EUROBANK ERGASIAS S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

31 MARCH 2014

8 Othonos Street, Athens 105 57, Greece

www.eurobank.gr, Tel.: (+30) 210 333 7000

Company Registration No: 000223001000

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Interim Income Statement

	Note	Three months ended 31 March	
		2014	2013
		€ million	€ million
Net interest income		**243**	151
Net banking fee and commission income		**15**	19
Income from non banking services		**2**	1
Dividend income		**0**	0
Net trading income		**8**	(20)
Gains less losses from investment securities		**7**	9
Net other operating income		**(1)**	(0)
Operating income		**274**	160
Operating expenses	8	**(178)**	(153)
Profit from operations before impairments and non recurring income/(expenses)		**96**	7
Impairment losses on loans and advances	9	**(420)**	(361)
Other impairment losses	10	**(10)**	67
Other non recurring income/(expenses)	10	**51**	(17)
Profit/(loss) before tax		**(283)**	(304)
Income tax	11	**93**	79
Non recurring tax adjustments	11	**77**	591
Net profit/(loss) for the period from continuing operations		**(113)**	366
Net profit/(loss) for the period from discontinued operations	12	**(52)**	-
Net profit/(loss) for the period attributable to shareholders		**(165)**	366

The income statement for the first quarter of 2014 includes the results of New TT Hellenic Postbank and New Proton Bank, which are incorporated in the Bank's financial statements from 1 September 2013, prospectively.

Notes on pages 6 to 26 form an integral part of these condensed interim financial statements

Interim Balance Sheet

	Note	31 March 2014 € million	31 December 2013 € million
ASSETS			
Cash and balances with central banks		**426**	651
Loans and advances to banks		**6,344**	8,098
Financial instruments at fair value through profit or loss		**63**	62
Derivative financial instruments		**1,378**	1,260
Loans and advances to customers	13	**36,832**	37,468
Investment securities	14	**16,154**	15,008
Shares in subsidiary undertakings	16	**2,837**	2,907
Investment in associated undertakings and joint ventures		**6**	6
Property, plant and equipment		**307**	314
Investment property	15	**57**	57
Intangible assets		**67**	71
Deferred tax asset		**3,179**	3,024
Other assets	17	**1,784**	1,743
Total assets		**69,434**	70,669
LIABILITIES			
Due to central banks	18	**16,290**	16,887
Due to other banks	18	**12,624**	12,196
Derivative financial instruments		**1,709**	1,554
Due to customers	19	**33,149**	33,952
Debt issued and other borrowed funds	20	**1,356**	1,461
Other liabilities	21	**447**	617
Total liabilities		**65,575**	66,667
EQUITY			
Ordinary share capital	22	**1,641**	1,641
Share premium	22	**6,669**	6,669
Reserves and retained earnings		**(5,799)**	(5,656)
Preference shares	23	**950**	950
Total equity attributable to shareholders of the Bank		**3,461**	3,604
Hybrid Capital	24	**398**	398
Total equity		**3,859**	4,002
Total equity and liabilities		**69,434**	70,669

Notes on pages 6 to 26 form an integral part of these condensed interim financial statements

Interim Statement of Comprehensive Income

	Three months ended 31 March			
	2014		2013	
	€ million		€ million	
Net profit/(loss) for the period		**(165)**		366
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges				
- net changes in fair value, net of tax	**(3)**		6	
- transfer to net profit, net of tax	**5**	**2**	18	24
Available for sale securities				
- net changes in fair value, net of tax	**14**		(3)	
- impairment losses on investment securities transfer to net profit, net of tax	**-**		2	
- transfer to net profit, net of tax	**(4)**	**10**	4	3
Other comprehensive income for the period		**12**		27
Total comprehensive income for the period attributable to:				
Shareholders				
- from continuing operations	**(101)**		393	
- from discontinued operations	**(52)**	**(153)**	-	393

Notes on pages 6 to 26 form an integral part of these condensed interim financial statements

Interim Statement of Changes in Equity for the three months ended 31 March 2014

	Total equity attributable to shareholders of the Bank						
	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Hybrid capital € million	Total € million
Balance at 1 January 2013	1,228	1,448	990	(6,601)	950	688	(1,297)
Net profit/(loss) for the period	-	-	-	366	-	-	366
Other comprehensive income for the period	-	-	27	-	-	-	27
Total comprehensive income for the three months ended 31 March 2013	-	-	27	366	-	-	393
(Purchase)/sale of hybrid capital, net of tax	-	-	-	(3)	-	-	(3)
Hybrid capital's dividend paid, net of tax	-	-	-	(8)	-	-	(8)
Share-based payment:							
- Value of employee services	-	-	(0)	-	-	-	(0)
	-	-	(0)	(11)	-	-	(11)
Balance at 31 March 2013	1,228	1,448	1,017	(6,246)	950	688	(915)
Balance at 1 January 2014	**1,641**	**6,669**	**3,457**	**(9,113)**	**950**	**398**	**4,002**
Net profit/(loss) for the period	-	-	-	(165)	-	-	**(165)**
Other comprehensive income for the period	-	-	12	-	-	-	**12**
Total comprehensive income for the three months ended 31 March 2014	**-**	**-**	**12**	**(165)**	**-**	**-**	**(153)**
(Purchase)/sale of treasury shares and Hybrid capital, net of tax	-	-	-	11	-	-	**11**
Share-based payment:							
- Value of employee services	-	-	(1)	-	-	-	**(1)**
	-	**-**	**(1)**	**11**	**-**	**-**	**10**
Balance at 31 March 2014	**1,641**	**6,669**	**3,468**	**(9,267)**	**950**	**398**	**3,859**
	Note 22	Note 22			Note 23	Note 24	

Notes on pages 6 to 26 form an integral part of these condensed interim financial statements

