Social Insurance Fund based on members of staff salaries.

The Bank operated a defined benefit scheme up to 12 December 2013, the date on which it was approved by the Bank and the employees that the scheme would be terminated.

The defined benefit scheme provided for a lump sum payment upon retirement taking into account the years of service and salary of each employee. The scheme was funded by the Bank and the assets were held in a separate trustee-administered fund.

2 Summary of significant accounting policies (continued)

2.9 Employee benefits (continued)

The liability recognised in the balance sheet in respect of the defined benefit scheme was the present value of the defined benefit obligation at the date of the balance sheet.

The cost of providing benefits was part of staff costs and was estimated annually using the projected unit credit actuarial valuation method. According to this method, the cost of providing benefits was debited to the income statement over the working lives of the employees participating in the scheme according to the guidance and provisions of independent professional actuaries. The calculation of the cost of providing benefits for this scheme was based on the present value of the expected future outflow using as discount rate the yield from high quality corporate bond indices in the Eurozone.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions were charged or credited in other comprehensive income in the period in which they arose. Within equity such actuarial gains and losses were included within retained earnings. The re-measurements of the net defined benefit liability/asset recognised in other comprehensive income are not reclassified to profit or loss in a subsequent period.

2.10 Property, plant and equipment

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

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

	Useful economic life
Motor vehicles	5 years
Furniture, fixtures and office equipment	3 to 12 years
Leasehold property improvements	12 years
Computer hardware	3 to 12,5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in "other operating expenses" in the income statement.

2 Summary of significant accounting policies (continued)

2.11 Computer software

Acquired computer software licenses/programs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method to allocate the cost of computer software, over their estimated useful lives. The annual amortisation rates used range between 8% and 33.33%.

Gains and losses on disposal of computer software are determined by comparing proceeds with carrying amount and are included in "other operating expenses" in the income statement.

2.12 Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.13 Financial assets and liabilities

2.13.1 Financial assets

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

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

This category comprises two sub-categories: financial assets held for trading and financial assets designated at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or it is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

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

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

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities (continued)

2.13.1 Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

a) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
b) those that the Bank upon initial recognition designates as available for sale.

Loans and receivables are reported in the balance sheet as loans and advances to banks or customers.

(iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, other than:

a) those that the Bank upon initial recognition designates as at fair value through profit or loss;
b) those that the Bank designates as available-for-sale; and
c) those that meet the definition of loans and receivables.

(iv) Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

(v) Accounting treatment

Purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset. Loans originated by the Bank are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value; transaction costs are taken directly to the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities (continued)

2.13.1 Financial assets (continued)

category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and transferred to the available for sale revaluation reserve in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest rate method is recognised in the income statement.

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

Interest income and expense on financial assets is recognised in the income statement. Interest income is included in "Interest income" and interest expense is included in "Interest expense".

2.13.2 Financial liabilities

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

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

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

2.13.3 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

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

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:
a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
   - adverse changes in the payment status of borrowers in the portfolio; and
   - national or local economic conditions that correlate with defaults on the assets in the portfolio.

(i) Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in "impairment losses on loans and advances" whilst impairment charges relating to investment securities (held-to-maturity and loans and receivables categories) are classified in "Gains less losses from investment securities".

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

(ii) Available-for-sale assets

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale equity securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.15 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

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

(ii) Securities lending

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

2.16 Fiduciary activities

Where the Bank acts in a fiduciary capacity such as nominee, trustee or agent, assets and related income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements.

2.17 Related party transactions

Related parties include the parent and ultimate controlling party, fellow subsidiaries, other group companies under common control, directors and key management personnel, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature within the same category are disclosed on an aggregate basis.

2.18 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.19 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

2 Summary of significant accounting policies (continued)

2.19 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognized in the period in which the Bank becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Bank are not provided in advance. Provisions are not recognized for future operating losses.

2.20 Due to banks and due to customers

Due to banks and due to customers are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in interest expense in the income statement using the effective interest method. Due to banks and due to customers are derecognized when they are extinguished, that is, when the obligation is discharged.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2.22 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency of bankruptcy of the Company or the counterparty.

2.23 Financial guarantees

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

2 Summary of significant accounting policies (continued)

2.23 Financial guarantees (continued)

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

2.24 Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand, all interbank placements and reverse sale agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

2.25 Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

2.26 Intermediary parent undertaking and consolidated financial statements

These separate financial statements contain information about Eurobank Cyprus Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IFRS 10 "Consolidated Financial Statements" and the Cyprus Companies Law, Cap. 113 from the requirement to prepare consolidated financial statements as the Company and its subsidiary are included in the consolidated financial statements of its intermediate parent, Eurobank Ergasias S.A, which prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU that are available for public use. These consolidated financial statements can be obtained from the registered office of Eurobank Ergasias SA at Othonos 8 105 57 Athens, Greece.

3 Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Bank's accounting policies, the Bank's management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognised in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

At 31 December 2014, if the recoverable amounts increased by 10%, provision for impairment losses on loans and advances to customers would have been €5.321 thousands lower, while a 10% decrease would result in €6.105 thousands increase in provisions for impairment losses.

4 Financial risk management

4.1 Use of financial instruments

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

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

The Bank also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates. The Risk Committee places trading limits on the level of exposure that can be taken in relation to overnight and intra-day market positions as well as limits in longer durations. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions.

4.2 Financial risk factors

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and equity risk) and liquidity risk. The Bank's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Bank's financial performance, financial position and cash flows.

4.2.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are recognised for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Therefore, management carefully manages its exposure to credit risk.

The Bank minimises the risk by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted.

In addition, the Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted (excluding related party balances, Note 30). Facilities higher than these limits are authorised and monitored at group level.

(a) Credit risk measurement and management - investment securities and derivatives

Derivative financial instruments held by the Bank are primarily with Eurobank Ergasias S.A., and as such the Bank considers that these carry the credit risk of Eurobank Ergasias S.A. Therefore, as this is the parent entity of the Bank, the Bank does not have any specific policies in place to monitor this credit risk.

(b) Credit risk measurement – Loans and advances

The Bank applies various credit rating systems for the assessment and measurement of credit risk. These systems assign a specific rating to every borrower/counterparty which reflects the creditworthiness of the particular borrower and consequently the ability to repay funds on a timely manner. Credit rating takes under consideration various quantitative and qualitative factors. The Bank periodically reviews rating systems and adapts them to particular market conditions, products or borrowers.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

Risk limit control and mitigation policies – Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances to customers are:

- Cash deposits and other cash equivalents;
- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Lien agreement with the parent bank.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.1 Maximum exposure to credit risk before collateral held

The table below represents the maximum credit risk exposure of the Bank at 31 December 2014 and 2013, without taking into account any collateral held:

	2014 €'000	2013 €'000
Credit risk exposures relating to on-balance sheet assets:		
Loans and advances to banks	**1.932.030**	1.547.594
Derivative financial instruments	**905**	526
Loans and advances to customers:		
- Wholesale lending	**1.628.719**	1.726.103
- Consumer lending	**6.986**	4.646
- Mortgage lending	**11.681**	12.183
Available-for-sale financial assets - debt securities	**526.363**	111.805
Held-to-maturity investments- debt securities	**179.965**	164.672
Other assets	**1.069**	759
Total	**4.287.718**	3.568.288
Credit risk exposures relating to off-balance sheet items (Note 27):		
Guarantees and letters of credit	**69.016**	90.654
Approved unutilised credit facilities	**254.593**	211.908
Total	**323.609**	302.562

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

4.2.1.2 Loans and advances to banks

The credit quality of placements and settlement balances with banks and reverse repurchase agreements receivable from banks, based on rating agencies' counterparty country ratings, is graded as follows as at 31 December 2014 and 2013:

	2014 €'000	2013 €'000
Aaa to Aa3	**1.389.803**	670.131
A1 to A3	**156.941**	47.656
Baa1 to Baa3	**121.068**	125.957
Ba1 to Ba3	**3.047**	-
Caa1 and below	**260.867**	703.846
Not rated	**304**	4
	1.932.030	1.547.594

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers

(a) Loans and advances neither past due nor impaired:

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired as at year end can be assessed by reference to the Bank's standard grading system. Based on the Bank's credit assessment methodology, the credit quality of the total portfolio of loans and advances to customers is graded as follows as at 31 December 2014 and 2013:

	2014	2013
	€'000	€'000
Satisfactory risk	**1.025.190**	987.861
Watch list	**67.894**	24.949
Total	**1.093.084**	1.012.810

The remaining loan portfolio which is covered by liens is disclosed in Note 30.

