INVESTMENT BANK OF GREECE

ANNUAL FINANCIAL REPORT

1 January - 31 December 2014

In accordance with International Financial Reporting Standards

INVESTMENT BANK OF GREECE SA

32, AIGIALEIAS & PARADISSOU STR. – 151 25 MAROUSSI

Regulated by the Bank of Greece (License No: 52/2/17.12.99)

Registration Number of Hellenic Business Registry: 003664201000

Tax Registration No: EL099369013, Athens Tax Office for Societes Anonymes

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DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors is in a position, to present the financial statements of **INVESTMENT BANK OF GREECE S.A.** for the year ended 31 December 2014.
Provided services and products cover the whole range of modern businesses and investors' financial needs, namely brokerage services, foreign stock and capital markets access services, equity research services, consulting services, limited commercial banking products and services and investment banking services. The Bank is a registered member of both, the Athens Stock Exchange and the Cyprus Stock Exchange. Based on its long term expertise and IT, the Bank offers investments loans, deposits, banking services, and access to the Greek and foreign money markets and capital markets, advisory services, asset management services and investment banking services to institutional, corporate and individual investors. As member of the European Securities Network (ESN), it offers on an international level, top notch analysis for the major Greek and European companies.

In 2014, the Bank ranked among the top 6 companies in Athens Stock Exchange (share & bond markets). Investment Bank of Greece is also a member of the Athens Derivatives Exchange, holding a Type B Market Maker/Trader status, occupying the second place in the relevant ranking list in 2014.

2014 ECONOMIC DEVELOPMENTS

Following six years of unprecedented recession and moving to the fifth year of the largest fiscal adjustment that has been implemented in any developed country over the four last decades, the Greek Economy has returned in 2014, within negative inflation (-1,3%) for second year in row, in a low, but positive economic activity growth. Published quarterly GDP figures show a de-escalation of the recession since the first quarter of 2014 resulting in a positive growth rate of 0,8% for the year, for the first time since 2007, from -3,9% for 2013 , -7,0% for 2012 and -7,1% for 2011 (Source: Bank of Greece). Goods and services exports growth and private sector consumption constitute the main reasons for this change. Important positive contribution is also attributed to recovery of 0,3% for total employment and of 2,3% for paid employment, while the unemployment rate declined by 3,3%, for the first time since 2008. Despite all these, the unemployment rate remains the highest in the Eurozone. More specifically, the unemployment rate for December moved to 26,0% from December 2013 figure of 27,3% and November 2014 figure of 25,9%. For 2014 the unemployment rate according to Hellenic Statistical Authority is 27,2%, while the respective figure of 2013 was 26,8%.

Given the above and combined with the decrease of Public's and of Current Accounts Balance high deficits, together with the implementation of important structural reforms, it is arguable that the basic conditions for the Greek economy's crisis exit and beginning of growth exist. According to International Monetary Fund (IMF) forecasts and before the uncertainty created following the new Government's election and the current ongoing negotiations with the partners, the real GDP was expected to grow by 2,9% for 2015, 3,7% for 2016 and 3,5% for 2017. With regards to the unemployment ratio, the estimates were 23,8% for 2015, 20,9% for 2016 and 18,6% for 2017. According to the same estimates, exports were expected to rise 5,2% for 2015, 4,7% for 2016 and 4,5% for 2017.

However, this positive outlook is shadowed by the extension of uncertainty with regards to the outcome of the negotiations with the partners, which began shortly after the newly formed Government's take over. There is no safe estimate for the outcome. A permanent and long-term agreement will provide a better view of the future.

With regards to the Greek Banking System, the strengthening of their capital base together with the pre-provisions profitability, the initial measures for the non-performing loans management and the activation of the Single Supervisory Mechanism (SSM) in November 2014, were the main sector developments in 2014. Nevertheless, we can't deny the present political uncertainty which it has postponed the anticipated recovery, mainly due the deposits bank run, that according to estimations amount to €24bil., which equals to 15% of November deposits, and of the NPLs acceleration. The Banks re-entered to "crisis management" mode, instead of focusing on credit expansion and NPLs management.

The Average Daily Turnover in the Greek stock and bond market reached €127 mil. 2014, increased by 47%. We need to note that the trading activity in Q4 2014 declined by 25%, at €110 mil., reflecting the political environment instability, due to the forthcoming elections for the President of the Hellenic Republic. The coalition Government's candidate failed to receive the required 180 votes, leading the country to early elections and the selection of a new Government. The election of the new Government and the negotiations with the partners lead the market to turmoil and high volatility with the Average Daily Volume reaching €84mil. The volatility and the turnover pressure is expected to continue, with possible recovery and improvement of market conditions starting from the third quarter of 2015 and onwards. There is a sense that when things get clear and the Government achieves a long-term deal, a relief rally will follow and prices will reach the same levels as at before the Presidential elections.

The Cypriot economy during 2014 showed signs of improvement compared to 2013, when the collapse of the Cypriot banking system took place. Following the negative change rate of 5,4%, recorded in 2013, during the first semester of 2014 further decline occurred, but lower than the expected, with the GDP dropping by 3%.

Within the framework of the Euro system forecasts, BOC expects a GDP shrinkage of 2,6% in 2014 for the Cypriot economy, with a low recovery of 0,8% and 2,1% in 2015 and in 2016 respectively. Inflation is expected to remain at marginal negative levels of -0,1% for 2014, mirroring the GDP trend, and being marginally positive for 2015 and 2016 reaching 0,2% and 1,3% respectively. In correlation to the shrinkage of the economic activity, employment declined by 2,8% in Q1 2014, compared to 5,4% decline in Q1 2013 and of total decline of 5,3% on an annual basis.

2014 RESULTS

Within the continuing adverse economic environment, the Bank managed not only to stabilize its operations, but to achieve notable progress in several sections. The Bank maintained its market share in the stock exchange transactions (5,01%), while new products were added, such as the distribution of highly ranked foreign Mutual Funds and added an offering in Private Banking services. At the same time the cost rationalisation plan of personnel expenses and operating expenses was successfully implemented.
Despite the high decline (-16,60%) of EBIT, which dropped to €1,8mil for 2014, compared to €2,2mil in 2013, as a result of the loans portfolio transfer to Piraeus Bank, the continuing operational cost minimization in 2014 at €10,4mill, compared to €13,0mil mil 2013 (-20,2%) resulted to a loss before provisions and taxes of €813K compared to a loss of €1,6mil in 2013. Part of this is attributed to unused personnel annual leaves payment of €408K for unused annual leaves for the period from 2009 to 2013. This has also resulted to the decrease of the Banks total outstanding provisions by €512K. Following the loan portfolio transfer to Piraeus Bank, net loans and advances to customers decreased to €17,1mil compared to €19,0mil in 2013. Respectively, loans provisions extra charge for 2014 reached €0,3mil for 2014, compared to €1,1mil charge in 2013, decreased by 76% on an annual basis.
Net commission income increased by 8,0% on an annual basis, from €5,3mil in 2013 to €5,7mil in 2014, due to the fact that IBG has maintained its operational activity. Losses after tax were €2,97mil in 2014 compared to €20,45mil in 2013. The largest portion comes from the additional impairment (€1,8mil) for IBG's subsidiaries investments in Hellenic Fund III and THERMI-TANEO VENTURE CAPITAL FUND which invest in renewable energy resources firms which currently have highly negative price volatility. A significant part of other provisions refer to legal cases which the Bank is closely monitoring. The total provisions for the year were €2,1mil.

DIVIDEND POLICY

The Board of Directors of the Bank will recommend to the Annual General Assembly of the Ordinary Shareholders not to distribute any dividend in the current fiscal year.

REGULATORY RATIOS

Despite Basel II tight requirements Bank's capital adequacy ratio increased to 41,87%, vs. 46,48% in 2013 (well above the Bank of Greece threshold of 9%), being one of the highest capital adequacy ratios, both in Greece and in Europe. The capital adequacy is significantly higher (68,36%) after receipt of the receivable of €58,1mil from Piraeus Banks and CPB (January 2015) and its deposit to financial institution.
The Bank's liquidity stands at a satisfactory level. Liquidity ratios, established under Bank of Greece Governor's Act 2560/1.4.2005, in relation to the supervisory framework on the liquidity of the banking institutions, remained at satisfactory levels in 2014. Acid ratio reached 43,62%, vs. minimum required level of 20%, while liquidity gap ratio stood at -10,01%, vs minimum required level of -20%.

RISK MANAGEMENT

The Bank continues to focus primarily on fee and commission income generating activities, therefore its relative exposure to market risk is limited. As far as liquidity risk is concerned, the Bank regularly monitors the liquidity pressures affecting the banking system, which given the nature of the Bank's operations, mainly arise from deposit outflows.

Credit risk stemming from Bank's loan portfolio is limited, both due to its size and composition, which is mainly consisted of margin trading accounts, fully collateralized by equities. The Management has opted to maintain loan portfolio quality and volume to the best possible extent.

Finally, regarding interest rate and currency risk, the Bank maintains the necessary control mechanisms, systematically conducts stress tests, while maintain limited exposure.

BANK'S ACTIVITY IN 2015 AND PROSPECTS

The Bank, having completed the largest part of its restructuring plan and having absorbed the voluntary exit scheme program costs during the first 10 months of 2014, still focuses on the commissions production and improvement of its market share in the Athens Stock Exchange, which in the first five months of 2015 stood at 5,1%. Moreover, Private Banking funds collection for executionary and discretionary management mandates is expected to grow substantially. Commercial banking mainly focuses on the development of remote clients' services. The bank's Investment Banking Division has intensified its activities and has been appointed (May 2015) as the financial advisor for the Cyprus Popular Bank's assets sale, actively assisting in a better and faster servicing of the Cypriot banking system haircut depositors and increasing the Bank's management and success fees revenues from this program.

POST BALANCE SHEET EVENTS

Apart from the final settlement and receipt of €58,1mil from the transaction with Piraeus Bank, which took place in January 2015, there are not any other significant post balance sheet events.