Interim Cash Flow Statement for the three months ended 31 March 2014

	Note	Three months ended 31 March 2014 € million	2013 Adjusted[1] € million
Cash flows from operating activities			
Profit/(loss) before income tax		**(283)**	(304)
Adjustments for :			
Impairment losses on loans and advances		**420**	361
Other impairment losses and provisions		**(91)**	(66)
Depreciation and amortisation		**14**	11
Other (income)/losses on investment securities	26	**(52)**	(6)
(Income)/losses on debt issued		**1**	0
(Gain)/losses on sale of subsidiaries,associates and joint ventures		**49**	-
Other adjustments		**(0)**	(0)
		58	(4)
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**142**	(64)
Net (increase)/decrease in financial instruments at fair value through profit or loss		**(2)**	42
Net (increase)/decrease in loans and advances to banks		**1,427**	3,192
Net (increase)/decrease in loans and advances to customers		**216**	139
Net (increase)/decrease in derivative financial instruments		**31**	14
Net (increase)/decrease in other assets		**(0)**	(55)
Net increase/(decrease) in due to banks		**(169)**	(4,164)
Net increase/(decrease) in due to customers		**(805)**	536
Net increase/(decrease) in other liabilities		**(72)**	2
		768	(358)
Net cash from/(used in) operating activities		**826**	(362)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		**(2)**	(2)
Proceeds from sale of property, plant and equipment and intangible assets		**0**	-
(Purchases)/sales and redemptions of investment securities		**(1,079)**	326
Acquisition of subsidiaries, associated undertakings, joint ventures and participations in capital increases		**(0)**	(0)
Deemed disposal of subsidiary		**20**	-
Dividends from investment securities, associated undertakings and joint ventures		**0**	0
Net cash from/(used in) investing activities		**(1,061)**	324
Cash flows from financing activities			
(Repayments)/proceeds from debt issued and other borrowed funds		**(106)**	(183)
Hybrid capital's dividend paid		**-**	(11)
Net cash from/(used in) financing activities		**(106)**	(194)
Net increase/(decrease) in cash and cash equivalents		**(341)**	(232)
Cash and cash equivalents at beginning of period	26	**1,218**	1,398
Cash and cash equivalents at end of period	26	**877**	1,166

[1] *Comparative information has been adjusted due to the adoption of indirect method on the presentation of operating cash flows*

Notes on pages 6 to 26 form an integral part of these condensed interim financial statements

1. General information

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

These condensed interim financial statements were approved by the Board of Directors on 28 May 2014.

2. Basis of preparation of condensed interim financial statements

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and they should be read in conjunction with the Bank's published annual financial statements for the year ended 31 December 2013. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. Except as indicated, financial information presented in euro has been rounded to the nearest million.

Going concern considerations

The financial statements have been prepared on a going concern basis. The Board of Directors has taken into consideration the following factors:

a) the material economic and market risks and uncertainties that impact the Greek Banking system. The main risks stem from the domestic macroeconomic and political environment, the impact of the significant fiscal adjustment efforts on the Greek economy and the implementation of the structural reforms agenda. The significant progress made to date could be compromised by new delays in official financing, as well as implementation risks, political instability, reform fatigue in Greece and external shocks from the global economy. The restoration of confidence, the attraction of new investments and the revival of economic growth remain key challenges for the Greek economy. On the other hand, as Greece has taken effective action towards fiscal consolidation, has made progress in the budgetary area and with reforms in other key sectors of the economy, upside potential also exists. Particularly if, privatization efforts, associated with the rapid improvement of the investment climate and the restoration of confidence show resilience and are accompanied by sustained strong policy implementation. The recent interest expressed from international investors for the Greek banks' share capital increases and the corporate bond issuance, constitute together with the decline on 10Yr-bond spreads early signs of improved confidence. The recent quarterly GDP data provided by the Greek statistical authority point towards a narrowing of the recession, at -1.1% of GDP in the first quarter of 2014 from -6.0% in the first quarter of 2013. Continuation of the recession could adversely affect the region and could lead to lower pre-provision profitability, deterioration of asset quality and reduction of deposits. These conditions may impair the Bank's capital adequacy position over the foreseeable future.

b) the reliance on Eurosystem financing facilities, although it is persistently decreasing, is an ongoing liquidity challenge for the Bank. At 23 May 2014 the Bank's borrowing from Eurosystem was below € 13 bn (31 Dec 2013: € 16.9 bn).

c) the ECB comprehensive assessment of eurozone's most significant banks currently carried out jointly with the respective national competent authorities (NCAs) and EBA, which may lead to different capital needs for the Bank, despite the fact that the methodology and benchmark capital thresholds used by the BoG in the recently concluded capital needs exercise were aligned, to the extent possible, to ECB's envisaged approach (based on publicly available information as of February 2014).

Notwithstanding the conditions and uncertainties mentioned above, the Directors, having considered the successful completion of the recent share capital increase of the Bank and the mitigating factors set out below, are satisfied that the financial statements of the Bank can be prepared on a going concern basis:

(i) as at 31 March 2014, the Group's Common Equity Tier I ratio (proforma with the completion of the share capital increase and the implementation of Basel II IRB credit risk methodology to NHPB's mortgage portfolio) stands at 17.7%, well above the statutory limit (note 7);

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

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

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

3. Principal accounting policies

The accounting policies and methods of computation in these condensed interim financial statements are consistent with those in the published annual financial statements for the year ended 31 December 2013, except as described below.

New standards and interpretations adopted by the Bank

The following new standards and amendments to standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply 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 condensed interim 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 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 condensed interim 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 condensed interim financial statements.

IAS 36, Amendment - Recoverable Amount Disclosures for Non-Financial Assets

The amendments restrict the requirement to disclose the recoverable amount of an asset or cash generating unit only to periods in which an impairment loss has been recognized or reversed.
They also include detailed disclosure requirements applicable when an asset or cash generating unit's recoverable amount has been determined on the basis of fair value less costs of disposal and an impairment loss has been recognized or reversed during the period.
The adoption of the amendment had no impact on the Bank's condensed interim 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 condensed interim 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 condensed interim 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 operation, its assets, liabilities and transactions, including its share in those arising jointly.
The adoption of this standard had no impact on the Bank's condensed interim 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.
The adoption of the amendment had no impact on the Bank's condensed interim financial statements.

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 amendment had no impact on the Bank's condensed interim 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:
(a) obtains funds from one or more investors for the purpose of providing those investors with investment management services;
(b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(c) measures and evaluates the performance of substantially all of its investments on a fair value basis.
The amendments also set out disclosure requirements for investment entities.
The adoption of the amendments had no impact on the Bank's condensed interim financial statements.

4. Critical accounting estimates and judgments in applying accounting policies

In preparing these condensed interim financial statements, the significant judgments made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied to the published annual financial statements for the year ended 31 December 2013.

5. Greek Economy Liquidity Support Program

The Bank participates in the Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008, as amended by Laws 3844/2010, 3845/2010, 3872/2010, 3965/2011, 4021/2011 and 4093/2012 and extended by a Ministerial decision issued on 24 January 2014, as follows:

(a) First stream - preference shares
345,500,000 non-voting preference shares with nominal value of € 950 million were subscribed to by the Hellenic Republic on 21 May 2009 (note 23).

(b) Second stream - bonds guaranteed by the Hellenic Republic
As at 31 March 2014, the government guaranteed bonds, of face value of € 13,932 million, were fully retained by the Bank and its subsidiaries (note 20).