The total wholesale portfolio is covered by collateral 91.8% (in 2013: 90%). Consumer loans are generally not collateralised by tangible securities with exception of cash deposits taken as collateral in certain circumstances. Mortgage loans are fully collateralised.

(b) Loans and advances past due but not impaired:

	31 December 2014			
	Wholesale	**Consumer**	**Mortgage**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Past due up to 29 days	**9.114**	**66**	-	**9.180**
Past due 30 - 89 days	**862**	**122**	-	**984**
Past due 90 - 180 days	**579**	-	-	**579**
Past due more than 180 days and less than a year	**972**	-	-	**972**
Total	**11.527**	**188**	-	**11.715**
Fair value of collateral	**8.399**	-	-	**8.399**

	31 December 2013			
	Wholesale	**Consumer**	**Mortgage**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Past due up to 29 days	5.021	28	-	5.049
Past due 30 - 89 days	7.919	24	-	7.943
Past due 90 - 180 days	1.268	-	-	1.268
Past due more than 180 days and less than a year	3.585	-	-	3.585
Total	17.793	52	-	17.845
Fair value of collateral	15.498	-	-	15.498

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(c) Loans and advances past due and impaired:

As at 31 December 2014, loans and advances past due and impaired amounted to €119.710 thousands (2013: €101.988 thousands).

4.2.1.4 Debt securities

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

31 December 2014

	Available-for-sale debt securities	Held-to-maturity investments	**Total**
	€'000	€'000	**€'000**
Aaa	253.306	-	**253.306**
Aa1 to Aa3	-	-	**-**
Baa1 to Baa3	44.820	-	**44.820**
Ba1 to Ba3	105.032	-	**105.032**
B1 to B3	98.362	179.965	**278.327**
Caa1 and lower	14.352	-	**14.352**
Not rated	10.491	-	**10.491**
Total	**526.363**	**179.965**	**706.328**

31 December 2013

	Available-for-sale debt securities	Held-to-maturity investments	**Total**
	€'000	€'000	**€'000**
Aaa	36.805	-	**36.805**
Aa1 to Aa3	58.929	-	**58.929**
Caa1 and lower	16.071	164.672	**180.743**
Total	**111.805**	**164.672**	**276.477**

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk

(a) Geographical sectors

The following table analyses the Bank's main credit exposure of balance sheet assets and off balance sheet items at their carrying amounts, as categorised by geographical region as at 31 December 2014 and 2013. For this table, the Bank has allocated exposures to regions based on the country of activity/economic interest of counterparties.

	Greece	Cyprus	Other Western European countries	New Europe countries	Other countries	**Total**
	€'000	€'000	€'000	€'000	€'000	**€'000**
On-balance sheet assets						
Loans and advances to banks	260.867	304	1.399.146	133.714	137.999	**1.932.030**
Derivative financial instruments	592	-	-	311	2	**905**
Loans and advances to customers:						
- Wholesale lending	107.518	735.012	564.286	43.167	178.736	**1.628.719**
- Consumer lending	-	6.986	-	-	-	**6.986**
- Mortgage lending	-	11.681	-	-	-	**11.681**
Available-for-sale financial assets - debt securities	165.062	42.918	101.450	7.382	209.551	**526.363**
Held-to-maturity investments	-	179.965	-	-	-	**179.965**
Other assets	-	-	906	121	42	**1.069**
As at 31 December 2014	**534.039**	**976.866**	**2.065.788**	**184.695**	**526.330**	**4.287.718**

	Greece	Cyprus	Other Western European countries	New Europe countries	Other countries	**Total**
Off-balance sheet items						
Guarantees and letters of credit	1.616	65.395	-	6	1.999	**69.016**
Approved unutilised credit facilities	787	188.930	4.209	3	60.664	**254.593**
As at 31 December 2014	**2.403**	**254.325**	**4.209**	**9**	**62.663**	**323.609**

New Europe countries classification as disclosed above includes the following countries: Belarus, Bulgaria, Czech Republic, Latvia, Lithuania, Poland, Romania, Ukraine, Serbia, Montenegro, Hungary and Malta.

In relation to the reverse repurchase agreements included within loans and advances to banks (Note 13) the geographical allocation for the geographic sector disclosures is based on the country of economic interest of counterparty under the collateral held as security.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(a) Geographical sectors (continued)

	Greece	Cyprus	Other Western European countries	New Europe countries	Other countries	**Total**
	€'000	€'000	€'000	€'000	€'000	**€'000**
On-balance sheet assets						
Loans and advances to banks	673.562	30.288	842.441	-	1.303	**1.547.594**
Derivative financial instruments	472	43	-	-	11	**526**
Loans and advances to customers:						
- Wholesale lending	166.695	707.230	622.110	111.856	118.212	**1.726.103**
- Consumer lending	-	4.646	-	-	-	**4.646**
- Mortgage lending	-	12.183	-	-	-	**12.183**
Available-for-sale financial assets - debt securities	-	16.071	95.734	-	-	**111.805**
Held-to-maturity investments	-	164.672	-	-	-	**164.672**
Other assets	434	126	116	29	54	**759**
As at 31 December 2013	**841.163**	**935.259**	**1.560.401**	**111.885**	**119.580**	**3.568.288**

Off-balance sheet items						
Guarantees and letters of credit	720	86.872	1	164	2.897	**90.654**
Approved unutilised credit facilities	11.848	167.780	3.523	1	28.756	**211.908**
As at 31 December 2013	**12.568**	**254.652**	**3.524**	**165**	**31.653**	**302.562**

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors

The following table analyses the Bank's main credit risk exposure of balance sheet assets and off balance sheet items at their carrying amounts, as categorised by the industry sectors of the Bank's counterparties as at 31 December 2014 and 2013:

	Sovereigns €'000	Commerce & services €'000	Banks & financial institutions €'000	Private individuals €'000	Construction €'000	Manufacturing €'000	Other €'000	**Total €'000**
On-balance sheet assets								
Loans and advances to banks	130.667	-	1.794.616	-	-	-	6.747	**1.932.030**
Derivative financial instruments	-	33	592	-	-	280	-	**905**
Loans and advances to customers:								
- Wholesale lending	-	1.297.439	6	216.664	27.396	84.866	2.348	**1.628.719**
- Consumer lending	-	1.826	-	5.160	-	-	-	**6.986**
- Mortgage lending	-	-	-	11.681	-	-	-	**11.681**
Available-for-sale financial assets								
- debt securities	247.371	139.154	101.737	-	-	38.101	-	**526.363**
Held-to-maturity investments	179.965	-	-	-	-	-	-	**179.965**
Other assets	-	121	906	-	-	-	42	**1.069**
As at 31 December 2014	**558.003**	**1.438.573**	**1.897.857**	**233.505**	**27.396**	**123.247**	**9.137**	**4.287.718**