Marousi, 28 May 2015

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Chief Executive Officer	Chief Operating Officer
THEODOROS THEODOROU	**ANESTIS FILOPOULOS**

(Translated from the original in Greek)

Independent Auditor's Report

To the Shareholders of "Investment Bank of Greece S.A."

Report on the Financial Statements

We have audited the accompanying financial statements of "Investment Bank of Greece S.A." ("the Bank"),which comprise the statement of financial position as of 31 December 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Reference on Other Legal and Regulatory Matters

We verified the conformity and consistency of the information given in the Board of Directors' report with the accompanying financial statements in accordance with the requirements of articles 43a and 37 of Codified Law 2190/1920.

Athens, 08 June 2015

The Certified Auditor

PricewaterhouseCoopers S.A.
Certified Auditors
268 Kifissias Avenue
152 32 Halandri

SOEL reg. no 113

Despina Marinou

SOEL Reg. No. 17681

STATEMENT OF COMPREHENSIVE INCOME

Amounts in Euro '000	Note	31st December 2014	31st December 2013
Interest and similar Income		2.339	5.136
Interest and similar expenses		(464)	(2.889)
Net interest income	7	**1.875**	**2.248**
Fee and commission income		9.937	9.278
Fee and commission expense		(4.239)	(4.007)
Net fee and commission income	8	**5.698**	**5.271**
Dividend income		27	133
Net trading income	9	512	1.809
Gain / Loss from investment portfolio		(38)	0
Other operating income	10	1.513	1.982
		2.015	**3.923**
Total net income		**9.588**	**11.442**
Staff costs	11	(7.207)	(8.982)
Other operating expenses	12	(3.004)	(3.774)
Depreciation	23 , 24	(189)	(283)
Total operating expenses		**(10.400)**	**(13.039)**
Results before provisions and taxes		**(813)**	**(1.597)**
Provisions for loans impairment	20	(263)	(1.068)
Provisions for impairment losses	13	(1.812)	(18.127)
Total provisions		**(2.075)**	**(19.195)**
Results before tax		**(2.888)**	**(20.792)**
Less: Income tax	14	(33)	198
Results after tax (a)		**(2.921)**	**(20.594)**
Other comprehensive income after tax (b)		**(53)**	**146**
Total comprehensive income (a)+(b)		**(2.974)**	**(20.448)**

The accompanying notes (pages 13-60) form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

Amounts in Euro '000	Note	31st December 2014	31st December 2013
ASSETS			
Cash and balances with Central Bank	15	4.223	14.824
Loans and advances to financial institutions	16	22.475	14.326
Receivables from Assets Sale	17	58.083	58.083
Trading portfolio	18	7.626	5.955
Derivative financial instruments	19	137	94
Loans and advances to customers	20	17.185	19.037
Investment portfolio	21	3.972	39
Investment in subsidiaries and associates	22	4.558	2.694
Property investment	23	2.295	2.295
Property, plant and equipment	23	6.278	6.388
Intangible assets	24	91	2
Deferred tax asset	25	5.063	5.092
Other assets	26	24.972	23.911
Total assets		**156.959**	**152.740**
EQUITY AND LIABILITIES			
Due to financial institutions	27	2.627	2.838
Due to customers	28	53.365	43.769
Derivative financial instruments	19	119	76
Retirement benefit obligations	29	227	172
Other liabilities	30	16.073	17.886
Provisions	31	1.713	2.191
Total liabilities		**74.123**	**66.931**
Shareholders equity			
Share capital	32	110.427	110.427
Revaluation reserve		-11	0
Other reserves	33	16.745	20.375
Retained earnings		-44.325	-44.993
Total equity		**82.835**	**85.809**
Total liabilities and equity		**156.959**	**152.740**

The accompanying notes (pages 13-60) form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

Amounts in Euro '000	**Share capital**	**Revaluation reserve**	**Other reserves**	**Retained earnings**	**Total**
Opening balance as at 1st January 2013	**110.427**	**0**	**20.375**	**(24.546)**	**106.256**
Profit for the year 01/01-31/12/2013	0	0	0	(20.594)	(20.594)
Other comprehensive income	0	0	0	146	146
Equity balance as at 31st December 2013	**110.427**	**0**	**20.375**	**(44.993)**	**85.809**

Amounts in Euro '000	**Share capital**	**Revaluation reserve**	**Other reserves**	**Retained earnings**	**Total**
Opening balance as at 1st January 2014	**110.427**	**0**	**20.375**	**(44.993)**	**85.809**
Changes in equity for the year 01/01 - 31/12/2014	0	0	(3.631)	3.631	0
Profits/Losses from revaluation of fair value of financial assets a.f.s.	0	(15)	0	0	(15)
Tax related to profits/losses recognized in equity	0	4	0	0	4
Profit for the year 01/01-31/12/2014	0	0	0	(2.921)	(2.921)
Other comprehensive income	0	0	0	(42)	(42)
Equity balance as at 31st December 2014	**110.427**	**(11)**	**16.745**	**(44.325)**	**82.835**

The accompanying notes (pages 13-60) form an integral part of the financial statements

STATEMENT OF CASH FLOWS

Amounts in Euro '000	Note	31st December 2014	31st December 2013
Cash flows from operating activities			
Profits before tax		**(2.888)**	**(20.792)**
Adjustments for:			
Depreciation	23 , 24	189	283
Share of profit / loss from measurement of financial assets at fair value through Profit & Loss		18	(27)
Provision for employee benefit plan		1	1.022
Employee benefits in the form of stock options & other provisions for employee benefits	29	55	(13)
Impairment loss from investments	13	1.616	901
Provision for Loans	13 , 20	263	1.068
Other Provisions	13	(234)	(1.565)
Profit / loss from revaluation		(42)	0
Cash flows from operating activities before changes in working capital		*(1.022)*	*(19.123)*
Changes in working capital			
Trading portfolio		(1.689)	4.177
Loans and advances to customers		(1.423)	206.887
Other assets		(1.190)	(64.888)
Due to financial institutions		(211)	(95.618)
Due to customers		9.596	(27.916)
Other liabilities		(2.358)	5.956
Cash flows from operating activities before payment of income tax		*1.703*	*9.475*
Income tax paid		0	0
Net cash flows from operating activities		**1.703**	**9.475**
Investing activities			
Portfolios available for sale and held to maturity			
Purchase of fixed assets		(106)	(265)
Acquisition of subsidiaries and associates		0	176
Investments purchases		(3.986)	0
Other investments		28	2
Purchase of intangible assets		(90)	0
Net cash flow from investing activities		**(4.154)**	**(87)**
Net increase / decrease in cash and cash equivalents		(2.451)	9.388
Cash and cash equivalents at the beginning of the financial year		29.150	19.762
Cash and cash equivalents at the end of the financial year	34	**26.699**	**29.150**

The accompanying notes (pages 13-60) form an integral part of the financial statements

(It should be noted that due to rounding efforts, some totals presented in the condensed financial statements might not appear exactly equal to totals presented in the financial statements, and this might also be the case for percentages.)

1. General Information about the Bank

"INVESTMENT BANK OF GREECE (IBG)" (hereinafter referred to as "IBG" or "the Bank") was formulated following N. 55401/18.1.2000 decision of the Public Notary in Athens Anna Panaiotou Tsafara, and in accordance with K2-881/24.1.2000 decision of the Ministry of Development that was published following N. 533/26.1.2000 of the Official Greek Government Gazette (SA & LTD Issue). It operates as a societe anonyme in accordance with Greek legislation and in particular Law 2190/1920 in force.

The corporate registered office of the Bank was initially situated in the Municipality of Athens and was transferred to the Municipality of Amarousion (24B Kifissias Street) following Ordinary General Assembly's of the Shareholders decision of 27 November 2001. It operates mainly in Greece and occupies 163 employees following a voluntary exit scheme implemented in December 2013. It is supervised by the Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece, in accordance with Law 2076/1992 on financial institutions, having their head office in Greece, where the Bank submits regulatory records as applicable by Bank of Greece Governor's Act2640/18.01.2011.

On December 29th, 2003, the Ordinary General Assembly of the Shareholders approved of the merger of the Bank with absorption of "Marfin-Hellenic S.A.", in accordance with Laws 2190/1920, 2515/1997 and 2166/1993, and the transformation Balance Sheet of 31st June 2003. The above mentioned merger was approved by the Athens Prefecture following its N. K 2/2369/27.2.2004 decision.

On June 29, 2006 the Boards of Directors of "INVESTMENT BANK OF GREECE S.A" and "EGNATIA FINANCE S.A" approved of the initiation of the merger procedures through absorption of the latter by the former and transformation date June 30, 2006.

The Boards of Directors of the Bank and "EGNATIA FINANCE S.A.", with its corporate registered office in Athens (8 Dragatsaniou Street) and S.A. Records N. 23105/06/B/90/34 (hereinafter referred to as "the absorbed Bank"), have announced that in accordance with articles 68 paragraph 2, 69 – 77 of Law 2190/1920, article 16 of Law 2515/1997, articles 1 to 5 of Law 2166/1993 and commercial legislation in general, they have signed the Schedule of Contract Merger with which the above mentioned companies would merge through absorption of the latter by the former. The schedule was subjected to publication provisions described in Law 2190/1920 and was submitted to S.A Register of the Ministry of Development, S.A. and Credit Department, on April 20, 2007. The above mentioned merger was also approved, following its K2/9485/22.6.2007 decision, by the Athens Prefecture.

The Credit and Related Financial Institutions Department (CRFID) of Bank of Greece has approved of the merger though absorption of "EGNATIA FINANCE S.A." by the Bank following its N. 245/1/08.06.2007 decision.