(c) Third stream - lending of Greek Government bonds
Liquidity obtained under this stream must be used to fund mortgages and loans to small and medium-size enterprises. As at 31 March 2014, the Bank had borrowed special Greek Government bonds of € 1,918 million.

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

In addition, under Law 3756/2009, as amended by Law 3844/2010, and supplemented by Laws 3965/2011, 4063/2012, 4144/2013 and 4261/2014, any distribution of profits to ordinary shareholders of the banks participating in the first stream of the Greek Economy Liquidity Support Program for the financial years 2008 to 2013 could only take place in the form of ordinary shares, other than treasury shares. In addition, under Law 3756/2009, banks participating in the Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

6. Credit exposure to Greek sovereign debt

As at 31 March 2014, the total carrying value of Greek sovereign major exposures amounted to € 5,878 million (31 December 2013: € 5,878 million). This includes a) Treasury Bills of € 2,452 million (31 December 2013: € 2,574 million), b) GGBs of € 1,223 issued for the Greek State's subscription to the Preference Shares issued under Law 3723/2008 “Greek Economy Liquidity Support Program” (31 December 2013: €1,197 million). These GGBs were repaid in full in May 2014, c) other non PSI+ exchanged GGBs of € 870 million (31 December 2013: € 859 million), d) derivatives with the Greek State of € 745 million (31 December 2013: € 634 million), e) exposure of € 198 million relating with Greek Sovereign risk financial guarantee (31 December 2013: € 195 million), f) loans guaranteed by the Greek State of € 242 million (31 December 2013: € 238 million), g) loans to Greek local authorities and public organizations of € 96 million (31 December 2013: € 132 million), h) nGGBs of € 9 million included in trading portfolio (31 December 2013: € 9 million) and i) other receivables of € 43 million (31 December 2013: € 40 million).

7. Capital management

Eurobank's share capital increase and capital management

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

On 14 November 2013, the Bank announced the initiation of the process to raise approximately € 2 bn through a capital increase. On 14 January 2014, the Bank and HFSF announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework.

The capital needs of the Group were reassessed by the BoG based on the credit loss projections from BlackRock's 2013 diagnostic review and the estimated future ability of internal capital generation for the period June 2013-December 2016, based on a conservative adjustment of the Bank's restructuring plan submitted in November 2013. For this exercise, BlackRock assessed highly granular data for the banks' domestic loan portfolios, and also provided an evaluation of the loan books of the major foreign subsidiaries of Greek banks. The methodology used for the capital needs assessment was conservative and, to the extent possible, aligned to the envisaged approach of the recently commenced European Central Bank (ECB) Comprehensive Assessment. The capital needs were estimated using a minimum Core Tier I threshold of 8% for the baseline scenario and 5.5% for the adverse scenario, while the regulatory value of the deferred tax asset was limited to 20% of Core Tier I. On 8 April 2014, the BoG following a) the assessment of Eurobank's capital needs amounting to € 2,945 million under the baseline scenario, concluded on 6 March 2014 and b) the capital enhancement plan submitted by the Bank on 24 March 2014, whereby the Bank: i) revised its capital actions providing for an additional positive impact on regulatory capital of € 81 million and proposed to adjust the restructuring plan accordingly and ii) stated that it intends to cover the remaining capital needs through a share capital increase, notified the Bank that its Core Tier I capital should increase by € 2,864 million.

On 30 March 2014 the Greek Parliament under the Law 4254/2014 that amended Law 3864/2010, reformed the framework for the recapitalization of credit institutions operating in Greece. The most significant amendments made pursuant to Law 4254/2014 are set out below:

(a) The disposal of shares held by the HFSF may be conducted by selling shares of the credit institutions to the public or specific investors or group of investors;

(b) The HFSF may reduce its participation in the credit institutions through a share capital increase, by waiving its preemption rights or by selling them;

(c) The HFSF will determine the offer price and the minimum price of the share capital increase based on two valuation reports issued by two independent financial advisors of international standing and experience in similar matters and in particular valuations of credit institutions. The aforementioned specified prices may be lower than the acquisition price by the HFSF or the current market price of the shares;

(d) The HFSF will have restricted voting rights in the Bank’s General Assembly in case the private participation in the first capital increase to take place after the publication of Law 4254/2014 is at least equal to the 50% threshold set by this Law. Under this framework, the HFSF will cast its votes in the General Assembly only for decisions concerning the amendment of the Bank’s Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring increased majority as provided for in the company Law 2190/1920.

Following the assessment of Bank’s capital needs by BoG and according to the new recapitalisation framework, on 12 April 2014 the Bank’s Extraordinary Shareholders’ General Meeting approved the increase of the share capital of the Bank up to € 2,864 million through payment in cash or/and contribution in kind, the cancellation of the preemption rights of the Bank’s ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new ordinary registered shares, of a nominal value of € 0.30 each. The proceeds will be used to increase the Tier I Capital according to 8 April 2014 resolution of the BoG.

On 29 April 2014, the Bank announced that both the public offering of new ordinary registered shares to the public in Greece and the private placement of new ordinary registered shares to investors outside Greece were oversubscribed. The new shares have been listed on the main market of the Athens Exchange and their trading commenced on 9 May 2014. The successful completion of the Bank’s capital increase constitutes a step towards further strengthening its capital position and enhances its ability to support the Greek economy.

The Bank has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the European Union and the Bank of Greece in supervising the Bank. As of 1 January 2014 the capital adequacy calculation is based on Basel III (CRDIV) rules. Main differences of the new framework compared to Basel II concern the treatment of deferred tax asset, minorities and participation in insurance companies.

During the last years the Bank focused on the organic strengthening of its capital position by active derisking of lending portfolios through tighter credit policies and change in the portfolio mix in favour of more secured loans as well as by proceeding to several strategic initiatives to internally generate capital.

As at 31 March 2014, the Group's Common Equity Tier I ratio (Basel III (CRDIV) rules estimate) stands at 9.9% and proforma with the completion of the Bank’s share capital increase and the implementation of Basel II IRB credit risk methodology to NHPB’s mortgage portfolio at 17.7%.

Finally, the Bank is examining a number of additional initiatives for enhancing its capital base, associated with the restructuring, transformation or optimisation of operations, in Greece and abroad, that will generate or release further capital and/or reduce Risk Weighted Assets.

Restructuring plan

Following the completion of the Bank’s recapitalization process by HFSF in the second quarter 2013, the European Commission has asked that the Greek banks’ plans, are revisited and resubmitted for approval. These plans should cover a period until end 2018. On 29 April 2014, the European Commission approved the Bank’s restructuring plan, as it was submitted through the Greek Ministry of Finance on 16 April 2014. The Hellenic Republic has committed that the Bank will implement in particular specific measures and actions and will achieve objectives which are integral part of said restructuring plan.