	Sovereigns €'000	Banks & financial institutions €'000	Private individuals €'000	Corporate €'000	**Total €'000**
Off-balance sheet items					
Guarantees and letters of credit	-	10.153	830	58.033	**69.016**
Approved unutilised credit facilities	-	70	17.915	236.608	**254.593**
As at 31 December 2014	**-**	**10.223**	**18.745**	**294.641**	**323.609**

In relation to the reverse repurchase agreements included within loans and advances to banks (Note 13) the industry sector allocation for the industry sector disclosures is based on the industry sector of the counterparty under the collateral held as security.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors (continued)

	Sovereigns €'000	Commerce & services €'000	Banks & financial institutions €'000	Private individuals €'000	Constru-ction €'000	Manufa-cturing €'000	Other €'000	**Total €'000**
On-balance sheet assets								
Loans and advances to banks	-	-	1.547.594	-	-	-	-	**1.547.594**
Derivative financial instruments	-	25	472	2	-	14	13	**526**
Loans and advances to customers:								
- Wholesale lending	-	1.409.326	-	209.880	28.062	75.875	2.960	**1.726.103**
- Consumer lending	-	241	-	4.405	-	-	-	**4.646**
- Mortgage lending	-	-	-	12.183	-	-	-	**12.183**
Available-for-sale financial assets								
- debt securities	74.999	36.806	-	-	-	-	-	**111.805**
Held-to-maturity investments	164.672	-	-	-	-	-	-	**164.672**
Other assets	-	148	550	-	-	-	61	**759**
As at 31 December 2013	**239.671**	**1.446.546**	**1.548.616**	**226.470**	**28.062**	**75.889**	**3.034**	**3.568.288**

	Sovereigns €'000	Banks & financial institutions €'000	Private individuals €'000	Corporate €'000	**Total €'000**
Off-balance sheet items					
Guarantees and letters of credit	-	32.527	683	57.444	**90.654**
Approved unutilised credit facilities	-	31	19.056	192.821	**211.908**
As at 31 December 2013	**-**	**32.558**	**19.739**	**250.265**	**302.562**

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk

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

(a) Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected adverse movements arise. The Bank's Risk Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken and exposures are monitored daily.

(b) Currency risk

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

(c) Equity price risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk that the Bank undertakes arises mainly from equity positions classified as available-for-sale financial assets. The Risk Committee sets limits on the level of the exposures which are monitored daily.

The Bank's monitoring of market risk is performed by the parent bank with the use of 'value at risk' (VaR) methodology to estimate the market risk of positions held and the potential economic loss based upon a number of assumptions and variables.

(d) VaR summary for 2014 and 2013

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

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated using exponentially weighted moving average (EWMA) of 6 months historical data.

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

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

(d) VaR summary for 2014 and 2013 (continued)

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

Average VaR by risk type:

	2014	2013
	€'000	€'000
Interest Rate Risk	**146**	150
Foreign Exchange Risk	**5**	16
Equities Risk	**223**	996
Total VaR	**337**	1.024

The VaR calculation is applied to all positions.

The aggregate of the interest rate, foreign exchange and equities VaR results does not constitute the Bank's total VaR due to correlations and consequent diversification effects among risk factors.

4.2.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match, and as a result there may be inability to meet cash calls.

The Bank is exposed to daily calls on its available cash resources due to deposits withdrawals, loan draw-downs and guarantees, margin calls and payments on cash-settled derivatives. The Bank maintains cash resources to meet all of these needs. The Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such calls.

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

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

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because past performance supports that the third parties generally do not draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The table below presents maturity analysis of assets as at 31 December 2014 and 2013, based on their contractual undiscounted cash flows. Loans without contractual maturities are presented in the "less than 1 month" time bucket.

31 December 2014

	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	**TOTAL**
	€'000	€'000	€'000	€'000	**€'000**
- Cash and balances with central banks	41.110	-	-	-	**41.110**
- Loans and advances to banks	1.658.501	106.308	148.780	52.994	**1.966.583**
- Loans and advance to customers	243.572	108.112	310.380	1.190.114	**1.852.178**
- Available-for-sale investments	207.269	20.403	51.008	293.284	**571.964**
- Held-to-maturity investments	3.550	144	47.356	152.655	**203.705**
- Derivative financial instruments	488	137	162	118	**905**
- Other assets	948	-	-	121	**1.069**
	2.155.438	**235.104**	**557.686**	**1.689.286**	**4.637.514**

31 December 2013

	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	**TOTAL**
	€'000	€'000	€'000	€'000	**€'000**
- Cash and balances with central banks	79.126	-	-	-	**79.126**
- Loans and advances to banks	1.125.631	262.790	91.199	97.040	**1.576.660**
- Loans and advance to customers	241.895	136.553	175.845	1.364.413	**1.918.706**
- Available-for-sale investments	19.118	14.285	68.615	36.618	**138.636**
- Held-to-maturity investments	-	1.900	91.413	80.113	**173.426**
- Derivative financial instruments	327	23	169	7	**526**
- Other assets	759	-	-	-	**759**
	1.466.856	**415.551**	**427.241**	**1.578.191**	**3.887.839**

Derivative assets are reported in the liquidity analysis at current market value. The amounts reported per time bucket (markets values) are very close to the corresponding net future cash flows since the current rates of EUR and USD are low.

The above assets are used from a liquidity management perspective to manage liquidity risk arising from the contractual maturity analysis of financial liabilities as disclosed in the following tables.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The table below analyses the cash flows payable by the Bank under derivative and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket.

31 December 2014

	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	**TOTAL**
	€'000	€'000	€'000	€'000	**€'000**
Non-derivative liabilities:					
- Due to other banks	262.554	73.393	39.753	52.362	**428.062**
- Due to customers	2.065.747	613.005	635.700	7.189	**3.321.641**
- Other liabilities	18.026	448	2.463	-	**20.937**
	2.346.327	**686.846**	**677.916**	**59.551**	**3.770.640**
Derivative financial instruments:	**178**	**36**	**59**	**118**	**391**

Off-balance sheet items	Less than 1 year	Over 1 year	**Total**
	€'000	€'000	**€'000**
Guarantees and letters of credit	69.016	-	**69.016**
Approved unutilised credit facilities	254.593	-	**254.593**
Capital expenditure	248	-	**248**
Operating lease commitments	587	661	**1.248**
	324.444	**661**	**325.105**

31 December 2013

	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	**TOTAL**
	€'000	€'000	€'000	€'000	**€'000**
Non-derivative liabilities:					
- Due to other banks	381.231	52.926	11.532	191.314	**637.003**
- Due to customers	1.401.565	788.495	275.114	7.230	**2.472.404**
- Other liabilities	27.521	737	3.147	-	**31.405**
	1.810.317	**842.158**	**289.793**	**198.544**	**3.140.812**
Derivative financial instruments:	**1.579**	**43**	**162**	**7**	**1.791**

Off-balance sheet items	Less than 1 year	Over 1 year	**Total**
	€'000	€'000	**€'000**
Guarantees and letters of credit	90.654	-	**90.654**
Approved unutilised credit facilities	211.908	-	**211.908**
Capital expenditure	319	-	**319**
Operating lease commitments	947	1.055	**2.002**
	303.828	**1.055**	**304.883**

On derivative instruments line, the negative net present value (allocated per time bucket) is presented as a good proxy of the expected outflow.

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The liabilities from derivatives are reported in the liquidity analysis using the current market values of them. The amounts reported per time bucket (markets values) are very close to the corresponding net future cash flows since the current rates of EUR and USD are low.

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

4.3 Off balance sheet instruments

In common with other banks, the Bank conducts business involving guarantees, documentary letters of credit and acceptances (Note 27).