On June 6, 2008 The Boards of Directors of "INVESTMENT BANK OF GREECE S.A." and "LAIKI ATTALOS S.A", a subsidiary of "MARFIN EGNATIA BANK S.A", have approved of the merger through absorption of "LAIKI ATTALOS S.A" by "INVESTMENT BANK OF GREECE S.A.". The transformation date was scheduled for 31/12/2007. The above merger was approved by the K2/14014/28.11.2008 decision of the Prefecture of Athens. As a result of the merger and the exchange relation, the percentage of "MARFIN EGNATIA BANK S.A." in the equity of "INVESTMENT BANK OF GREECE S.A." increased from 92.04% to 92.19%.

The Credit and Related Financial Institutions Department (CRFID) Bank of Greece at its meeting numbered 270/21.10.2008 approved the Merger of the Bank with absorption of the company "LAIKI ATTALOS S.A.".

As at 31 December 2014 the shareholders structure of "INVESTMENT BANK OF GREECE S.A." was as follows:

Shareholders	**Number of Shares**	**%**
CYPRUS POPULAR BANK LTD. (Under Administration since 25/3/2013)	3.652.724	97.08%
ACTIVE S.A.	32.012	0.85%
Ilias Ahanasios Bogdanos	32.012	0.85%
SAXON MARITIME INC.	21.396	0.57%
Other shareholders	24.276	0.65%
TOTAL	**3.762.420**	**100.00%**

The company's duration is determined at ninety nine (99) years and its purpose, according to its Articles of Incorporation, is the provision of all banking services targeted both for itself, as well as for third parties, and in terms of banking services that can be provided in accordance with applicable legislation on banking services. These services cover the whole spectrum of investment needs for modern businesses and individuals and include:

- Stock exchange Services in Athens Stock Exchange (ASE)
- Access to Foreign Markets
- Financial Analysis services
- Corporate Finance Advisory services
- Corporate Banking services
- Private Banking
- Asset management
- Private Equity management
- Custodial services

Branches operating in Greece:

1. Main: 32 Aigialeias Str, Maroussi, Attiki
2. Thessaloniki: 20 Mitropoleos St., Thessaloniki
3. Heraklion: 25th August Heraklion

1.1 Assessment of the Bank's ability to continue as a "going concern"

The financial statements have been prepared in accordance with the "going concern" principle as the Management has assessed that the Bank has the ability to continue operating in the foreseeable future. In its assessment, the Management took into account the factors set out below:

Macroeconomic Environment

The developments that have taken place in 2015 and the national and international discussions with respect to the terms of the Greece's financing program have resulted in an unstable macroeconomic and financial environment in the country. The return to economic stability depends to a large extent on the actions and decisions of local and international institutions. Notwithstanding the above and given the nature of the Company's operations and its financial position, any negative developments are not expected to significantly affect the operations of the Company. Nevertheless, Management continually assesses the situation and its possible impact to ensure that all necessary actions and measures are taken in order to minimize any impact on the Bank's operations.

IBG's capital adequacy

As at 31 December 2014, the Bank's core Tier I ratio stood at 41,87% (2013: 46,48%), which was well above the minimum level of 9% required by the Bank of Greece ("BOG"). The Bank's cash and cash equivalents as at 31/12/2014 equal to €26,7mil which is 50% of the deposits. Considering the receipt of the bank's assets sale receivable (19/1/2015) to Piraeus Bank receivable amount, the above ratio turns to 159%.

1.2 Investing Activity

Inclusion of Cyprus Popular Bank (the "CPB"), the major shareholder and creditor of the Bank under a resolution regime

The CPB, due to its participation in the Greek debt restructuring program, which took place during March-April 2012 (PSI +), but also due to the increasing credit risk affecting its loan book, suffered significant losses which affected both the accounting and the regulatory capital. As a result, the Group's capital adequacy ratios fell significantly below the minimum required.

On 25 March 2013 and in the context of the economic support program for Cyprus by the European Union ("EU"), the European Central Bank ("ECB") and the International Monetary Fund ("IMF") (jointly "troika"), the CPB entered into a resolution regime, which included, inter alia: (a) the absorption of a substantial part of its assets, liabilities and operations in Cyprus by the Bank of Cyprus, and (b) the transfer of its Greek banking activities, including a significant part of IBG's loans and deposits, to Piraeus Bank Group.

Disposal of IBG's loans and deposits

On 26 March 2013 and in the context of the Cypriot Law for the Resolution of Banks and Other Financial Institutions, a framework agreement was signed for the transfer to Piraeus Bank of, essentially all of the Bank's loan book (nominal value before provisions of approximately € 365.3 million) and of a significant part of its customer deposits, which at that date amounted to~€66.2 million. Moreover, other assets and liabilities were transferred, amounting to €0.3 million (before provisions) and €1.5 million respectively. The agreed consideration took into account, inter alia, the loan book's expected loss estimates of international consulting firm PIMCO, under the adverse scenario. The accounting loss from this transaction, which impacted the 2013 income statement, amounted to €17 million. The initial agreed consideration amounted to €125.7 million and was received in full by the Bank, while a settlement amount of €58.1 remained receivable as at 31 December 2014 from Piraeus Bank and Bank of Cyprus, to which the majority of Cyprus Popular Bank's assets and liabilities were transferred under the Cypriot Law for the Resolution of Banks and Other Financial Institutions. The amount of €58,1 mil has been received at 19.01.2015, increasing the Bank's liquidity.

2. Basis of preparation

2.1. Compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (I.F.R.S), as they have been adopted by the European Union, including the amendments issued by the International Accounting Standards Board (I.A.S.B.).

The financial statements as of 31.12.2014 were approved by the Board of Directors on 28/5/2015 and are subject to final approval by the General Assembly of the Shareholders, and are available to investors at the Bank's offices (32 Aigialeias Street & Paradeisou, Marousi), as well as via the internet at the Bank's website (www.ibg.gr), and will be available for at least two years in accordance with article 2, paragraph 1 of Presidential Enactment N. 360/1985, and as this is in effect following the amendment of Law 3301/2004.

2.2. Basis of Presentation

The financial statements are prepared in Euro which is the reporting currency and are rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention, which has been modified so as to include the measurement at fair value of the financial assets and liabilities (including derivative financial instruments) through the income statement. The financial statements have been prepared under the going concern basis and after taking into account the macroeconomic and fiscal developments.

Preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported assets and liabilities, the recognition of contingent liabilities at the date of the financial statements and the recognition of revenue and expenses during the period under consideration. Consequently, the real results may differ from these estimates, despite the fact that they are based on the best knowledge of the Management on the current situation. The areas involving a significant degree of judgment or complexity, or where assumptions and estimates significantly affect the financial statements are mentioned in Note 3.

2.3. New standards, amendments to standards and interpretations

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

IAS 27, Amendment - Separate Financial Statements

The amendment was simultaneously published with IFRS 10 "Consolidated Financial Statements" and in combination the two standards replace IAS 27 "Consolidated and separate financial statements'. The amendment specifies the accounting and notification requirements for interests in subsidiaries, joint ventures and associates when an economic entity prepares separate financial statements. The adoption of this amendment had no impact on the financial statements of the Company.

IAS 28, Amendment – Investments in Associates and Joint Ventures

The amendment replaces IAS 28 "Investments in Associates".The purpose of this amendment is to prescribe the accounting treatment 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 adoption of IFRS 11. Exemption from the application of the equity method is provided when an investment in an associate or joint venture held by the economic entity, or held indirectly through an economic entity, which is a venture capital organization, a mutual fund, a unit trust or a similar economic entity including investment linked insurance funds. In this case ,the investments in these associates and joint ventures may be assessed at fair value through profit or loss. The adoption of this amendment had no impact on the Company's financial statements.

IAS 32, Amendment - Offsetting financial assets and liabilities

The amendment provides clarification on the requirements for offsetting financial assets and liabilities. The adoption of this amendment had no impact on the Company's financial statements.

IAS 36, Amendment - Disclosures recoverable value of non-financial assets

The amendment limits the requirement for disclosure of the recoverable amount of an asset or a cash-generating unit only for the periods during which an impairment loss is recognized or reversed .It also includes detailed requirements for disclosures when the recoverable amount of an asset or a cash generating unit is determined based on the fair value less selling costs and an impairment loss is recognized or reversed during the period. The adoption of this amendment had no impact on the Company's financial statements.

IAS 39, Amendment – Financial Instruments: Recognition and Measurement

This amendment provides exemption from the obligation of discontinuing hedge accounting when, as a result of laws or regulations, a derivative which has been designated as a hedging instrument , is novated in order to be cleared by a central counterparty , if certain criteria are met. The adoption of this amendment had no impact on the Company's financial statements.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the portion of IAS 27 "Consolidated and separate financial statements" relating to the consolidated financial statements and SIC 12 "Consolidation - Special Purpose Entities". According to IFRS 10 , a new definition of control is established , which provides a uniform basis of consolidation for all economic entities. This base is based on the concept of authority over an economic entity, on the volatility of returns resulting from participation in the economic entity and their connection, thus replacing the emphasis on the legal control or the exposure to the risks and benefits, depending on the nature of economic entity. The adoption of this amendment had no impact on the Company's financial statements.

IFRS 11, Joint agreements

IFRS 11 supersedes IAS 31 "Interests in joint ventures" and SIC 13 "Jointly controlled economic entities - Non-monetary contributions by venturers" and it establishes the principles for the preparation of financial reporting by economic entities that participate in ventures that are controlled by together. According to IFRS 11, there are only two types of joint agreements, joint activities and joint ventures, the classification of which is based on the rights and obligations of the participants as they result from the business scheme, rather than its legal form.

Integration with the equity method is now mandatory for joint ventures. The alternative to proportionate consolidation method of joint ventures is no longer allowed. Participants sharing control in joint activities recognize in their financial statements the individual assets, liabilities and transactions belonging to them or are attributed to them in the joint activity. The adoption of this amendment had no impact on the Company's financial statements.

IFRS 12, Disclosure of interests in oher economic entities

IFRS 12 defines the disclosures required in the annual financial statements in order to enable users of financial statements to be able to evaluate the nature of risks associated with the participation of the reporting entity in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The adoption of the amendments did not affect the Company's financial statements.