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

Monitoring Trustee

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

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

8. Operating expenses

	31 March 2014 € million	31 March 2013 € million
Staff costs	(104)	(91)
Administrative expenses	(49)	(39)
Depreciation and impairment of property, plant and equipment	(10)	(7)
Amortisation of intangible assets	(4)	(4)
Operating lease rentals	(11)	(12)
Total	**(178)**	(153)

The average number of employees of the Bank during the period was 8,987 (31 March 2013: 7,205).
As at 31 March 2014, the number of branches of the Bank amounted to 550.

9. Impairment allowance for loans and advances to customers

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

	31 March 2014				
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Total € million
Balance at 1 January	2,402	964	2,057	1,298	6,721
Impairment loss for the period	151	35	119	115	420
Recoveries of amounts previously written off	0	-	1	-	1
Amounts written off	(2)	-	(0)	(0)	(2)
Unwinding of discount	(20)	(11)	(3)	(24)	(58)
Foreign exchange differences and other movements	2	(2)	(10)	0	(10)
Balance at 31 March	2,533	986	2,164	1,389	7,072

[1] *Credit cards balances are included*

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

	31 March 2014 € million	31 March 2013 € million
Impairment losses on bonds [(1)]	**(10)**	(8)
Reversal of impairment on Greek sovereign exposure	**-**	75
Other impairment losses	**(10)**	67
Reversal of provision for claims in dispute (note 27)	**103**	-
Expenses relating with NBG Voluntary Tender Offer	**-**	(17)
Loss on deemed disposal of Eurobank Properties (note 28)	**(49)**	-
Expenses relating with the acquisition of NHPB & New Proton	**(3)**	-
Other non recurring income/(expenses)	**51**	(17)
Total	**41**	50

[(1)] *Includes an amount of € 5 million for corporate bonds held by a Group's subsidiary and guaranteed by the Bank*

In the first quarter of 2013, the Bank proceeded with the reversal of an impairment loss of € 75 million, which was initially recognized in 2011, for a non-PSI exchanged Greek Government bond, which is expected to be repaid in full, after assessing the following quantitative and qualitative information available till the publication date of the interim financial statements: (a) Greece's credit rating upgrade by international rating agencies such as S&P and Fitch, which reflected the increasing prospects of stabilization and improvement of the Greek economy, (b) the continuous increase in the market value of Greek bonds signalling the consequent improvement of credit spreads, (c) that no credit event occurred since the PSI+ on Greek Government obligations and (d) a series of additional qualitative factors enhancing the prospects for improvement of the Greek economy, such as the activity in Greek corporate bonds market, Greek authorities' planning for Greece's return to international bond markets and the investors' interest for participation in the capital increases of Greek banks in the second quarter of 2013.

11. Income tax and non recurring tax adjustments

	31 March 2014 € million	31 March 2013 € million
Current tax	**(2)**	(3)
Deferred tax	**95**	82
Income tax	**93**	79
Change in nominal tax rates	**-**	591
Reversal of provisions for withholding tax claims	**43**	-
Recognition of DTA following Circular 1143/15.05.2014	**34**	-
Non recurring tax adjustments	**77**	591
Total tax (charge)/income from continuing operations	**170**	670
Total tax (charge)/income from discontinued operations	**18**	-
Total	**188**	670

According to Law 4172/2013, the nominal Greek corporate tax rate is 26% for income generated in accounting years 2014 and onwards. In addition, dividends distributed are subject to 10% withholding tax.

In May 2014, the Ministry of Finance with its Circular 1143/15.05.2014 provided clarifications for the application of tax Law 4172/2013. In particular, with the said Circular, it was clarified that the accumulated losses from shares and derivatives which had been recognised in accordance with the former tax Law 2238/1994 can be utilised for tax purposes (i.e. are added to the Bank's carried forward tax losses). Hence, as at 31 March 2014, the Bank recognised in income statement a one off deferred tax asset of € 34 million.

As at 31 March 2014, following a favorable Supreme Court decision, the Bank recognised a non recurring tax income of €43 million due to reversal of provisions in relation to withholding tax claims against the state.

The Bank has been audited by tax authorities up to 2009, has not been audited for 2010 and has obtained by external auditors unqualified tax certificate for years 2011 and 2012, in accordance with article 82 of Law 2238/1994, while tax audit from external auditors is in progress for 2013.

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

The movement on deferred income tax is as follows:

	31 March 2014 € million
Balance at 1 January	**3,024**
Income statement credit/(charge) from continued operations	129
Income statement credit/(charge) from discontinued operations	18
Available for sale investment securities	(2)
Cash flow hedges	(1)
Other	11
Balance at 31 March	**3,179**

Deferred income tax asset is attributable to the following items:

	31 March 2014 € million
PSI+ tax related losses	1,245
Loan impairment	1,317
Unused tax losses	338
Share capital increase and LME expenses	46
Cash flow hedges	30
Changes in fair value accounted through the income statement & other temporary differences	203
Net deferred income tax asset	**3,179**

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

	31 March 2014 € million
Loan impairment	64
Unused tax losses	27
Tax deductible PSI+ losses	(11)
Change in fair value & other temporary differences	67
Deferred income tax (charge)/credit	**147**

As at 31 March 2014, the Bank recognized net deferred tax assets amounting to € 3.2 billion as follows:

(a) € 1,245 million refer to losses resulted from the Bank's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;

(b) € 1,317 million refer to temporary differences arising from loan impairment that can be utilised in future periods with no specified time limit and according to current tax legislation;

(c) € 338 million refer to unused tax losses. The ability to utilize tax losses carried forward mainly expires in 2018;

(d) € 279 million refer to other temporary differences the majority of which can be utilized in future periods with no specified time limit and according to current tax legislation.

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

In particular, for tax losses for which there is a time constraint to be utilised, the management expects, in accordance with its 5-year period business plan, that the Bank will have sufficient taxable profits to offset them. The key drivers of Bank's future taxable profits refer to the expected decrease of the cost of funding and the operating expenses, following the completion of VES (voluntary exit scheme) as well as the closing of branches within the framework of its network rationalization. In addition, the estimated synergies from the integration of NHPB & NPB, as well as the gradual decrease of the cost of risk, following the normalisation of macroeconomic conditions and the strategic priority of the Bank to the remedial management are expected to be significant contributors to the increase of future taxable profits.

12. Discontinued operations

Disposal of Polish operations

Based on the terms of the Investment Agreement signed with Raiffeisen Bank International AG (RBI) in February 2011, the Bank recorded the disposal of its Polish operations as of 31 March 2011.