Guarantees are generally written by a bank to support the performance of a customer to third parties. As the Bank will only be required to meet obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Documentary credits commit the Bank to make payments to third parties on production of documents and provided that the terms of the documentary credits are satisfied. The repayment by the customer is usually immediate.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer in the event that the customer does not honour payment.

Endorsements are residual liabilities in respect of bills of exchange, which have been discounted by a bank and subsequently rediscounted.

Commitments to lend are agreements to lend to a customer in the future subject to certain conditions. Such commitments are made for fixed periods and are cancellable by the Bank subject to notice requirements.

4 Financial risk management (continued)

4.4 Capital management

	2014 €'000	2013 €'000
Ordinary shareholders' equity	**589.862**	567.556
Less: other regulatory adjustments	**(2.082)**	(16.821)
Total Tier 1 capital	**587.780**	550.735
Tier 2 capital	**48.528**	54.822
Less: other regulatory adjustments	**-**	-
Total regulatory capital	**636.308**	605.557
Risk Weighted Assets	**1.684.454**	1.345.881

	2014 %	2013 %
Ratios:		
Core Tier 1	**34,9**	40,9
Tier 1	**34,9**	40,9
Tier 2	**2,9**	4,1
Capital Adequacy Ratio	**37,8**	45,0

Tier 1 capital represents share capital, share premium and reserves less intangible assets and valuation differences eligible as Tier 2 as at 31 December.

Tier 2 capital represents subordinated debt and valuation differences eligible as Tier 2 as at 31 December.

The capital adequacy ratio (Note 31) as at 31 December 2014 as adjusted pro forma to reflect the payment of dividend of 2015 would amount to 22%.

The Bank maintains 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 and adopted by the European Union and the Central Bank of Cyprus.

The Bank has complied with all externally imposed capital requirements throughout the period.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, processes and policies from previous years.

4 Financial risk management (continued)

4.5 Financial assets and liabilities measured at fair value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available, the fair value of financial assets and liabilities is estimated using present value or other estimation and valuation techniques where all significant inputs are observable.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rate used. The fair values of financial assets and liabilities approximate their carrying amounts due to the following reasons:

a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, 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 market prices are not available, then the fair values are estimated using valuation techniques.

b) substantially all of the Bank's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Bank has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, other than held-to-maturity financial assets which are referred to in Note 18.

c) All financial instruments that are measured at fair value are categorised into one of the three fair value hierarchy levels at year-end; based on whether the inputs to their fair values are observable or non observable.

    i) Level 1 - Quoted prices in active markets for identical assets or liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis. Any form of valuation technique results in the instrument not falling into this level.

    ii) Level 2 - Financial instruments measured using valuation techniques where all significant inputs are market observable. This level includes OTC derivative contracts, structured assets and liabilities and available-for-sale financial assets with no quoted price.

    iii) Level 3 - Financial instruments measured using valuation techniques which include at least one significant non-observable input.

4 Financial risk management (continued)

4.5 Financial instruments carried at fair value (continued)

The fair value hierarchy categorisation of the financial assets and liabilities carried at fair value as at 31 December 2014 and 2013 is presented in the following tables. The below fair value measurements represent recurring fair value measurements.

	At 31 December 2014			
	Level 1	Level 2	Level 3	Total
	€'000	€'000	€000	€'000
Financial assets measured at fair value:				
Derivative financial instruments held for trading	-	905	-	**905**
Available-for-sale investment securities	526.464	-	-	**526.464**
Total financial assets measured at fair value	**526.464**	**905**	**-**	**527.369**
Financial liabilities measured at fair value:				
Derivative financial instruments held for trading	-	391	-	**391**
Total financial liabilities measured at fair value	**-**	**391**	**-**	**391**

	At 31 December 2013			
	Level 1	Level 2	Level 3	Total
	€'000	€'000	€000	€'000
Financial assets measured at fair value:				
Derivative financial instruments held for trading	-	526	-	**526**
Available-for-sale investment securities	137.752	-	-	**137.752**
Total financial assets measured at fair value	**137.752**	**526**	**-**	**138.278**
Financial liabilities measured at fair value:				
Derivative financial instruments held for trading	-	1.791	-	**1.791**
Total financial liabilities measured at fair value	**-**	**1.791**	**-**	**1.791**

4 Financial risk management (continued)

4.6 Financial instruments not carried at fair value

The following table presents the carrying amounts and the fair values of financial instruments not measured at fair value, analysed by the level in the IFRS 13 fair value hierarchy into which each fair value measurement is included:

	At 31 December 2014				
	Level 1	Level 2	Level 3	Total Fair Value- for disclosure purposes	Carrying amount
	€'000	€'000	€000	€000	€'000
Financial assets measured at amortised cost					
Loans and advances to banks	-	1.932.030	-	**1.932.030**	**1.932.030**
Loans and advances to customers	-	-	1.647.386	**1.647.386**	**1.647.386**
Held-to-maturity debt securities	179.965	-	-	**179.965**	**179.965**
Other financial assets	-	1.069	-	**1.069**	**1.069**
Financial liabilities measured at amortised cost					
Due to other banks	-	416.371	-	**416.371**	**416.371**
Due to customers	-	3.310.105	-	**3.310.105**	**3.310.105**
Other financial liabilities	-	20.937	-	**20.937**	**20.937**

	At 31 December 2013				
	Level 1	Level 2	Level 3	Total Fair Value- for disclosure purposes	Carrying amount
	€'000	€'000	€000	€000	€'000
Financial assets measured at amortised cost					
Loans and advances to banks	-	1.547.594	-	**1.547.594**	**1.547.594**
Loans and advances to customers	-	-	1.742.932	**1.742.932**	**1.742.932**
Held-to-maturity debt securities	164.672	-	-	**164.672**	**164.672**
Other financial assets	-	759	-	**759**	**759**
Financial liabilities measured at amortised cost					
Due to other banks	-	608.510	-	**608.510**	**608.510**
Due to customers	-	2.471.483	-	**2.471.483**	**2.471.483**
Other financial liabilities	-	31.405	-	**31.405**	**31.405**

4.7 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

4 Financial risk management (continued)

4.8 Offsetting financial assets and financial liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2014:

	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
	Financial instruments	Cash collateral received	
	€ 000	€ 000	€ 000
Assets	37.640	-	37.640
Total assets subject to offsetting, master netting and similar arrangement	**37.640**	**-**	**37.640**

	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
	Financial instruments	Cash collateral received	
	€ 000	€ 000	€ 000
Liabilities	37.640	-	37.640
Total liabilities subject to offsetting, master netting and similar arrangement	**37.640**	**-**	**37.640**

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2013:

	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
	Financial instruments	Cash collateral received	
	€ 000	€ 000	€ 000
Assets	58.828	-	58.828
Total assets subject to offsetting, master netting and similar arrangement	**58.828**	**-**	**58.828**

	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
	Financial instruments	Cash collateral received	
	€ 000	€ 000	€ 000
Liabilities	58.828	-	58.828
Total liabilities subject to offsetting, master netting and similar arrangement	**58.828**	**-**	**58.828**

The Bank has master netting arrangements entered into in the normal course of business, which are enforceable in case of default.