IFRS 10, 11 and 12 amendments; consolidated financial statements, joint arrangements and disclosure of Interests in other economic entities: Transition guidance

The amendments clarify the transition guidance in IFRS 10 and provide additional exemptions upon transition to IFRS 10, 11 and 12, as they require the adjusted comparative information to be provided only for the previous comparison period. Moreover, for the disclosures relevant to unconsolidated structured economic entities, the requirement for comparative information for periods before the first application of IFRS 12 is removed. The adoption of the amendments did not affect the Company's financial statements.

IFRS 10, 12 and IAS 27 Amendments - Investment Companies

The amendments require that the "investment companies", as defined below, to account for investments in controlled economic entities and investments in associates and joint ventures at fair value through profit or loss. The one exception allowed are the subsidiaries that are considered as an extension of the investment activities of the investment company. Under the amendments, an "investment company" means an entity that:

(a) receives funds from one or more investors in order to offer these investors investment management services,

(b) is committed to its investors that its business purpose is the investment of funds exclusively for returns to be derived from capital gains, income from investments, or both, and

(c) Measure and evaluate the performance of substantially all of its investments on a fair value.

The amendments also specify the disclosures required for investment companies. The adoption of the amendments did not affect the Company's financial statements.

New standards and interpretations not yet adopted by the Company

A number of new standards, amendments and interpretations to existing standards will come into force after 2014, as they have not yet been adopted for use in the European Union or the Company has not adopted them before the date of their mandatory application. Those that may be relevant to the Company are as follows:

IAS 1 Amendment - Disclosures (effective from January 1, 2016, has not been adopted by the EU)

The amendments clarify the instructions of IAS 1 on the concepts of significance and concentration, presentation of subtotals, the structure of financial statements and disclosures of accounting policies. The adoption of this amendment is not expected to have any impact on the Company's financial statements.

IAS 16 and IAS 38, Amendments - Clarification of the methods allowing damping (effective from January 1, 2016, they have not been adopted by the EU)

This amendment clarifies that the use of methods based on revenue are not suitable for the calculation of depreciation of an asset and it also clarifies that the revenue is not considered a suitable basis for measuring the consumption of economic benefits embodied in an intangible asset. The adoption of the amendments is not expected to have any impact on the Company's financial statements.

IAS 19 Amendment - Employee Benefits (effective from January 1, 2016)

The limited purpose amendment is applied to contributions of employees or third parties in defined benefit plans and simplify the accounting of contributions when they are independent of the number of years in which the work is carried out , for example , employee contributions which are calculated on the basis of a fixed percentage of a salary . The adoption of this amendment is not expected to have any impact on the Company's financial statements.

IAS 27 Amendment - Separate financial statements (effective from January 1, 2016, has not been adopted by the EU)

This amendment allows the economic entities to use the equity method in order to account for investments in subsidiaries, joint ventures and associates in the separate financial statements and it also clarifies the definition of financial statements. The adoption of this amendment is not expected to have any impact on the Company's financial statements.

IFRS 9 Financial instruments (effective from January 1, 2018, has not been adopted by the EU)

IFRS 9 replaces the provisions of IAS 39 relating to the classification and measurement of financial assets and financial liabilities and it also includes a model of expected credit losses that replaces the model on realized credit losses which is applied today. IFRS 9 Hedge Accounting introduces an approach for hedge accounting based on principles and facing inconsistencies and weaknesses in the current model of IAS 39.

The Company is currently assessing the impact of IFRS 9 on its financial statements, whose quantification is impossible, at the date of publication of these financial statements.

IFRS 10, IFRS 12 and IAS 28 Amendments - Investment companies: Application of exemption from compulsory consolidation (effective from January 1, 2016, they have not been adopted by the EU)

The amendments clarify the application of the exemption for investment companies and their subsidiaries from the consolidation obligation. The adoption of the amendments is not expected to have an impact on the Company's financial statements.

IFRS 10 and IAS 28 Amendments - Sale or contribution of assets between an investor and an associate or joint venture (effective from January 1, 2016, they have not been adopted by the EU)

The amendments settle in an inconsistency between the provisions of FRS 10 and IAS 28 on the sale or contribution of assets between an investor and an associate or joint venture. The main effect of the changes that the entire gain or loss of a transaction that includes an activity (whether in the form of a subsidiary or not) is recognised. Partial profit or loss is recognised when the transaction includes assets that do not constitute an activity, even if these assets are in the form of a subsidiary. The adoption of the amendment is not expected to have any impact on the Company's financial statements.

IFRS 11 Amendment - Joint Arrangements (effective from January 1, 2016, it has not been adopted by the EU)

This amendment requires an investor to apply the acquisition method when acquiring participation in a joint activity which is an "enterprise". The adoption of this amendment is not expected to have an impact on the Company's financial statements.

IFRS 15, Revenue from Contracts with Customers (effective from January 1, 2017, it has not been adopted by the EU)

The purpose of the standard is to provide a single, comprehensible model for the recognition of revenue from all contracts with customers in order to improve comparability between companies in the same industry, different sectors and different markets. It includes the principles that an economic entity should apply in order to determine the amount of income and the time of their recognition. The basic principle is that an economic entity will recognise revenue in a way that depicts the transfer of goods or services to customers in the amount it expects to be entitled in exchange for those goods or services. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

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

The amendments introduce significant changes to seven IFRS following the publication of the results of the 2010-12 cycle of the annual improvements project of the International Accounting Standards Board. The subjects affected by these amendments are the following:

- Definition of vesting condition to IFRS 2 "Provisions that depend on the value of shares"
- Accounting treatment of a possible price in a business merging in IFRS 3 "Business merging"
- Aggregation of operating segments and agreement of all the assets of reportable segments with the assets of the entity to IFRS 8 "Operating Segments"
- Short-term receivables and liabilities in IFRS 13 "Fair Value Measurement"
- Revaluation method - analog redrafting of accumulated depreciation to IAS 16 "Tangible fixed assets"
- Key management personnel in IAS 24 "Related Party Disclosures"
- Revaluation - analog redrafting of accumulated depreciation to IAS 38 "Intangible Assets"

Annual improvements to IFRSs 2011-2013 (effective from January 1 , 2015)

The amendments introduce significant changes in four IFRS following the publication of the results of the 2011-13 cycle of the annual improvements project of the International Accounting Standards. The subjects affected by these amendments are the following:

- Exclusions from the scope for joint ventures in IFRS 3 "Tangible assets"
- Exclusion from the scope of application for portfolios to IFRS 13 "Fair Value Measurement"
- Clarification of the relationship between IFRS 3 "Business mergings" and IAS 40 "Investment in property" in the classification of property as investment or owner occupied in IAS 40, and
- The concept of "IFRS in force" to IFRS 1 "First application of the International Financial Reporting Standards"

Annual Improvements to IFRS 2012-2014 (effective from January 1, 2016, they have not been adopted by the EU)

The amendments introduce significant changes in four IFRS following the publication of the results of the 2012-14 cycle of the annual improvements program of the International Accounting Standards. The subjects affected by these amendments are the following:

- Clarification of IFRS 5 "Non-current assets held for sale and discontinued operations" that when an asset (or group of assets) is reclassified from "held for sale" to "held for distribution", or the opposite, this is not a change in plan for sale or distribution and it must not be accounted for as a change.
- Addition to IFRS 7 "Financial Instruments: Disclosures" specific guidance to help management determine whether the terms of an agreement for service of a financial asset that has been transferred constitute a continuing involvement. Furthermore it clarifies that the additional disclosures required by the amendment to IFRS 7 "Disclosures - Offsetting financial assets and liabilities" are not required for all interim periods, unless required by IAS 34.
- Clarification in IAS 19 "Employee Benefits" that when discount interest rate is determined for the personnel benefit obligations after leaving the service, the important thing is the currency in which the liabilities are presented and not the country in which they arise.
- Clarification in IAS 34 "Interim Financial Reporting" of the concept of "information disclosed elsewhere in the interim financial report" referred to in the standard.

The amendments introduce significant changes in four IFRS following the publication of the results of the 2012-14 cycle of the annual program.

IFRIC 21 Contributions (effective from January 1, 2015)

This interpretation prescribes the accounting for a contribution payment obligation imposed by the government and it is not an income tax. The interpretation clarifies that the obligating event pursuant to which the pay levies should be formed (one of the criteria for liability recognition under IAS 37) is the action as described in the relevant legislation which causes the payment of the levy .The interpretation may result in the recognition of a liability later than is currently the case, in particular in relation to levies imposed as a result of conditions that apply to a specific date.

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

The financial statements have been prepared under the historical cost convention, except for the available-for-sale investment securities and the financial assets and liabilities (including derivative instruments), which are measured at fair value.

The preparation of the financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of the assets and the liabilities and the disclosures of the contingent liabilities at the date of the financial statements and the balance of revenue and expenditure of the reporting period. Although these estimates are based on the Management's best knowledge about the current events and actions, the actual results may vary.

3. Basic Accounting Policies

The basic accounting principles adopted for the preparation of the financial statements are as follows:

3.1. Subsidiaries

The Bank is not listed in the Athens Stock Exchange and constitutes a subsidiary of "CYPRUS POPULAR BANK", which, as of 25/3/2013, is under a resolution regime, with a shareholding of 97.08% of the voting rights. In accordance with IAS 27 "Consolidated and Separate Financial Statements", it is exempted from the preparation of consolidated financial statements since both the Bank's financial statements and those of its subsidiaries are consolidated under full consolidation method in the financial statements of "CYPRUS POPULAR BANK", that prepares its financial statements in accordance with the IFRS framework, and which are available to the general public.

Subsidiaries are accounted for at acquisition cost less any impairment losses, where deemed necessary.

3.2. Foreign currency transactions

Transactions in foreign currencies are translated to Euro, at the foreign exchange rate outstanding on the dates of these transactions.