On 30 April 2012, the Bank transferred 70% of its Polish banking subsidiary (Polbank) to RBI after obtaining the relevant approvals from the Polish Financial Supervision Authority (KNF) and exercised its put option on its remaining 13% stake in Raiffeisen Polbank. As of 30 April 2012, Polbank and RBI Poland (RBI's Polish banking subsidiary) are combined. The consideration receivable was subject to a) adjustments based on the Net Asset Value of Polbank at the closing of the transaction and b) the credit performance of the disposed mortgage loan portfolio.

By the end of March 2014 the Bank has received € 814 million in cash, of which € 178 million in February 2014. In April 2014, an agreement was reached with RBI and the Bank received an additional amount of € 30 million in settlement of the remaining consideration receivable of € 100 million. Hence, as at 31 March 2014 the gain on the disposal of Polish operations was adjusted with € 70 million losses, before tax (€ 51.8 million losses, after tax), while the relating provision recognized in 2013 based on management's estimates of the final amount of the consideration to be received was released accordingly.

13. Loans and advances to customers

	31 March 2014 € million	31 December 2013 € million
Wholesale lending	**15,008**	15,071
Mortgage lending	**16,928**	17,019
Consumer lending [1]	**5,586**	5,722
Small business lending	**6,382**	6,377
Gross loans and advances to customers	**43,904**	44,189
Less: Impairment allowance (note 9)	**(7,072)**	(6,721)
	36,832	37,468

[1] *Credit cards balances are included*

14. Investment securities

	31 March 2014 € million	31 December 2013 € million
Available-for-sale investment securities	**701**	1,219
Debt securities lending portfolio	**15,050**	13,375
Held-to-maturity investment securities	**403**	414
	16,154	15,008

In 2008 and 2010, in accordance with the amendments to IAS 39, the Bank reclassified eligible debt securities from the "Available-for-sale" portfolio to "Debt securities lending" portfolio carried at amortised cost. Interest on the reclassified securities continued to be recognised in interest income using the effective interest rate method. As at 31 March 2014, the carrying amount of the reclassified securities was € 948 million. If the financial assets had not been reclassified, changes in the fair value for the period from the reclassification date until 31 March 2014 would have resulted in € 301 million losses net of tax, which would have been recognised in the available-for-sale revaluation reserve.

	31 March 2014			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Debt securities				
- EFSF bonds	-	10,097	-	10,097
- Greek government bonds	5	2,088	-	2,093
- Greek government treasury bills	10	2,146	-	2,156
- Other government bonds	188	368	80	636
- Other issuers	284	351	323	958
	487	15,050	403	15,940
Equity securities	214	-	-	214
Total	701	15,050	403	16,154

	31 December 2013			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Debt securities				
- EFSF bonds	6	10,080	-	10,086
- Greek government bonds	4	2,052	-	2,056
- Greek government treasury bills	489	554	-	1,043
- Other government bonds	192	371	79	642
- Other issuers	311	318	335	964
	1,002	13,375	414	14,791
Equity securities	217	-	-	217
Total	1,219	13,375	414	15,008

15. Investment property

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

	31 March 2014 € million
Cost:	
Balance at 1 January	62
Additions	0
Balance at 31 March	62
Accumulated depreciation:	
Balance at 1 January	(5)
Charge for the year	(0)
Balance at 31 March	(5)
Net book value at 31 March	57

16. Shares in subsidiary undertakings

Eurobank Properties R.E.I.C., Greece

Following the completion of the transaction with Fairfax Financial Holdings Limited (note 28), the Bank's ownership interest to Eurobank Properties decreased from 55.56% to 33.47% without loss of control.

17. Other assets

	31 March 2014 € million	31 December 2013 € million
Receivable from Deposit Guarantee and Investment Fund	**661**	657
Repossessed properties and relative prepayments	**342**	340
Pledged amount for a Greek sovereign risk financial guarantee	**252**	250
Income tax receivable	**245**	203
Prepaid expenses and accrued income	**33**	50
Other assets	**251**	243
	1,784	1,743

As at 31 March 2014, other assets amounting to € 251 million (31 December 2013: € 243 million) mainly consist of receivables from (a) settlement balances with customers, (b) guarantees, (c) public entities and (d) fraudulent and legal cases.

18. Due to central banks and other banks

	31 March 2014 € million	31 December 2013 € million
Secured borrowing from ECB and BoG	**16,290**	16,887
Secured borrowing from other banks	**11,008**	10,551
Secured borrowing from international financial institutions	**222**	237
Interbank takings	**1,340**	1,332
Current accounts and settlement balances with banks	**54**	76
	28,914	29,083

19. Due to customers

	31 March 2014 € million	31 December 2013 € million
Term deposits	**21,241**	21,899
Savings and current accounts	**10,446**	10,646
Repurchase agreements	**1,410**	1,407
Other term products	**52**	-
	33,149	33,952

20. Debt issued and other borrowed funds

	31 March 2014 € million	31 December 2013 € million
Securitised	**1,080**	1,117
Subordinated	**215**	-
Medium-term notes (EMTN)	**61**	344
Covered bonds	**0**	0
Government guaranteed bonds	**0**	0
	1,356	1,461

Asset Backed Securities

In January 2014, the Bank proceeded with the redemption of securitized notes of face value € 26 million acquired from NHPB, at their carrying amount.

Subordinated (Lower TIER II)

In March 2014, the Board of Directors of the Bank decided the substitution of the issuer ERB Hellas (Cayman Islands) LTD (Bank's SPV) with the Bank in relation to the Lower Tier II unsecured subordinated notes.

Medium-term notes (EMTN)

During the period, the Bank proceeded with the redemption of notes of face value of € 289 million, issued under its EMTN Program.

Covered bonds and Government guaranteed bonds

As at 31 March 2014, government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 5), as well as the covered bonds, of face value of € 13,932 million and € 3,550 million respectively, were fully retained by the Bank and its subsidiaries. In March 2014 the Bank proceeded with the redemption of covered bonds of face value of € 250 million.

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

21. Other liabilities

	31 March 2014 € million	31 December 2013 € million
Provision for financial guarantees	79	75
Other provisions	83	185
Deferred income and accrued expenses	57	56
Standard legal staff retirement indemnity obligations	22	21
Other liabilities	206	280
	447	617

As at 31 March 2014, other provisions amounting to € 83 million (31 December 2013: € 185 million) consist of amounts for (a) outstanding litigations of € 47 million (31 December 2013: € 149 million) (note 27) (b) letter of guarantees of € 23 million (31 December 2013: € 23 million) (c) operational risk events of € 10 million (31 December 2013: € 9 million) (d) untaken vacation indemnity of € 2 million (31 December 2013: € 2 million) and (e) other provisions of € 1 million (31 December 2013: € 2 million).