5 Net interest income

	2014 €'000	2013 €'000
Interest income		
Interest from loans and advances to banks	**25.015**	21.483
Interest from derivatives	**432**	559
Interest from loans and advances to customers	**81.262**	100.730
Interest from available-for-sale financial assets	**2.398**	1.220
Interest from held-to-maturity investments (Note 18)	**8.899**	8.376
Total interest income	**118.006**	132.368
Interest expense		
Interest on due to other banks	**(13.963)**	(18.536)
Interest on derivatives	**(307)**	(965)
Interest on customer deposits	**(36.231)**	(41.858)
Other interest expense	**(4)**	(2)
Total interest expense	**(50.505)**	(61.361)
Net interest income	**67.501**	71.007

6 Net banking fee and commission income

	2014 €'000	2013 €'000
Banking fee and commission income		
Bank transfer commissions	**8.606**	9.514
Other fees and commissions	**13.162**	11.078
Total banking fee and commission income	**21.768**	20.592
Banking fee and commission expense		
Fees on lien agreements (Note 30)	**(3.711)**	(6.401)
Other fees and commissions	**(6.178)**	(5.256)
Total banking fee and commission expense	**(9.889)**	(11.657)
Net banking fee and commission income	**11.879**	8.935

7 Net trading income

	2014 €'000	2013 €'000
Foreign exchange (loss)/gain	**(125)**	773
Gains less losses on financial instruments at fair value through profit or loss – derivatives held for trading	**174**	101
	49	874

8 Gains less losses from investment securities

	2014 €'000	2013 €'000
Gains less losses on disposal of available-for-sale financial assets	**17.260**	2.246
Losses on impairment of available-for-sale equity investments	**(87)**	-
	17.173	2.246

9 Staff costs

	2014 €'000	2013 €'000
Salaries and other related costs	**9.685**	9.348
Social insurance and other costs	**1.987**	1.525
Directors' fees and remuneration	**763**	875
Retirement benefit costs – defined contributions scheme	**713**	72
Retirement benefit costs – defined benefits scheme	**-**	710
	13.148	12.530

The average number of employees of the Bank during the year 2014 was 221 (2013: 201).

The Defined Contribution Scheme is managed by an Administrative Committee composed of representatives of both the members and the employer.

Following an assembly of members of the Defined Benefit Scheme which took place on 12 December 2013, it was resolved that the Defined Benefit Scheme would be dissolved and a Defined Contributions Scheme would be set-up whereby the Bank would contribute 10% of the gross monthly salary of the members of staff who previously were under the Defined Benefit pension scheme and a range between 5%-10% for new members of staff who were not under the above scheme. All necessary approvals have been obtained for the above.

According to the actuarial valuation conducted for the year ended 31 December 2013, the amounts appearing in the balance sheet of the Bank were as follows:

	2013 €'000
Present value of the obligations (funded)	11.818
Fair value of plan assets	(11.684)
Retirement benefit obligations recognised in the balance sheet	134

Retirement benefit obligations for 2013 is included in "Other liabilities" (Note 24).

The principal actuarial assumptions used for the actuarial valuation were:

	2013 %
Discount rate of obligations	3,25
Future salary increases	2014-2016: 1,00 pa 2017: 2,00 pa 2018+: 3,50 pa
Future price inflation	2,00
Social Insurance Contribution Offset Accumulation Rate	1,50

9 Staff costs (continued)

The amounts recognised in the income statement for the year 2013 in respect of the defined benefit scheme were as follows:

	2013
	€'000
Current service cost	741
Net interest on the defined benefit asset	(31)
Net actuarial gain recognised in the year	-
Total income statement charge	710

The movement in the retirement obligations recognised in the balance sheet as at 31 December 2013 is as follows:

	2013
	€'000
(Asset)/liability for staff retirement obligations at 1 January 2013	(643)
Actual contributions paid by the Bank	(2.954)
Total expense recognised in the income statement	710
Total actuarial loss recognised in the other comprehensive income	3.021
Liability/(asset) for staff retirement obligations at 31 December 2013	134

The defined benefit scheme was fully settled during 2014 with all assets distributed to its members. As at 31 December 2014 the Bank has no asset or liability arising from the dissolved defined benefit scheme.

10 Other operating expenses

	2014	2013
	€'000	€'000
Amortisation of intangible assets (Note 19)	**493**	381
Depreciation of property, plant and equipment (Note 20)	**1.073**	858
Loss/(gain) on disposal/write down of intangible assets and property, plant and equipment	**2**	(11)
Operating lease rentals	**1.278**	1.020
Repairs and maintenance	**1.924**	1.442
Auditors' remuneration for statutory audit	**164**	154
Auditors' remuneration for non-audit assurance engagements	**-**	17
Auditors' remuneration for tax services	**46**	22
Professional fees	**766**	505
Advertising and promotion	**1.357**	932
Other administrative expenses	**2.890**	2.270
	9.993	7.590

11 Income tax expense

	2014	2013
	€'000	€'000
Current tax:		
- Corporation tax	**3.623**	5.382
- Withholding tax	**273**	239
Total current tax	**3.896**	5.621
Deferred tax (credit)/charge	**(12)**	5
Total income tax expense	**3.884**	5.626

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

	2014	2013
	€'000	€'000
Profit before income tax	**46.133**	44.745
Tax calculated at the applicable corporation tax rate of 12,5%	**5.767**	5.593
Tax effect of expenses not deductible for tax purposes	**402**	446
Tax effect of allowances and income not subject to tax	**(2.546)**	(657)
Withholding tax	**273**	239
Deferred tax charge	**(12)**	5
Income tax expense	**3.884**	5.626

The Bank is subject to income tax on taxable profits at the rate of 12,5%.

As from tax year 2012 brought forward losses of only five years may be utilised.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only be subject to special defence contribution at the rate of 10%; increased to 15% as from 31 August 2011; increased to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013; reduced to 17% as from 1 January 2014.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax.

There is no income tax effect relating to components of other comprehensive income (2013: €nil).

11 Income tax expense (continued)

Deferred income tax:

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

The movement in deferred income tax assets and liabilities (non-current) during the year is as follows:

	Differences between wear & tear and depreciation €'000	Total €'000
Balance at 1 January 2013	131	131
Credited to income statement	-	-
Balance at 1 January 2014	131	131
Charged to income statement	(12)	(12)
Balance at 31 December 2014 (Note 24)	**119**	**119**

12 Cash and balances with central banks

	2014 €'000	2013 €'000
Cash in hand	**4.018**	4.476
Balances with central banks	**37.092**	74.650
	41.110	79.126
of which:		
Mandatory deposits with central banks	**31.597**	24.487

Cash and balances with central banks are classified as current.

Mandatory deposits with central banks represent the minimum level of average monthly deposits which the Bank is required to maintain. Mandatory balances with central banks can be withdrawn at any time provided the average monthly minimum deposits are maintained.

13 Loans and advances to banks

	2014 €'000	2013 €'000
Reverse repurchase agreements receivables (1)	**1.434.779**	670.131
Placements with banks (2)	**411.364**	782.883
Settlement balances with banks	**85.887**	94.580
	1.932.030	1.547.594

Analysed as follows:		
Current	**1.930.030**	1.472.832
Non current	**2.000**	74.762
	1.932.030	1.547.594

Maturity analysis		
- on demand up to 7 days	**184.726**	1.015.981
- between 7 days and three months	**1.602.021**	370.174
- between three months and one year	**143.283**	86.677
- more than one year	**2.000**	74.762
	1.932.030	1.547.594

(1) The reverse repurchase agreements receivables represent money market placements fully secured by ECB Eligible bonds. The majority of these are bonds issued by the European Financial Stability Fund (EFSF) amounting to approximately €1.3 billion. For 2013 all reverse repurchase agreements were fully secured by EFSF (Note 30).

(2) Placements with banks bear interest which is based on the interbank rate of the relevant term and currency.

None of these financial assets are either past due or impaired.

Loans and advances to banks are categorized as "loans and receivables".

14 Investment in Subsidiaries

The subsidiary company and its principal activity are described below:

	Participation	*Principal activities*	2014 €'000	2013 €'000
Foramonio Ltd	100%	Investing activities	**1**	-

Foramonio Ltd is registered and operates in Cyprus.