Monetary assets and liabilities denominated in foreign currencies, at the reporting date are translated to euro at the foreign exchange rate outstanding at that date. Foreign exchange differences arising on translation are recognized in the income statement.

Translation differences on non-monetary financial assets and liabilities, are recognized in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the income statement.

3.3. Investments in financial instruments

(a) Classification

Financial Instruments at fair value through profit or loss. This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by Management. These include derivative contracts that are not designated and effective hedging instruments.

Loans and receivables are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking.

Available-for-sale assets are financial assets that are not held for trading purposes, loans and receivables, or held to maturity. Available-for-sale include certain debt and equity investments.

(b) Recognition

The Bank recognizes financial assets held for trading and available-for-, on the date it is committed to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognized. Loans and receivables are recognized when cash is advanced to the borrowers.

(c) Measurement

Financial instruments are measured initially at fair value, plus transaction costs.

After initial recognition, all trading instruments and available-for-sale assets are measured at fair value, apart from instruments that lack a quoted market price in an active market, and whose fair value cannot be reliably measured, which are stated at cost, including transaction costs, and less impairment losses incurred.

All non-trading financial liabilities, loans and receivables, as well as held-to-maturity assets, are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and are amortized based on the effective interest rate of the instrument.

(d) Fair Value Measurement

The fair value of financial instruments is based on their quoted market price, at the reporting date, without deductions on transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using valuation models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on Management's best estimate, while the discount rate is a market related rate, at the reporting date, for an instrument with similar terms and conditions. When valuation models are used, inputs are based on market related prices at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Bank would receive or pay to dissolve the contract at the reporting date, taking into account current market conditions, and current creditworthiness (credit capability) of the counter-parties.

(e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in other comprehensive income. When the financial assets are sold, collected, or otherwise disposed of, the cumulative gain or loss recognized in other comprehensive income is transferred to the income statement.

Gains and losses arising from a change in the fair value of instruments at fair value through profit or loss, are also recognized in the income statement.

(f) Derecognition

A financial instrument is derecognized when the Bank loses control on contractual rights that comprise the financial instrument. This occurs when the rights are realized, have expired, or surrendered to a non-related third party. A financial liability is derecognized when it is extinguished.

3.4. Sale and repurchase agreements

The Bank enters into agreements to purchase (sales) of investments and resell (repurchases) substantially the identical investments at a certain date in the future, and at a fixed price. Investments purchased subject to commitments to resell them at future dates (reverse repos) are not recognized. The amounts paid are recognized in loans and advances to either banks, or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements (repos) continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading, or available-for-sale as appropriate. The proceeds from the sale of these investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase consideration is recognized on an accrual basis over the period of the transaction and is included in interest.

3.5. Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation, and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of property, plant and equipment. Land is not depreciated. The estimated useful life for property, plant and equipment is calculated as follows:

- Buildings 30 – 50 years
- Fittings and equipment 4 – 7 years
- Vehicles 9 – 10 years

Leasehold improvements are depreciated over the useful life of the improvement, or the duration of the lease whichever is the lower.

The asset's useful life is reviewed and adjusted, if appropriate, at each reporting date.

Property, plant and equipment are reviewed for impairment whenever events, or changes in circumstance, indicate that the carrying amount at cost might not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell, and "value in use".

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

3.6. Investment property

Investment property is property held by the Bank either to earn rental income, or for capital appreciation. The Bank records investment property at fair value as determined by an independent valuation company with an appropriate recognized professional qualification. Some of these assets are leased, but the lease contract would be signed prior to its acquisition by the Bank. Initially, investment property is recorded at cost including acquisition expenses. Any gain or loss arising from a change in fair value is recognized in profit or loss.

3.7. Intangible Assets

Intangible assets consist of software that has been acquired by the Bank and stated at cost, less any accumulated amortization and impairment losses.

Amortization is charged to the income statement on a straight-line basis over the estimated useful life of software, which is between 1 and 5 years.

3.8. Cash and Cash equivalents

Cash and cash equivalents consist of monetary assets with an original maturity of three months or less, such as cash balances, unrestricted balances held at Central Bank, and amounts due from financial institutions. Cash and cash equivalents are recognized at amortized cost.

3.9. Impairment of Financial Assets

(a) Assets carried at amortized cost

The Bank assesses at each reporting date whether there is substantial evidence that a financial asset, or group of financial assets, is impaired. A financial asset, or group of financial assets, is impaired, and impairment losses are incurred, only when there is substantial evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event'), and such a loss event (or events) does have 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 come to the attention of the Bank about the following loss events:

i. Significant financial difficulty of the issuer or obligator.
ii. A breach of contract, such as a default, or delinquency in interest or in principal payments.
iii. The Bank granting the borrower, due to economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would otherwise not consider.
iv. The strong probability that the borrower will enter into bankruptcy or another financial reorganization.
v. Lack of existence of an active market for that financial asset due to financial difficulty, or.
vi. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets, after initial recognition of these assets, although this decrease cannot yet be identified within the individual financial assets of a group, including:
    - adverse changes in the payment status of borrowers in the group, or
    - national or local economic conditions that correlate with defaults on the assets in the group.

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 recognized, are not included in a collective assessment of impairment.

If there is substantial evidence that an impairment loss on loans and receivables, or on held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not incurred), discounted by the financial asset's original effective interest rate. The carrying amount of the asset is reduced with the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or a held-to-maturity investment has a variable interest rate, the discount rate for measuring impairment losses 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.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that might 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 (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the 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 group of historical loss experience for assets with credit risk characteristics similar to those in the group.

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 exist currently.

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 uncollectable, it is written off against the related provision 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. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

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

(b) Assets carried at fair value

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity and debt investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

3.10. Financial Liabilities

Financial liabilities are stated at amortized cost which occurs using the effective interest method. Deposits from banks and deposits from customers are classified in this category.

3.11. Financial guarantee contracts

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.

Commission from financial guarantee contracts is initially recognized as liability (at fair value) and they are taken to the income statement gradually during the contract's duration.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date.

Financial guarantee contracts are included in the entry "Other liabilities".

3.12. Employee benefits

Short-term benefits: Short-term benefits to personnel (except for termination of employment benefits) in cash and other form are recognized as expense when considered accrued. Benefits to employees based on their efficiency and profitability of the Bank are recognized to the extent that the Bank has undertaken during the reporting date obligation to make such payments.

Retirement Benefits: Benefits following termination of employment include lump-sum severance grants, pensions and other benefits paid to employees after termination of employment in exchange for their service. The Bank's liabilities for retirement benefits cover both defined contribution schemes, and defined benefit plans.

i) Defined contribution plan

Defined contribution schemes relate to payments made by the Bank to State administered pension funds (for example the Social Security Foundation). The Bank has no legal obligation to cover any potential cash or actuarial deficit of the funds. The contributions payable by the Bank to such defined contribution plans are recognized as liabilities reduced by the amounts paid. Any accrued contributions are recognized as an expense in the income statement.

ii) Defined benefit plan

Adefined benefit plan refers to a benefit plan receivable by employees upon their exit from the service (pursuant to relevant Greek legislature), in which the benefits are based on economic and demographic assumptions. The most significant of which include, among others, an employee's age, years of service, salary, life expectancy ratios, a discount rate and the growth rate of salaries and pensions. The liability recognized in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation less the plan assets' fair value at the reporting date.

The defined benefit obligation is calculated on an annual basis by an independent actuary with the use of the projected unit credit method.

The present value of the liability is calculated by discounting the estimated future cash outflows usingInterest rates of high ranking corporate or government bonds in the same currency and with the same term to maturity as the obligation. In cases where there is no deep market in such bonds, an interest rate that takes into account the risk and maturity related to the obligation is used. The service and net interest cost of the defined benefit plan is recognized in the statement of profit or loss included in staff costs. The defined benefit obligation is recognized in the statement of financial position (net of plan assets). Gains or losses on remeasurement are recognized in other comprehensive income and are not reclassified to the income statement in subsequent periods.

Employment Termination Benefits: Benefits due to employment termination are paid when employees step down prior to the retirement date. The Bank recognizes these benefits upon committing itself that it terminate employees' employment according to a detailed plan for which there is no withdrawal possibility.

3.13. Provisions

Provisions are recognized by the Bank when there is a probable outflow of economic benefits resulting from a present legal or constructive obligation arising from past events and when reliable estimates of the amount of the obligation can be drawn. Provisions are measured taking into account the time value of money.

3.14. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts, and when there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Offsetting income and expense is allowed only if they are part of the same entry.

3.15. Leased Agreements

Bank undertaking as the Lessee: Leases where the lessor transfers the right to use an asset for an agreed period, without transferring the risks and rewards of ownership of the asset are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement over the lease.

Bank undertaking as the Lessor: Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their anticipated useful lives on a basis consistent with similar owned property. Rental income (net of any incentives offered to lessees) is recognized using the straight-line method over the lease term.

3.16. Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accruals basis, using effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. 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 a 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.

3.17. Fees and commissions

Fee and commission income is recognized on an accrual basis when the relevant service has been provided unless they influence the effective interest rate.

3.18. Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes of trading financial assets and liabilities.

3.19. Dividend income

Dividend income is recognized in the income statement, when the right to receive income is established.

3.20. Income Tax and Deferred Tax

The income tax charge involves current taxes, deferred ones, and the differences of preceding financial years' tax audit.

Income tax is recognized in the financial year's income statement, except for tax on transactions recognized in other comprehensive income, in which case it is recognized directly in reserves. To assess the annual tax

charge, all the required adjustments on the accounting result are taken into account in order to establish the final taxable income.
The current income taxes include short-term liabilities, or claims vis-à-vis fiscal authorities pertaining to payable taxes on the year's taxable income, and all additional income taxes regarding previous financial years. Current taxes are measured on the basis of tax rates and fiscal regulations in force during the corresponding financial years, based on the yearly taxable profit.
Deferred taxes are taxes or tax relieves from the financial encumbrances or benefits of the financial year in question, which have been allocated, or shall be allocated to different financial years by tax authorities. Deferred income tax is established by using the liability method which is determined by the temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.
Deferred tax assets and liabilities are measured at the tax rates that are expected to be in force during the period when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted up to the reporting date. In case it is not possible to clearly determine the time needed to invert the temporary differences, the tax rate to be applied is the one in force on the financial year after the reporting date.
Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
Tax audit differences regard additional income taxes and additional charges on behalf of the fiscal authorities due to the Bank's taxable income redenomination in the framework of the ordinary or extraordinary tax audit.