As at 31 March 2014, other liabilities amounting to € 206 million (31 December 2013: € 280 million) mainly consist of payables relating with (a) suppliers and creditors, (b) bank checks and remittances, (c) contributions to insurance organisations, (d) duties and other taxes and (e) credit card transactions under settlement.

22. Ordinary share capital and share premium

The par value of the Bank's shares is € 0.30 per share (31 December 2013: € 0.30). All shares are fully paid.

The outstanding amount of ordinary share capital, share premium and the number of shares issued by the Bank as at 31 March 2014 is as follows:

	Ordinary share capital € million	Share premium € million	Number of shares Issued ordinary shares
Balance at 31 March 2014	**1,641**	**6,669**	**5,469,166,865**

Post Balance sheet event

On 12 April 2014, the Extraordinary Shareholders General Meeting:

(a) approved the increase of the share capital of the Bank up to its capital requirements, as these had been specified from the BoG, namely up to € 2,864 million, through payment in cash or/and contribution in kind, the cancellation of the preemption rights of the Bank's ordinary shareholders, including HFSF, and the only preference shareholder, namely the Greek State, and the issuance of up to 9,546,666,667 new common shares, of a nominal value of € 0.30 each, at an offer price of not less than the nominal value and the minimum price that the General Council of the HFSF would specify in accordance with Law 3864/2010

(b) approved the New Shares to be offered via a private placement outside of Greece (the "International Offering") and through a public offer to the public in Greece (the "Public Offering")

(c) authorized the BoD to determine the offer price, the amount of the nominal increase and the number of new shares, to further specify and finalize the structure and the terms of the increase and the offering of the new shares, to adjust, by its resolution for the certification of the share capital Increase, articles 5 and 6 of the Bank's articles of association, and generally, to carry out at its discretion any act or action which is needed, necessary or appropriate to implement the resolutions of the EGM and completion of the increase.

Pursuant to the aforementioned resolutions of the EGM as well as the 29 April and 6 May 2014 Board resolutions:

(i) the share capital of the Bank is increased by € 2,772 million by issuing 9,238,709,677 new shares, of which 8,314,838,710 were allocated to investors participating in the International Offering and 923,870,967 to investors participating in the Public Offering, with a nominal value of € 0.30 each, and

(ii) the share premium is increased by € 92 million.

Incremental costs directly attributable to the aforementioned capital increase of € 2,864 million amounted to € 109 million.

Treasury shares

Under Law 3756/2009, banks participating in the Government's Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

23. Preference shares

Preference Shares		
Number of shares	31 March 2014 € million	31 December 2013 € million
345,500,000	950	950

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

The preference shares pay a non-cumulative coupon of 10%, subject to meeting minimum capital adequacy requirements, set by Bank of Greece, availability of distributable reserves in accordance with article 44a of Company Law 2190/1920 and the approval of the Annual General Meeting. According to Law 3723/2008, as in force, five years after the issue of the preference shares or earlier subject to the approval of the Bank of Greece, the Bank may redeem the preference shares at their nominal value. In case of non redemption at the expiration of the five year period, the coupon is increased by 2% each year.

Based on the 2013 results and Law 3723/2008 in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted.

24. Hybrid capital

The outstanding amount of hybrid capital issued by the Bank, in the form of preferred securities, through its Special Purpose Entity, ERB Hellas Funding Limited, as at 31 March 2014 is analyzed as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 31 March 2014	**72**	**151**	**154**	**21**	**398**

The rate of preferred dividends for the Tier I Issue series A has been determined at 1.909% for the period 18 March 2014 to 17 March 2015.

As at 31 March 2014, the Series E of preferred securities amounting to € 59 million was fully retained by the Bank.

On 23 December 2013, ERB Hellas Funding Ltd (Eurobank's SPV) announced the non payment of the non-cumulative preferred dividend on the preferred securities of Series A, Series C and Series D, which otherwise would have been paid on 18 March 2014, 9 January 2014 and 29 January 2014, respectively.

On 26 March 2014, ERB Hellas Funding Ltd announced the non payment of the non-cumulative preferred dividend on the preferred securities of Series C and Series D, which otherwise would have been paid on 9 April 2014 and 29 April 2014, respectively.

25. Fair value of financial assets and liabilities

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

Financial instruments carried at fair value

Trading assets, derivatives and other transactions undertaken for trading purposes, as well as available-for-sale securities and assets and liabilities designated at fair-value-through-profit-or-loss are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, the fair values are estimated using valuation techniques.

These financial instruments carried at fair value are categorised into the three levels of the fair value hierarchy as at 31 March 2014 based on whether the inputs to the fair values are observable or unobservable, as follows:

a) Level 1 – Financial instruments measured based on quoted prices in active markets for identical financial instruments that an entity can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. These include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds and unit-linked products that have regularly and frequently published quotes.

b) Level 2 – Financial instruments measured using valuation techniques with the following inputs: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and iv) may also include other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments mainly include over-the-counter (OTC) derivatives and less-liquid debt instruments.

c) Level 3 – Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equities and bond loans.

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

	31 March 2014			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	**26**	**37**	**0**	**63**
Derivative financial instruments	**0**	**1,371**	**7**	**1,378**
Available-for-sale investment securities	**450**	**4**	**247**	**701**
Total financial assets	**476**	**1,412**	**254**	**2,142**
Financial liabilities measured at fair value:				
Derivative financial instruments	**1**	**1,708**	**-**	**1,709**
Due to customers:				
- Structured deposits	**-**	**149**	**-**	**149**
Trading liabilities	**4**	**-**	**-**	**4**
Total financial liabilities	**5**	**1,857**	**-**	**1,862**

	31 December 2013			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	25	37	0	62
Derivative financial instruments	0	1,260	-	1,260
Available-for-sale investment securities	962	7	250	1,219
Total financial assets	987	1,304	250	2,541
Financial liabilities measured at fair value:				
Derivative financial instruments	1	1,553	-	1,554
Due to customers:				
- Structured deposits	-	152	-	152
Trading liabilities	0	-	-	0
Total financial liabilities	1	1,705	-	1,706

The Bank recognizes transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected. There were no transfers between Level 1 and 2 and vice versa, as well as, no changes in valuation techniques used, during the period ended 31 March 2014.

Following the management's review of the fair value hierarchy categorisation, the Bank transferred during the period ended 31 March 2014 derivative instruments of € 7 million from Level 2 to Level 3, which are valued using valuation techniques, where the CVA calculation is based on unobservable inputs that result in a CVA adjustment significant to the entire fair value of the derivative.