This entity has been set up to acquire properties from customers in settlement of their obligations with the Bank.

15 Derivative financial instruments

The Bank utilises the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organised financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities, except in the cases where the counterparty is a Eurobank group entity.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Bank and a customer (OTC). The Bank is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

15 Derivative financial instruments (continued)

	Fair Values 2014 Assets €'000	Fair Values 2014 Liabilities €'000	2013 Assets €'000	2013 Liabilities €'000
Derivatives designated as fair value hedges				
Cross currency / interest rate swaps	-	-	-	-
FX round swaps	-	-	-	-
	-	-	-	-
Derivatives held for trading				
Foreign exchange derivatives	**402**	**146**	237	253
Cross currency / interest rate swaps	**503**	**245**	289	1.538
	905	**391**	526	1.791
	905	**391**	526	1.791

	Fair Values 2014 Assets €'000	Fair Values 2014 Liabilities €'000	2013 Assets €'000	2013 Liabilities €'000
Analysed as follows:				
Current	**488**	**178**	327	1.579
Non-current	**417**	**213**	199	212
	905	**391**	526	1.791

(a) Cross currency/interest rate swaps

The notional principal amounts of the outstanding cross currency/interest rate swap contracts at 31 December 2014 were 2 million (2013: €1,5 million).

(b) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014 were €5,3 million (2013: €1,3 million).

(c) Foreign exchange options

The notional principal amounts of foreign exchange options at 31 December 2014 were €19,2 million (2013: €9,4 million).

(d) Foreign exchange swaps

The notional principal amounts of foreign exchange options at 31 December 2014 were €164 million (2013: €218 million).

16 Loans and advances to customers

	2014 €'000	2013 €'000
Private individuals:		
- Overdrafts	**3.018**	8.290
- Term loans	**4.067**	3.524
- Mortgages	**11.834**	12.183
	18.919	23.997
Corporate entities:		
- Large corporate loans	**971.411**	1.110.428
- Private banking loans	**284.574**	293.850
- International business banking loans	**444.320**	368.282
	1.700.305	1.772.560
Total	**1.719.224**	1.796.557
Gross loans and advances to customers	**1.719.224**	1.796.557
Less: provision for impairment losses	**(71.838)**	(53.625)
Net amount of loans and advances to customers	**1.647.386**	1.742.932

	2014 €'000	2013 €'000
Analysed as follows:		
Current	**546.742**	424.063
Non-current	**1.100.644**	1.318.869
	1.647.386	1.742.932

The movement of the provision for impairment losses on loans and advances by class is as follows:

	31 December 2014			
	Wholesale €'000	**Consumer €'000**	**Mortgage €'000**	**Total €'000**
Balance at 1 January	45.673	7.952	-	**53.625**
Impairment losses on loans and advances charged in the year	27.642	9	-	**27.651**
Amounts previously provided written off in the year	(2.399)	(7.164)	-	**(9.563)**
Foreign exchange gain	125	-	-	**125**
Balance at 31 December	**71.041**	**797**	-	**71.838**

	31 December 2013			
	Wholesale €'000	**Consumer €'000**	**Mortgage €'000**	**Total €'000**
Balance at 1 January	39.587	7.909	-	**47.496**
Impairment losses on loans and advances charged in the year	18.532	43	-	**18.575**
Amounts previously provided written off in the year	(11.879)	-	-	**(11.879)**
Foreign exchange loss	(567)	-	-	**(567)**
Balance at 31 December	**45.673**	**7.952**	-	**53.625**

Interest income on impaired loans and advances to customers accrued during the year amounted to € 8.358 thousand (2013: € 8.047 thousand).

16 Loans and advances to customers (continued)

As at 31 December 2014, loan impairment provision amounted to €71.838 thousand (2013: €53.625 thousand), of which €20.102 thousand (2013: €11.940 thousand) relates to one loan receivable from a related company with a gross carrying amount before provisions of €412.113 thousand as of 31 December 2014 (2013: €460.215 thousand). The impairment provision was estimated based on the credit quality of the assets held by the related company.

The fair value of the Bank's loans and advances to customers approximates their carrying amount at the balance sheet date as they bear interest at variable rates.

Loans and advances to customers are categorised as "loans and receivables".

17 Available-for-sale financial assets

	2014 €'000	2013 €'000
Issued by public organisations – government bonds and shares in public government organisations:		
- Greece	-	13.430
- USA	164.731	-
- Russia	39.722	-
- Cyprus	42.918	16.071
- France	-	58.929
	247.371	88.430
Issued by other issuers:		
- Banks	101.737	-
- Other	177.356	49.322
	279.093	49.322
Total	526.464	137.752
Listed	526.464	137.752
	526.464	137.752
Equity	101	25.947
Debt	526.363	111.805
	526.464	137.752
Current	265.891	100.946
Non-current	260.573	36.806
	526.464	137.752

The movement in the account is as follows:

	2014 €'000	2013 €'000
Net book value at 1 January	137.752	242.795
Additions	568.410	15.290
Disposals and redemptions	(190.218)	(122.672)
Amortisation of discounts/premiums and interest	(738)	(973)
Amortisation of mark to market due to fair value hedging	-	(50)
Net gains from changes in fair values	927	8.921
Foreign exchange gain/(loss)	10.331	(5.559)
Net book value at 31 December	526.464	137.752

None of these financial assets are either past due or impaired.

17 Available-for-sale financial assets (continued)

Equity reserve: Revaluation of the available-for-sale investments

Gains and losses arising from the changes in the fair value of available-for-sale investments are recognised in other comprehensive income and in the revaluation reserve for available-for-sale financial assets in equity. The movement of the reserve is as follows:

	2014 €'000	2013 €'000
Balance at 1 January	**14.821**	8.146
Net gains from changes in fair value	**927**	8.921
Net losses/ gains transferred to net profit on disposal	**(17.173)**	(2.246)
Balance at 31 December	**(1.425)**	14.821

18 Held-to-maturity investments

Held-to-maturity investments comprise of Cyprus government bonds.

	2014 €'000	2013 €'000
Current	**43.421**	87.891
Non-current	**136.544**	76.781
	179.965	164.672

The movement in the account is as follows:

	2014 €'000	2013 €'000
Net book value at 1 January	**164.672**	164.608
Additions	**102.205**	-
Maturities and Redemptions	**(87.000)**	-
Interest accrued (Note 5)	**8.899**	8.376
Interest received	**(8.811)**	(8.312)
Net book value at 31 December	**179.965**	164.672

None of these financial assets are either past due or impaired.