3.21. Share Capital

(a) Incremental costs of share capital increase

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

(b) Dividend

Dividend distribution on ordinary shares is recognised as a deduction in the Bank's equity and is approved by its shareholders.

3.22. Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services within a particular economic environment and is vulnerable to risks and attributions dissimilar to other segments. The definition of business and geographical segments is based on the risks and returns which relate to the services and products provided by each segment of the Bank. The Bank operates mainly in Greece. Its network comprises of 4 branches. Its income is attributable to is operations in Greece.

4. Critical accounting estimates and judgements

The preparation of financial statements in accordance with the IFRS requires Management estimates and assumptions, which affect the reported amounts of assets and liabilities, in the context of the Bank's accounting policies. Estimates and assumptions are evaluated on a continuous basis, and are based on past experience and other factors, including expectations about future events.

The estimates and assumptions that bear a significant risk of resulting in material misstatements to the carrying amounts of assets and liabilities within the next financial year are as follows:

A. Credit risk provisions

The financial assets measured at amortized cost are subject to impairment testing on each reporting date. For loans examined on an individual basis, impairment testing is based on Management's assessment of the present value of the estimated cash inflows, relating to either the loan servicing by the debtor or to the liquidation of collaterals. In calculating these cash flows, Management makes assessments on the counterparty's financial position, on the possibility of a settlement and on the fair value of available collaterals and guarantees. With regard to loans assessed on a collective basis, the necessary provision depends on assessments regarding each loan group credit risk, the market's economic factors, and the inherent portfolio risks. The relevant parameters are based on historical data adjusted to reflect present economic conditions. Estimates, underlying assumptions and methodology are calibrated regularly to ensure that actual losses do not materially differ from provisions.

B. Deferred tax asset recoverability

The Bank recognizes deferred tax assets to the extent that Management estimates that the Bank will have adequate taxable profits in the future to offset incurred tax losses and tax deductible timing differences. Management estimates considered the updated business plan of the Bank, which forecasts that besides the stock markets and investment operations the Bank will have the opportunity to conservatively and selectively expand its loan portfolio to business credit customers.

C. Estimates on fair value of investment property

The best evidence of "fair value" are the current prices in an active market for similar lease and other contracts. If it is not possible to find such information, the Bank determines the amount within a range of reasonable estimates of "fair value" based on assessments made by independent valuers. The Bank uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimates of "fair value" relate to: collection of contractual rentals, expected future market rentals, void periods, maintenance requirements and appropriate discount rates. These valuations are regularly compared to actual market data, actual transactions by the Bank and those reported by the market.

D. Impairment of own use properties

Management considered the updated business plan of the Bank, which took into account, inter alia, the sale of almost all of the corporate loan portfolio of the Bank, and assessed that the carrying value of its own use buildings was not fully recoverable. In this case, recoverable value was defined as the fair value of the properties less disposal expenses, since such value was higher than the value in use.

5. Financial risk management

As all the other credit institutions, the Bank is exposed to risks. Those risks are constantly monitored in various ways in order to avoid excessive risk concentrations. The nature of the aforementioned risks as well as the way of managing risks is explained below. Also, further information is presented on the description of the extent and the nature of financial risks the Bank is faced with and corresponding comparative data concerning the prior period.

5.1. Credit Risk

Credit risk is the risk of loss resulting from counter party default. The Bank considers credit risk for loans as a loss that the Bank would suffer if a client or counter party failed to meet their contractual obligations. Credit risk management is focused on maintaining a certain disciplined mentality, transparency, and conscious risk undertaking based on internationally recognized practices.

Credit Risk Management

Credit risk methodology is defined in order to reflect the economic environment. Various methods that are used are annually, or whenever considered necessary, revised and adjusted in compliance with the Bank's strategy as well as with its short term and longer term objectives.

Various segment and domicile analyses of economies, in conjunction with economic provisions provide guidance for the determination of the credit policy.

The Bank has established credit limits based on the creditworthiness of the counter party in order to minimize the credit risk that it undertakes. Creditworthiness analysis for each client is based on the country of domicile, the business sector, as well as, certain qualitative and quantitative characteristics of the client, the nature of the transaction, and the collateral supplied.

Simultaneously, during the credit process, limits for credit facilitation have been defined, and duties have been segregated in order to ensure objectivity, independence and control over new and existing credits.

During the credit approval procedure, the total credit risk of every counterparty, or group of counterparties is examined, and all risks are then related to one another, so that the establishment of credit limits approved by various companies of the group.

The monitoring of credibility of counterparts as well as credit openings in combination with the corresponding limits that have been approved is carried out on a systematic basis.

Simultaneously, any concentration is analyzed and monitored on a constant basis, with main objective, the limitation of the contingent bid openings and dangerous concentrations, so that they comply with the approved limitations of the credit policy in force. Credit risk concentration can be established on the basis of the economy sector, counterparty or group of counterparties, country, currency, the nature of the transaction, and supplied collateral. In particular, as far as retail clients are concerned, the systematic monitoring of the credit performance is carried out with the assistance of specific analyses, such as, vintage analysis and flow rate analysis.

Balancing the relation between profit and risk is a matter of vital importance to the Bank's profitability. The aforementioned relation is analyzed at customer and product levels through a system of profitability measurement, and pricing definition, that has been developed with main aim the interrelation of the incurred risk with expected returns.

Simultaneously, within the framework of credit risk management policy, the effect from extreme but feasible scenarios on the quality of credit and available funds is evaluated, through the conduct of stress testing.

Credit rating system

The methods for evaluating credibility are modified depending on the nature of the counterparty in the following categories: central governments (for purchase and holding of debt instruments), financial institutions, corporate customers, small and medium sized entities (SMEs) and retail customers.

As far as evaluation of central governments and financial institutions is concerned, it is analyzed below under «Counter party banks risk» and «Country risk».

Retail customers are evaluated based on two different systems of credit rating. The first system (behavioral credit scoring) is concerned with the evaluation of payment performance and the Bank's relationship with current customers, while the second system (application credit scoring) is concerned with qualitative and financial information of customers (income, assets).

As far as the assessment of large, small and medium sized entities is concerned, an extended system of risk classification is applied. The first part concerns the classification of the creditworthiness of the business with reference to a ten-scaled rating system based on quantitative and qualitative analysis, thus defining the possibility of the business not meeting its contractual obligations. The significance of the relative criteria varies in conjunction with the nature and size of the operations conducted by the business. The second part of assessment of large, small and medium sized entities is concerned with transaction risks assessment with the use of a ten-scaled independent system for assessing the quality and the sufficiency of collaterals, thus defining the expected loss in case the counterparty fails to meet its contractual obligations.

The degree of creditworthiness for a client is used in conjunction with the degree of sufficiency of collaterals (i.e. unsecured risk) during the credit approval stage, as well as, for defining the corresponding limitations. In particular, the allocation of the degree of creditworthiness of the business portfolio is systematically monitored for the purposes of the internal calculation of possible failure to meet contractual obligations, as well as, of timely diagnosis of unfavorable displacements in the various degrees of quality/risk of the portfolio, aimed at the development of the proper strategy for hedging incurred risks.

Loans and advances to customers credit rating

The table below presents the amounts of loans and advances to customers, as well as, provisions for loans impairment in every category of the Bank's credit rating.

	31st December 2014		31st December 2013	
	Loans and advances to customers %	**Allowance doubtful debts %**	**Loans and advances to customers %**	**Allowance doubtful debts %**
Credit rating category:				
Low risk	67,35%	0,00%	52,92%	0,00%
Medium risk	0,00%	0,00%	0,00%	0,00%
High risk	32,65%	30,07%	47,08%	73,56%
Total	**100,00%**	**9,82%**	**100,00%**	**34,63%**

Maximum exposure to credit risk prior to calculation of collaterals and other credit risk protection measures

The table below presents the maximum exposure of the Bank to credit risk arising from financial instruments as presented in the statement of financial position without taking into consideration collaterals or other credit risk revisions produced. As far as financial instruments presented in the statement of financial position are concerned, exposure to credit risk equals to their carrying amount.

	Maximum exposure	
Amounts in Euro '000	**2014**	**2013**
Credit risk exposures relating to on-statement of financial position items:		
Loans and advances to banks	22.475	14.326
Derivative financial instruments	137	94
Receivables from credit institutions (from sale of assets)	58.083	58.083
Loans and advances to customers:		
Loans to individuals	12.222	12.331
Loans to corporate entities:		
Large corporate customers	4.963	6.706
Small and medium size enterprises (SMEs)	0	0
Other assets	24.972	23.911
Total on-balance sheet assets	**122.852**	**115.451**
Credit risk exposures relating to off-statement of financial position items:		
Letters of Guarantee	1.523	1.523
Total	**124.375**	**116.974**

Loans and advances

The table below presents the nature of the loans and advances of the Bank.

Amounts in Euro '000	31st December 2014		31st December 2013	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Loans and advances neither past due nor impaired (a)	12.835	22.475	12.337	14.326
Loans and advances past due but not impaired (b)	3.803	0	3.075	0
Loans and advances individually impaired (c)	2.419	0	13.709	0
Loans before allowance	**19.056**	**22.475**	**29.121**	**14.326**
Allowance for doubtful debts	(1.871)	0	(10.084)	
Loans after allowance	**17.185**	**22.475**	**19.037**	**14.326**

(a) Loans and advances neither past due nor impaired

The table below presents the loans of the Bank neither past due nor impaired for every category of the internal credit rating system.