Reconciliation of Level 3 fair value measurements

	31 March 2014 € million
Balance at 1 January	**250**
Transfers into Level 3	**7**
Total loss for the period included in profit or loss	**(5)**
Foreign exchange differences	**2**
Balance at 31 March	**254**

The loss of € 5 million for the period ended 31 March 2014 is presented in line 'Other impairment losses' in the Bank's income statement.

Bank's valuation processes

The Bank uses widely recognized valuation models for determining the fair value of common financial instruments, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment.

Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

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

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

Valuation techniques

OTC derivative financial instruments are fair valued by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate. Bilateral credit risk adjustments consider the expected cash flows between the Bank and its counterparties under the relevant terms of the derivative instruments and the effect of the credit risk on the valuation of these cash flows. As appropriate in circumstances, the Bank considers also the effect of any credit risk mitigating arrangements, including collateral agreements and master netting agreements on the calculation of credit risk valuation adjustments (CVAs). CVA calculation uses probabilities of default (PDs) based on observable market data as credit default swaps (CDS) spreads, where appropriate, or based on internal rating models. The Bank applies similar methodology for the calculation of debit-value-adjustments (DVAs), when applicable. Where valuation techniques are based on internal rating models and the relevant CVA is significant to the entire fair value measurement, such derivative instruments are categorized as Level 3 in the fair value hierarchy. The main unobservable input used in their valuation is the recovery rate which was within the range of 50% to 60% for the period ended 31 March 2014. A reasonably possible change of 3% in the recovery rate used would not have a significant effect on their fair value measurement.

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

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

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

The fair values of unquoted available-for-sale bond loans are estimated by discounting the future cash flows, over the time period they are expected to be recovered, including the realisation of any collateral held. In valuing these loans, the Bank makes assumptions on expected recoverable amounts and timing of collateral realisation. The main unobservable input used in their valuation is the recovery rate which on average was 50% for the period ended 31 March 2014. A reasonably possible change of 3% in the recovery rate used would not have a significant effect on their fair value measurement.

Financial instruments not carried at fair value

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

	31 March 2014	
	Carrying amount € million	Fair value € million
Loans and advances to customers	**36,832**	**36,890**
Investment securities		
- Debt securities lending portfolio	**15,050**	**14,653**
- Held to maturity securities	**403**	**370**
Total financial assets	**52,285**	**51,913**
Debt issued and other borrowed funds held by third party investors	**474**	**362**
Total financial liabilities	**474**	**362**

	31 December 2013	
	Carrying amount € million	Fair value € million
Loans and advances to customers	37,468	37,530
Investment securities		
- Debt securities lending portfolio	13,375	12,916
- Held to maturity securities	414	371
Total financial assets	51,257	50,817
Debt issued and other borrowed funds held by third party investors	295	237
Total financial liabilities	295	237

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

a) Loans and advances to customers: for loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Bank makes assumptions on expected prepayments, product spreads and timing of collateral realisation. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate.

b) Investment securities carried at amortised cost: the fair values of financial investments are determined using prices quoted in an active market when these are available. In other cases, fair values are determined using quoted market prices for securities with similar credit risk, maturity and yield or by using the discounted cash flows method.

c) Debt issued and other borrowed funds: the fair values of the debt issued and other borrowed funds are determined using quoted market prices, if available. If quoted prices are not available, fair values are determined based on quotes for similar debt securities or by discounting the expected cash flows at a risk-adjusted rate.

For other financial instruments which are short term or re-price at frequent intervals (cash and balances with central banks, loans and advances to banks, due to central and other banks and due to customers), the carrying amounts represent reasonable approximations of fair values.

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

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

	31 March 2014 € million	31 December 2013 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	361	444
Loans and advances to banks	516	773
Financial instruments at fair value through profit or loss	0	1
	877	1,218

Certain adjustments presented in operating activities are analysed as follows:

Other (income)/losses on investment securities:

	31 March 2014 € million	31 March 2013 € million
Amortisation of premiums/discounts and accrued interest	(45)	(1)
(Gains)/losses from sale	(7)	(5)
Dividends	(0)	(0)
	(52)	(6)

27. Contingent liabilities and other commitments

	31 March 2014 € million	31 December 2013 € million
Guarantees and standby letters of credit	2,203	2,851
Other guarantees and commitments to extend credit	577	645
Documentary credits	14	13
Capital expenditure	10	4
	2,804	3,513

Legal Proceedings

As at 31 March 2014, there were a number of legal proceedings outstanding against the Bank for which a provision of € 47 million was recorded (31 December 2013: € 149 million). As at 31 March 2014, the Bank proceeded with the release of the provision of € 103 million, recognized in 2013 based on the management's estimates of the final amount of the consideration to be received for the disposal of Polish operations (note 12).

28. Other significant and post balance sheet events

Transaction with Fairfax Financial Holdings Limited on Eurobank Properties R.E.I.C.

On 19 June 2013, Eurobank and Fairfax Financial Holdings Limited ("Fairfax") announced that they agreed on the principal terms of a proposed transaction aiming to further strengthen their relationship as shareholders of Eurobank Properties R.E.I.C. ("Eurobank Properties") and broaden in parallel considerably the ability and resources of Eurobank Properties to become the leading real estate company in Greece and the surrounding region.

On 17 October 2013, Eurobank and Fairfax concluded final binding documentation and received certain key regulatory approvals regarding their cooperation as shareholders of Eurobank Properties.

Under the basic terms of the agreement:

(a) Eurobank Properties would proceed with a share capital increase (the "Rights Issue") to raise € 193 million, approximately, with preemption rights in favour of Eurobank Properties' existing shareholders (the "Rights") at an offer price of € 4.80 per new share,

(b) Fairfax undertook to purchase Eurobank's Rights at an aggregate cash consideration of approximately € 20 million and to exercise the purchased Rights as well as its own Rights, thereby investing approximately € 144 million in the Rights Issue. As a result of the Rights exercise, Fairfax would increase its participation in Eurobank Properties to approximately 41% (from approximately 19% held at 31 December 2013) and the Bank would hold approximately 33.5% assuming that all other shareholders of Eurobank Properties would exercise their Rights; and

(c) Eurobank and Fairfax would cooperate so that, until 30 June 2020, Eurobank will retain management control and will fully consolidate Eurobank Properties, while Fairfax will be represented in the board of directors of Eurobank Properties and hold customary veto rights for transactions of this type. These agreements will be in force for as long as Eurobank's participation in Eurobank Properties remains above 20%; following which management control will automatically pass to Fairfax and Eurobank will retain customary veto rights depending on the level of its shareholding in Eurobank Properties.