19 Intangible assets

	Computer licences & software €'000	**Total €'000**
At 1 January 2013		
Cost	3.471	**3.471**
Accumulated amortisation	(1.604)	**(1.604)**
Net book amount	1.867	**1.867**
Year ended 31 December 2013		
At 1 January	1.867	**1.867**
Additions	513	**513**
Amortisation charge (Note 10)	(381)	**(381)**
At 31 December	**1.999**	**1.999**
At 31 December 2013		
Cost	3.984	**3.984**
Accumulated amortisation	(1.985)	**(1.985)**
Net book amount	**1.999**	**1.999**
Year ended 31 December 2014		
At 1 January	1.999	**1.999**
Additions	576	**576**
Amortisation charge (Note 10)	(493)	**(493)**
At 31 December	**2.082**	**2.082**
At 31 December 2014		
Cost	4.560	**4.560**
Accumulated amortisation	(2.478)	**(2.478)**
Net book amount	**2.082**	**2.082**

20 Property, plant and equipment

	Leasehold improvements €'000	Motor vehicles and motor cycles €'000	Equipment €'000	**Total €'000**
At 1 January 2013				
Cost	5.118	228	2.590	**7.936**
Accumulated depreciation	(1.386)	(152)	(1.373)	**(2.911)**
Net book amount	3.732	76	1.217	**5.025**
Year ended 31 December 2013				
At 1 January	3.732	76	1.217	**5.025**
Additions	1.996	2	692	**2.690**
Disposals and write offs	-	-	(3)	**(3)**
Depreciation charge (Note 10)	(441)	(33)	(384)	**(858)**
At 31 December	**5.287**	**45**	**1.522**	**6.854**
At 31 December 2013				
Cost	7.113	186	3.257	**10.556**
Accumulated depreciation	(1.826)	(141)	(1.735)	**(3.702)**
Net book amount	**5.287**	**45**	**1.522**	**6.854**
Year ended 31 December 2014				
At 1 January	5.287	45	1.522	**6.854**
Additions	831	-	641	**1.472**
Disposals and write offs	(2)	-	(2)	**(4)**
Depreciation charge (Note 10)	(577)	(22)	(474)	**(1.073)**
At 31 December	**5.539**	**23**	**1.687**	**7.249**
At 31 December 2014				
Cost	7.925	186	3.852	**11.963**
Accumulated depreciation	(2.386)	(163)	(2.165)	**(4.714)**
Net book amount	**5.539**	**23**	**1.687**	**7.249**

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

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2014 €'000	2013 €'000
Net book amount	**4**	3
(Loss)/ Profit on sale of property, plant and equipment (Note 29)	**(2)**	12
Proceeds from sale of property, plant and equipment as per cash flow statement	**2**	15

21 Other assets

	2014	2013
	€'000	€'000
Prepaid expenses	271	253
Other assets	1.069	759
	1.340	1.012

	2014	2013
	€'000	€'000
Current	1.219	864
Non-current	121	148
	1.340	1.012

Other assets include for year 2013 €434 thousand receivable from Eurobank Ergasias S.A. (Note 30(i)).

None of these financial assets are either past due or impaired.

22 Due to other banks

	2014	2013
	€'000	€'000
Deposits from other banks	368.140	534.200
Settlement balances with other banks	8.187	34.263
Subordinated debt (Note 30(i))	40.044	40.047
	416.371	608.510
Current	359.518	445.482
Non current	56.853	163.028
	416.371	608.510
Maturity analysis		
- on demand up to 7 days	24.721	35.540
- 7 days up to 3 months	310.584	398.516
- 3 months to 1 year	24.213	11.426
- 1 to 5 years	16.809	122.981
- after 5 years	40.044	40.047
	416.371	608.510

The fair value of amounts due to other banks approximates their carrying amount at the balance sheet date.

Amounts due to other banks are categorised as other financial liabilities at amortised cost.

23 Due to customers

	2014	2013
	€'000	€'000
Current accounts	1.126.403	724.995
Notice accounts	18.274	17.980
Term deposits	2.165.428	1.728.508
	3.310.105	2.471.483
Maturity analysis		
- up to 1 month	2.065.403	1.403.873
- between 1 month and three months	610.899	788.136
- between three months and one year	626.801	272.527
- between one year and five years	5.002	6.947
- more than five years	2.000	-
	3.310.105	2.471.483

The fair value of amounts due to customers approximates their carrying amount at the balance sheet date as the amounts due to customers almost entirely fall due within one year.

Total client deposits pledged as collateral for credit facilities granted to clients as at 31 December 2014 amounted to €551 million (2013: €468 million).

Amounts due to customers are categorised as other financial liabilities at amortised cost.

Special levy on total deposits is imposed by legislation to all Banks and Credit Institutions operating in Cyprus.

For 2013 and 2014 the levy on deposits was 0,15%, calculated on the previous quarter-end deposits payable in quarterly instalments. The government levy on customer deposits for the year ended 31 December 2014 amounted to €3.697 thousand (2013: €4.114 thousand).

24 Other liabilities

	2014	2013
	€'000	€'000
Current income tax liability	747	1.457
Deferred tax liability (Note 11)	119	131
Retirement benefit obligations (Note 9)	-	134
Other liabilities and accruals [1]	20.804	15.334
Payable for unsettled bond purchase [2]	133	16.071
	21.803	33.127

	2014	2013
	€'000	€'000
Current	18.027	31.676
Non-current	3.776	1.451
	21.803	33.127

[1]Other liabilities and accruals include commissions and consultancy fees of €338 thousand (2013: €491 thousand) payable to Eurobank Ergasias S.A. (Note 30 (i)).

[2]The payable for unsettled bond purchase relates to a purchase of a bond with trade date in late December 2014 and settlement in early January 2015 (2013: purchase of a bond with trade date in late December 2013 and settlement in early January 2014).

25 Share capital

The par value of the Bank's shares is €10 thousand per share. All shares are fully paid.

The movement of share capital and share premium is as follows:

	No. of shares	Ordinary shares €'000	Share premium €'000	**Total €'000**
Authorised				
At 31 December 2014 & 2013	**1.500**	**15.000**	**-**	**15.000**
Issued				
At 31 December 2014 & 2013	**1.201**	**12.010**	**245.384**	**257.394**

There were no changes in the Bank's share capital during the years ended 31 December 2014 and 2013.

All the shares have the same rights.

26 Operating lease commitments – where the Bank is the lessee

The Bank leases various offices under non-cancellable operating lease agreements with varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable building operating leases are as follows:

	2014 €'000	2013 €'000
Not later than one year	**587**	947
Later than one year and not later than five years	**661**	1.055
	1.248	2.002

27 Contingencies and commitments

The following analysis indicates the contractual amounts of the Bank's off-balance sheet financial instruments that commit the Bank to make payments in relation to acceptances, guarantees, indemnities and letters of credit drawn on customers:

	2014 €'000	2013 €'000
Contingent liabilities:		
Guarantees	**64.171**	61.608
Other	**4.845**	29.046
	69.016	90.654
Commitments:		
Approved unutilised credit facilities	**254.593**	211.908

27 Contingencies and commitments (continued)

Capital commitments

As at 31 December 2014 commitments for contracted capital expenditures for the Bank amount to €248 thousand (2013: €319 thousand).

Legal proceedings

As at 31 December 2014 and 2013 there were no significant pending litigation, claims or assessments against the Bank, the outcome of which would have a material effect on the Bank's financial position or operations.

28 Fiduciary activities

The Bank provides custody, investment management and advisory services to third and related parties which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date the Bank had investment custody accounts, including fiduciary assets, with fair value amounting to approximately €1.055.372 thousand (2013: €502.430 thousand).