	Loans and advances to customers				Loans and advances to banks
	Individuals	Corporate entities		Total	
Amounts in Euro '000		Large corporate customers	Small and medium size enterprises (SMEs)		
2014					
Credit rating category:					
Low risk	12.485	349	0	**12.835**	22.475
Medium risk	0	0	0	**0**	0
High risk	0	0	0	**0**	0
Total	**12.485**	**349**	**0**	**12.835**	**22.475**
2013					
Credit rating category:					
Low risk	12.337	0	0	**12.337**	14.326
Medium risk	0	0	0	**0**	0
High risk	0	0	0	**0**	0
Total	**12.337**	**0**	**0**	**12.337**	**14.326**

(b) Loans and advances past due but not impaired

The table below presents the analysis of time delay for loans that were past due but not impaired as at the reporting date, per category, as well as the estimated fair value of collaterals received.

Amounts in Euro '000	Individuals	Corporate entities: Large corporate customers	Corporate entities: Small and medium size enterprises (SMEs)	Total
2014				
Past due up to 30 days	0	3.803	0	**3.803**
Past due 31- 60 days	0	0	0	**0**
Past due 61 - 90 days	0	0	0	**0**
Past due up to 180 days	0	0	0	**0**
Total	**0**	**3.803**	**0**	**3.803**
Fair value of collateral	**0**	**0**	**0**	**0**
2013				
Past due up to 30 days	0	3.075	0	**3.075**
Past due 31- 60 days	0	0	0	**0**
Past due 61 - 90 days	0	0	0	**0**
	0	0	0	**0**
Total	**0**	**3.075**	**0**	**3.075**
Fair value of collateral	**0**	**0**	**0**	**0**

(c) Impaired loans and advances

The table below presents impaired loans and advances where estimation of impairment was made on individual basis, as well as the estimated fair value of collaterals per category. The loans included in this table present a delay of over 90 days and are classified as non-performing.

	Loans and advances to customers			
Amounts in Euro '000	Individuals	Corporate entities: Large corporate customers	Corporate entities: Small and medium size enterprises (SMEs)	Total
2014				
Individually impaired loans	0	2.419	0	**2.419**
Fair value of collateral	0	370	0	**370**
2013				
Individually impaired loans	7.703	6.007	0	**13.709**
Fair value of collateral	0	669	0	**669**

Counter party banks risk

The Bank is exposed to the risk of capital losses due to contingent delayed payments of outstanding and contingent obligations of counterparty banks.

On a day-to-day basis of its operations, the Bank conducts transactions with other banks and credit institutions. While conducting such transactions, the Bank is exposed to the risk of capital loss in case counterparty banks delay the payment of their outstanding or contingent obligations.

The limits of counterparty banks reflect the accepted risk level and are further divided into Foreign Exchange Services, Foreign Exchange Available, or other services that are faced with the aforementioned risk, and with reference to the needs and the size of operations of each service. Generally, the highest possible limits are defined following evaluation models of the banks and the directions demonstrated by supervising authorities.

Counter risk assessment is conducted using a special banks' and other credit institutions' assessment model (Scoring Model). The model assesses each counterparty with reference to economic quantitative, as well as, qualitative criteria. As far as quantitative criteria are concerned (capital adequacy, profitability, liquidity, etc), the banks and credit institutions are assessed based on various. The qualitative criteria (previous positive transactions record, management's assessment, etc) are provided with reference to the judgment of risk management.

The credit limit for each counter party is split into sub limits, thus covering placements, investments, foreign currency acquisitions, as well as, defined trade limits. The actual data are examined against the limits in an everyday basis and in real time.

Country risk

The Bank is exposed to country risk of capital loss due to international and political developments, as well as, other developments in a particular country where the funds or cash and cash available of the Bank have been placed or invested in various local banks and credit institutions.

All countries are assessed with reference to size, economic data, and the country's prospects, as well as, the credibility degree by international appraisal organizations (Moody's, Standard & Poor's). Actual data per country are examined against limits on a day-by-day basis. The limits are revised at least once in a year while the countries with the smaller size and lower solvency ratio are assessed and analyzed more frequently and whenever this is deemed necessary.

5.2. Market risk

Market risk is the risk of the occurrence of possible losses caused by the fluctuation and volatility of market prices, such as share prices, interest rate and foreign exchange rate fluctuations, etc.

The Bank operates mainly in the trading sector and holds open positions in various financial products and, therefore, is exposed to market risks, foreign currency risks (FX trading book), as well as fluctuation risks on the value of shares and other securities (Equities/Equity and Index Derivatives book), listed, mainly, on ASE.

The Risk Management Committee (RMC), which is a body responsible for the definition of the market risk management policy, has approved of the procedures of market risk management and has defined the corresponding limits of incurrence of the aforementioned risk per product and portfolio. The limits in question are monitored systematically, examined and revised annually, and modified in compliance with the Bank's strategy and current market conditions.

RMC is also responsible for approving the corresponding limits for counterparty risks, Issuer, and country following the relevant suggestion made by the Market Risk Management unit (MRM) and based on internal or/and external economic analyses.

Measurement, control and monitoring of market risk is conducted by MRM unit of Cyprus Popular Bank, Greek branch, on a daily basis for all parts in the portfolio and for the Bank as a whole.

Measurements are conducted using IT systems applying modern methodologies and market risk measurement techniques such as Value At Risk – VAR or Sensitivity Factors.

The assessment of VAR defines the biggest possible portfolio loss with a confidence level of 99% and a one day of hold period, without taking into consideration variations in prices that are due to unusual economic reasons and violent events. The VAR module of calculation of the biggest possible loss incurred is based on variance-covariance methodology, and covers both the trading and available-for-sale portfolio of the companies of the Bank. Market risk, in terms of VaR, for the aforementioned positions as at 31 December 2014, amounted to 15,31K Euro as analyzed in the table below.

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Currency risk	3,45	1,98
Interest rate risk of bond portfolio	N/A	N/A
Market risk of Stock Exchange Products portfolio	24,98	18,71
Reduction due to correlation	-13,12	-2,05
Net Market Risk	**15,31**	**18,63**

Apart from the aforementioned measurements, the market risk of portfolios is monitored by a range of additional limits such as the highest opening position limit for every product, and stop-loss limits for every portfolio.

Finally, at regular intervals and always at the end of each quarter, measurements of various scenarios similar to those of critical situations affecting market risk are conducted, in order to achieve, primarily, more effective management of the aforementioned risk, as well as, to keep Management and the other supervisory bodies informed. Results from measurements conducted are then presented separately for every risk involved.

5.3. Interest Rate Risk

Interest rate risk is the investment risk faced by the Bank that arises from changes in market interest rates. Interest rate risk arises from interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in different amounts.

The Bank mainly applies the method of Static Repricing Gap in order to estimate exposure to interest rate risk of transactions' portfolio and the bank's portfolio. The Static Repricing Gap method is used in order to estimate the sensitivity level of all current assets and liabilities of the bank and the companies of the Group (on Statement of Financial Position and off Statement of Financial Position items).

The method in question separates products by maturity (fixed) or next repricing (floating) and calculates the gap each period as well as measures sensitivity, thus calculating the interest rate opening, the balance between the assets and liabilities for each period.

The Tables below present the Bank's exposure to interest rate risk. The Tables present assets and liabilities of the Bank at their carrying amounts classified according to interest rate revaluation date, for fluctuating interest rates, or maturity date, for fixed interest rates.

Interest Rate Risk

Amounts in Euro '000	**Up to 1 month**	**1-3 months**	**3-12 months**	**Non-interest bearing**	**Total**
At 31st December 2014					
Assets					
Cash and balances with Central Bank	3.914	0	0	310	4.223
Loans and advances to credit institutions	22.475	0	0	0	22.475
Receivables from credit institutions (from sale of assets)	0	0	0	58.083	58.083
Trading portfolio and other financial instruments at fair value through P&L	0	0	0	7.626	7.626
Loans and advances to customers	17.058	127	0	0	17.185
Investment portfolio	3.933	0	0	39	3.972
Other assets	22.604	0	0	20.789	43.393
Total assets	**69.985**	**127**	**0**	**86.847**	**156.958**
Liabilities					
Due to credit institutions	2.597	0	0	30	2.627
Due to customers	40.133	7.370	5.862	0	53.365
Other liabilities	8.984	0	0	7.434	16.418
Provisions	0	0	0	1.713	1.713
Total liabilities	**51.714**	**7.370**	**5.862**	**9.177**	**74.123**
Total interest sensitivity gap	**18.271**	**(7.243)**	**(5.862)**	**77.670**	**82.835**
At 31st December 2013					
Total assets	40.985	6.498	58.083	47.174	**152.740**
Total liabilities	46.348	207	0	20.375	**66.931**
Net liquidity gap	**(5.363)**	**6.291**	**58.083**	**26.799**	**85.809**

Furthermore, the Bank, in the process of measuring interest rate risk assessment, estimates the negative effect on the annual interest rate results from a parallel change in the interest rate fluctuation of all currencies.

5.4. Currency Risk

Currency risk is the risk of a fluctuating value of financial instruments, as well as, assets and liabilities caused by changes in currency rates. Foreign currency transactions risk arises from an open position, positive or negative, which exposes the Bank to currency exchange risk. Such a risk could arise in the event of assets being carried in one currency while financed by liabilities in another, or from forwards and swaps, as well as derivatives, including options.

The Tables below present the Bank's exposure to currency risk. These Tables present assets and liabilities of the bank at their carrying amounts and classified per currency.