Pursuant to the aforementioned investment agreement, on 21 January 2014, Fairfax's subsidiaries acquired from the Bank the 33,888,849 pre-emption rights regarding the share capital increase of Eurobank Properties for a total consideration of € 19,994,420.91, i.e. € 0.59 per pre-emption right. Accordingly, the carrying amount of the Bank's participation in Eurobank Properties decreased by € 69 million (i.e. the deemed cost of the said pre-emption rights) and a loss of € 49 million was recognized in the income statement.

The share capital increase of Eurobank Properties was fully covered through the payment in cash and amounted to € 193 million. As a result, on 6 February 2014, 40,260,000 new common shares were issued.

Following the completion of the transaction, the Bank's ownership interest to Eurobank Properties decreased from 55.56% to 33.47%, while Group's ownership decreased from 55.94% to 33.95% without loss of control.

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

Note 6 - Credit exposure to Greek sovereign debt
Note 7 – Capital management
Note 12 – Discontinued operations
Note 22 – Ordinary share capital and share premium
Note 29 – Related parties

29. Related parties

In May 2013, following its full subscription in the Bank's recapitalisation of € 5,839 million, the HFSF became the controlling shareholder and a related party of the Bank. On 19 June 2013, HFSF acquired 3,789,317,358 Bank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the percentage of the voting rights held by HFSF increased to 95.23%.

On 12 July 2013, Eurobank signed with HFSF, a relationship framework agreement (RFA) that determines covenants governing the relationship between the Bank and the HFSF and the matters related with, amongst others, the corporate governance of the Bank and the development and approval of the Restructuring Plan. On 26 August 2013, the RFA was approved by the Extraordinary General Meeting in accordance with Law 2190/1920 article 23a. Subject to this agreement, the Bank's decision making bodies will continue to determine independently, amongst others, the Bank's commercial strategy and policy (including business plans and budgets) in compliance with the Restructuring Plan and the decision on day-to-day operation of the Bank will continue to rest with the Bank's competent bodies and officers, as the case may be, in accordance with their statutory, legal and fiduciary responsibilities.

The Bank regards other Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, their close family members and entities controlled or jointly controlled by the above mentioned persons, as related parties.

The Bank's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms and are not influenced by the HFSF as the controlling shareholder of the Bank. As at 31 March 2014, the Bank's transactions with the Groups of Piraeus Bank, National Bank of Greece and Alpha Bank relate to interbank receivables of € 0.7 million (31

December 2013 € 5.7 million), an investment securities portfolio of € 36.8 million (31 December 2013 € 40.5 million) and trading portfolio of € 2.2 million (31 December 2013 € 0.2 million).

Other than the aforementioned transactions with HFSF related Greek banks, a number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Bank at times may hold positions in debt and equity instruments of related parties. The outstanding balances and the said related party transactions and the relating income and expenses are as follows:

	31 March 2014				31 December 2013			
	Subsidiaries € million	Key management personnel (KMP)[1] € million	Entities controlled by KMP, associates & joint ventures € million	HFSF € million	Subsidiaries € million	Key management personnel (KMP)[1] € million	Entities controlled by KMP, associates & joint ventures € million	HFSF € million
Loans and advances to banks	4,370	-	-	-	5,964	-	-	-
Financial Instruments at fair value through P&L	36	-	-	-	36	-	-	-
Derivative Financial instruments assets	9	-	-	-	16	-	-	-
Investment Securities	186	-	-	-	136	-	-	-
Loans & advances to customers, net of provision [3]	1,878	3	16	0	1,899	3	16	0
Other assets[2]	13	-	-	2	17	-	-	2
Due to banks	2,711	-	-	-	2,514	-	-	-
Derivative Financial instruments liabilities	7	-	-	-	3	-	-	-
Due to customers	1,585	5	8	0	1,710	6	8	0
Debt issued and other borrowed funds	883	-	-	-	1,166	-	-	-
Other liabilities	18	-	-	-	19	-	-	-
Guarantees issued	1,559	-	-	-	2,217	-	-	-
Guarantees received	-	0	-	-	0	0	-	-
	three months ended 31 March 2014				three months ended 31 March 2013			
Net interest income	6	(0)	0	-	(8)	(0)	(0)	-
Net banking fee and commission income	2	-	-	-	8	0	0	-
Net trading income	(1)	-	-	-	(1)	-	-	-
Other operating income/(expense)	(5)	-	(0)	-	(5)	-	(0)	-
Impairment losses on loans and advances to customers	(4)	-	-	-	(5)	-	-	-

[1] Key management personnel includes directors and key management personnel of the Bank and its controlling shareholder and their close family members. As at 31 March 2014, the outstanding balances of the transactions with key management personnel and the relating income and expenses of HFSF are immaterial.

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

[3] Including an impairment allowance of € 50 million against loans balances with a Group's Subsidiary and of € 8.5 million against loans balances with a Group's joint venture.

In relation to the Letters of Guarantee issued, the Bank has received cash collateral of € 155 million as at 31 March 2014 (31 December 2013: €475 million) which is included in Due to Customers.

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

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 1.28 million (31 March 2013: € 1.5 million) and long-term employee benefits (excluding share-based payments) of € 0.14 million (31 March 2013: € 0.1 million). Additionally, income of € 0.13 million relating with forfeited share options has been recognized in income statement as at 31 March 2014 (31 March 2013: € 0.15 million).

Post Balance Sheet event

Following the completion of Bank's share capital increase (note 22) 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 recently amended by Law 4254/2014, the HFSF's voting rights in the Bank's General Assemblies are no longer full but have been switched to restricted ones (note 7). As a result of the above, the HFSF is no more the controlling shareholder of the Bank but is considered to have significant influence over it, remaining therefore its related party.

Accordingly, the members of key management personnel of HFSF, their close family members and entities controlled or jointly controlled by the above mentioned persons continue being regarded as related parties to the Bank, whereas Greek Banks significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, cease to be regarded as such.

In addition, in the context of the amended HFSF Law, HFSF has undertaken (a) to enter into a new relationship framework agreement with Eurobank similar to that of the other systemic banks and (b) not to sell any shares that it holds in Eurobank for a period of 6 months after the offering.

30. Dividends

Final dividends are not accounted for until they have been ratified by the Annual General Meeting.

Under Law 3756/2009, as amended by Law 3844/2010, and supplemented by Laws 3965/2011, 4063/2012, 4144/2013 and 4261/2014, any distribution of profits to ordinary shareholders of the banks participating in the first stream of the Greek Economy Liquidity Support Program for the financial years 2008 to 2013 could only take place in the form of ordinary shares, other than treasury shares. Based on the 2013 results and Law 3723/2008 in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted (note 23).

Athens, 28 May 2014

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