29 Net cash flow from operating activities

	Note	2014 €'000	2013 €'000
Profit before tax and government levies		**46.133**	44.745
Adjustments for:			
Amortisation of intangible assets	19	**493**	381
Depreciation of property, plant and equipment	20	**1.073**	858
Profit/(loss) on disposal of property, plant and equipment	20	**2**	(12)
Charge for defined benefit retirement obligation	9	**-**	710
Impairment losses on loans and advances net of write-offs	16	**18.088**	6.696
Dividend income		**(323)**	(378)
Interest income on available-for-sale financial assets	5	**(2.398)**	(1.220)
Interest income on held-to-maturity instruments	5	**(8.899)**	(8.376)
Foreign exchange differences on investing activities		**(10.331)**	5.559
Profit on disposal of available-for-sale financial assets	8	**(17.173)**	(2.246)
Net fair value loss on available-for-sale financial assets transferred to income statement due to impairment	8	**(87)**	-
		26.578	46.717
Decrease/(increase) in operating assets			
Cash and balances with central banks		**37.558**	59.040
Loans and advances to banks		**16.156**	201.442
Derivative financial instruments		**(379)**	133
Loans and advances to customers		**77.458**	499.214
Other assets		**(328)**	3.869
Increase/(decrease) in operating liabilities			
Due to other banks		**(192.139)**	(209.582)
Derivative financial instruments		**(1.400)**	432
Due to customers		**838.622**	(666.488)
Retirement benefit obligations		**(134)**	(2.954)
Other liabilities		**(10.468)**	24.639
Cash used in operations		**791.524**	(43.538)
Government levy on customer deposits paid		**(3.697)**	(4.114)
Tax paid		**(4.606)**	(5.153)
Net cash flow used in operating activities		**783.221**	(52.805)

Cash and cash equivalents

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

	2014 €'000	2013 €'000
Cash in hand (Note 12)	**4.018**	4.476
Balances with banks	**1.786.747**	1.386.155
	1.790.765	1.390.631

30 Related party transactions and balances

The immediate controlling party of the Bank is ERB New Europe Holding B.V. registered in the Netherlands. Eurobank Ergasias S.A., who produces consolidated financial statements available for public use, owns 100% of the shares of ERB New Europe Holding B.V..

Following the successful completion of the recapitalization of the Eurobank Ergasias S.A. ('Eurobank') from the Hellenic Financial Stability Fund (HFSF) and the introduction of its new shares on the Athens Stock Exchange on June 19, 2013 the HFSF acquired 3,789,317,358 ordinary shares with voting rights issued by Eurobank, representing 98.56% of the ordinary voting shares. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by the HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the percentage of the voting rights held by HFSF increased to 95.23%.

The Bank of Greece ('BoG'), following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified Eurobank that its Core Tier I capital should increase by €2,945 million. Eurobank with its letter to BoG on 24 March 2014 submitted its capital enhancement plan whereby revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and stated that it intends to cover the remaining capital needs of €2.864 million through a share capital increase.

Following the completion of the Eurobank's share capital increase fully covered by private, institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 95.23% to 35.41%. In addition, in the context of the Law 3864/2010 (the 'HFSF Law') as amended by Law 4254/2014, the HFSF's voting rights in the Eurobank's General Assemblies have been switched to restricted ones. Accordingly, as of early May, the HFSF is no more the controlling shareholder of the Group but is considered to have significant influence over it. Therefore, the HFSF is considered to be a related party to the Group, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, are not regarded as such.

30 Related party transactions and balances (continued)

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, derivatives and repurchase agreements. In addition, as part of its normal course of business in investment banking activities, the Bank at times may hold positions in debt and equity instruments of related parties. The volume of related party transactions and outstanding balances at the year-end are as follows:

(i) Related party transactions and outstanding balances:

	With Eurobank Ergasias S.A.		With Eurobank Ergasias S.A. Group (other than Eurobank Ergasias S.A.)		With key management personnel	
	2014	2013	**2014**	2013	**2014**	2013
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Loans and advances to banks (1)	**1.695.642**	1.343.690	**-**	-	**-**	-
Loans and advances to customers (2)	**-**	-	**416.915**	471.584	**1.495**	51.157
Derivative financial instruments – Assets	**591**	472	**-**	-	**-**	-
Derivative financial instruments – Liabilities	**160**	1.544	**-**	-	**-**	-
Other assets	**-**	434	**-**	-	**-**	-
Due to other banks (3)	**409.799**	574.272	**-**	-	**-**	-
Due to customers	**-**	-	**3.769**	8.449	**2.562**	41.619
Other liabilities	**338**	491	**102**	154	**-**	-

	With Eurobank Ergasias S.A.		With Eurobank Ergasias S.A. Group (other than Eurobank Ergasias S.A.)		With key management personnel	
	2014	2013	**2014**	2013	**2014**	2013
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
Interest income	**23.789**	21.237	**27.008**	36.184	**69**	799
Interest expense	**14.161**	19.352	**5**	3	**63**	850
Banking fee and commission income	**435**	1.013	**-**	-	**-**	-
Banking fee and commission expense – fees on lien agreement	**3.711**	6.401	**-**	-	**-**	-
Banking fee and commission expense – other	**1.108**	1.054	**-**	-	**-**	-
Net trading income	**-**	-	**125**	567	**-**	-
Impairment losses on loans and advances	**-**	-	**10.096**	4.032	**-**	-
Staff costs excluding retirement benefit costs	**-**	-	**-**	-	**562**	915
Retirement benefit cost	**-**	-	**-**	-	**99**	94
Directors' remuneration	**-**	-	**-**	-	**715**	875
Other operating expenses	**-**	-	**154**	125	**-**	-

30 Related party transactions and balances (continued)

(i) Related party transactions and outstanding balances (continued):

Key management personnel include directors and key management personnel of the Bank, and their close family members.

(1) Loans and advances to banks include reverse repurchase agreements with Eurobank Ergasias S.A. of €1.434.779 thousand (2013: €670.131 thousand) fully secured by ECB Eligible bonds majority of those being EFSF bonds (Note 13).

(2) Total collaterals in relation to loans and advances to key management personnel amounted to €1.403 thousand (2013: €54.896 thousand).

(3) On 31 March 2010, Eurobank Ergasias S.A. advanced the sum of €40 million to the Bank. The interest rate of the loan was set at an annual rate equal to 3 month LIBOR plus 65 basis points and reprised to 3 month LIBOR plus 275 basis points on 18 December 2013. The loan shall be repaid on 31 March 2020. After 31 March 2015 the Bank has the option to call in any part of the loan subject to the prior consent of the Central Bank of Cyprus. The loan is not secured and the rights and claims of Eurobank Ergasias S.A. are subordinated to the claims of all other creditors of the Bank except the holders of other subordinated indebtedness of the same type (lower tier II) of the Bank.

As at 31 December 2014, placements with Eurobank Ergasias S.A. other than reverse repurchase agreements as described in (1) above decreased significantly with majority of placements been placed with third party Financial Institutions which are not dependent on or exposed to Eurobank Ergasias S.A..

(ii) Lien agreements

As of 31 December 2014 and 2013, the Bank has in place lien agreements from Eurobank Ergasias S.A., which act as guarantees for the purposes of securing the following assets as of the reporting date:

	2014	2013
	€'000	€'000
Loans and advances to customers	**316.960**	459.881
	316.960	459.881

Based on the Lien agreements, in case of default of any of the issuers of the underlying assets, the Bank can set off the receivable amounts with the equivalent funds placed by Eurobank Ergasias S.A.

On 28 September 2012 the Bank and Eurobank Ergasias S.A. signed a memorandum of understanding whereby the latter assumes the credit losses arising from the credit facility extended by the Bank to ERB New Europe Funding II B.V. for any amount exceeding the amount of €15 million on an annual basis, and establish a pledge, in favour of the Bank over a deposit held in its name with the Bank. The loans and advances to customers subject to these arrangements amounted to €177.755 thousands (2013: €204.033 thousands). The Bank has post year-end obtained additional liens for the above amounting to €177.640 thousands.

31 Post balance sheet events

The Board of Directors at a Board meeting of 23 January 2015, proposed at a Shareholders' Extraordinary General Meeting which took place on 23 January 2015 after the Board meeting, the payment of a dividend distribution of €265,9 million or €221,4 thousands per share to the immediate controlling party of the Bank ERB New Europe Holding B.V. The Board of Directors proposal was approved at the shareholders' meeting and the dividend payment was executed on the same day. The Bank's capital adequacy ratio as at 31 December 2014 as adjusted pro forma to reflect the payment of the above mentioned dividend amounts to 22% (Note 4.4).

There were no other material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report on pages 6 and 7.