Currency Risk

Amounts in Euro '000	EUR	USD	GBP	CHF	JPY	Other currencies	Total
As at 31st December 2014							
Foreign exchange risk for assets							
Cash and balances with Central Bank	4.195	16	8	4	0	0	**4.223**
Loans and advances to credit institutions	18.521	2.572	379	186	91	726	**22.475**
Receivables from credit institutions (from sale of assets)	58.083	0	0	0	0	0	**58.083**
Derivative financial instruments	6.931	695	0	0	0	0	**7.626**
Trading portfolio and other financial assets at fair value through Profit & Loss	137	0	0	0	0	0	**137**
Loans and advances to customers	17.178	7	0	0	0	0	**17.185**
Investment portfolio	3.972	0	0	0	0	0	**3.972**
Participations in associates	4.558	0	0	0	0	0	**4.558**
Property, plant and equipment	8.573	0	0	0	0	0	**8.573**
Goodwill and other intangible assets	91	0	0	0	0	0	**91**
Other assets	29.503	455	68	6		3	**30.035**
Total assets	**151.742**	**3.745**	**455**	**195**	**91**	**729**	**156.958**
Foreign exchange risk of liabilities							
Due to credit institutions	2.599	27	0	0	0	0	**2.627**
Due to customers	44.047	8.955	167	9	0	187	**53.365**
Derivative financial instruments	119	0	0	0	0	0	**119**
Other liabilities	14.842	609	188	50	78	306	**16.073**
Provisions	1.713	0	0	0	0	0	**1.713**
Retirement benefit obligations	227	0	0	0	0	0	**227**
Total liabilities	**63.547**	**9.591**	**355**	**59**	**78**	**493**	**74.123**
Net on-SFP position	**88.195**	**(5.846)**	**100**	**136**	**13**	**237**	**82.835**
As at 31st December 2013							
Total assets	145.891	5.163	619	222	77	768	**152.740**
Total liabilities	56.359	9.395	320	137	91	629	**66.931**
Net on-SFP position	**89.532**	**(4.232)**	**300**	**85**	**(15)**	**140**	**85.809**

Moreover, the Bank, in the process of measuring the highest possible currency risk, estimates the negative effect on the annual results from changes in currency variations.

5.5. Risk arising from share price changes

The risk pertaining to shares and other securities held by the Bank arises from possible adverse movements on share and other securities prices. The Bank invests, mainly, on shares in the Athens Stock Exchange (ASE) and in the Cyprus Stock Exchange (CSE), and depending on the investment objective, they are classified to the appropriate portfolio (trading or available for sale). Transactions are also made with the aim of taking advantage of short-term fluctuations in share/ratio prices or for hedging open positions with the use of derivative products on shares or ratios.

The Bank, however, is not exposed to risks as far as commodities prices are concerned.

The Bank, in assessing risk arising from share price changes, calculates the negative effect on its annual results from a change in share prices. The aforementioned measurements, conducted by reference to the balances as at 31 December 2014 showed that in the event of a decrease in share prices by 20% the Bank would suffer losses amounting to around € 33,01 thousands.

5.6. Liquidity Risk

Liquidity risk is the risk of the Bank not being able to fully meet payment obligations and potential payment obligations as and when they fall due, and caused by lack of liquidity. This risk includes the possibility that the Bank may have to raise funding at cost or sell assets on a discount.

The aforementioned risk is controlled with the use of a developed liquidity management structure comprising of various types of controls, procedures and limits. In such a manner, compliance with regulations on liquidity ratios, set by relevant authorities, as well as, internal limits are assured.

Control and management of liquidity risk are achieved with the use and control of the following ratios:

(α) Cash Available Ratio, defined as estimation of «cash available» of the period of up to 30 days direct maturity, as defined by the corresponding Act of the Governor of the Bank of Greece, as far as «borrowed funds» are concerned, as defined by the corresponding Act of the Governor of the Bank of Greece.

(β) Liquidity Gap Ratio, defined as the percentage of the gap between «assets and liabilities» for the period up to 30 days, as defined by the corresponding Act of the Governor of the Bank of Greece, to «borrowed funds», as defined by the relevant Act of the Governor of the Bank of Greece.

A significant part of assets is financed by customer deposits. Short term cash requirements are financed mainly through current and savings deposits. Long-term investments are mainly funded by bond issues and time deposits.

Although the aforementioned deposits can be withdrawn on demand, without further notice, their highly diversified nature, both in number and in type of accounts, ensure the absence of significant fluctuations and, therefore, in their majority, constitute a fixed deposit basis.

The Bank regularly conducts liquidity stress tests.

The Tables below analyzes liabilities to other banks, customer deposits, and other borrowed funds, as well as, other liabilities to the Bank’s customers in the corresponding periods with reference to the period from reporting date to maturity.

The presented amounts reflect contractual non-discounted cash flows.

Liquidity Risk

Amounts in Euro '000	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
As at 31st December 2014							
Liabilities							
Due to banks	0	0	2.627	0	0	0	**2.627**
Due to customers	42.052	5.921	5.392	0	0	0	**53.365**
Other liabilities	13.283	551	2.358	1.940	0	0	**18.132**
Total liabilities	**55.335**	**6.471**	**10.377**	**1.940**	**0**	**0**	**74.123**
Total assets	**119.420**	**1.200**	**4.225**	**18.250**	**13.726**	**343**	**157.163**
As at 31st December 2013							
Liabilities							
Due to banks	51	0	2.787	0	0	0	**2.838**
Due to customers	34.264	5.442	4.167	0	0	0	**43.873**
Other liabilities	15.157	355	2.449	2.363	0	0	**20.324**
Total liabilities	**49.472**	**5.797**	**9.403**	**2.363**	**0**	**0**	**67.035**
Total assets	**61.519**	**1.766**	**59.787**	**21.306**	**8.450**	**0**	**152.828**

The Bank held cash equivalents amounting to €26,7 million as at 31 December 2014, which covered approximately 47% of customer and interbank deposits. The Bank's liquidity was significantly enhanced upon the receipt, during 2015, of the €58,1 million receivable balance arising from the settlement of the assets and liabilities transfer to Piraeus Bank.

5.7. Capital adequacy

The Bank is under the supervision of the Bank of Greece that sets and monitors demands on capital adequacy as far as banks are concerned. As a member of Cyprus Popular Bank Group, the Bank is also subject to, indirect, supervision by the Central Bank of Cyprus.

Bank of Greece requires that every Credit Institution should have a minimum Core Tier I ratio of 9% which is designed to cover all foreseeable risks (credit, market, operational).

For the calculation of capital adequacy as starting from 01/01/2008 there has been applied a new supervisory framework (Basel II) that was incorporated into Greek Legislation based on Law 3601/2007 base, which substantially modifies the calculation of credit risk and introduces capital requirements for operational risk. The calculation of market risk has not been subject to significant changes. In particular, the credit risk of the investment portfolio and operational risk are calculated using the standard method.

The capital adequacy of the Bank is monitored at regular intervals by the Financial Department of the Bank and the results are submitted on a quarterly basis to the Bank of Greece.

The regulatory capital of the Bank is exclusively derived from the Core Equity (Tier I). It comprises equity capital, reserves and results carried forward, which are further adjusted in accordance with the provisions of PD / TC 2587/20.08.07.

The Bank has no Tier II regulatory capital.

The Capital Adequacy ratio of the Bank as at 31/12/2014 is as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Share Capital	110.427	110.427
Other Reserves	16.733	20.375
Retained Earnings	-44.325	-44.993
Goodwill and other intangible assets	-91	-2
Other adjustments	11	-2.887
Total Tier I	82.756	82.920
Total supervisory capitals	**82.756**	**82.920**
Weighted assets		
- on-SFP items	158.388	133.383
- off-SFP items	674	673
- transaction portfolio items	15.353	12.193
- operatinal risk	23.233	32.149
Total	**197.647**	**178.398**
Capital Adequacy Ratio	**41,87%**	**46,48%**

The Bank's capital adequacy ratio insignificantly decreased in 2014 due to the Bank's risk weighted assets increase, but still remained significantly higher than the minimum required capital adequacy ratio (Core Tier I) of 9% over the risk weighted assets.

6. Fair value of financial assets and liabilities

6.1. Financial assets and liabilities not carried at fair value

Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Differences might arise between the carrying amount and the fair value of financial assets and liabilities.

The items of transaction portfolio, derivatives and securities available-for-sale are presented in the financial statements at their fair value. Loans and other advances, securities held to maturity and financial liabilities are presented at amortized cost. The carrying amount of the aforementioned items, as presented in the financial statements, does not materially differ from their fair value. In particular:

(a) Loans and advances to banks

Loans and advances to banks include mainly short term interbank placements and other collectibles. The vast majority of placements have a maturity date within one month and, therefore, the fair value is quite similar to the carrying amount.

(b) Loans and advances to customers

Loans and advances to customers are presented after deduction of the corresponding provision for impairment. The vast majority of loans refer to loans of fluctuating interest, thus, the carrying amount of the loans and advancers to customers does not materially differ from their fair value.

(c) Deposits

The fair value of deposits without fixed maturity date (saving and current accounts) is the amount that the Bank should pay after customers' demands, equal to their carrying amount. Deposits from customers, as well as, placements from other banks have an average maturity period below three months. Therefore, their estimated fair value does not materially differ from their carrying amount.

6.2. Fair value hierarchy

IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The observable data is based on active markets and derives from independent sources, while non-observable information refers to Management estimates. Such two methods for deriving information create the following hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
The level includes listed shares and borrowing funds on stock exchanges (such as those in London, Frankfurt and New York) and derivatives such as Futures (Nasdaq, S & P 500).

Level 2 – Inputs, other than quoted prices, are included in level 1 that are observable for the asset or liability directly or indirectly. The level includes the majority of OTC derivatives and various issued debts. The sources of such data are the curve of LIBOR, Bloomberg and Reuters.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level includes capital investments and borrowed funds that are not traded in an active market, as there are no similar traded products.

Transaction portfolio items, derivatives and securities available for sale carried at fair value are categorized at Level 1.

7. Net interest income

Net interest income is analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Interest income		
Interest from fixed income securities	294	237
Interest received from loans	1.704	3.661
Interest received from interbank transactions	105	98
Other interest related income	236	1.140
Total	**2.339**	**5.136**
Interest expense		
Customer deposits	(460)	(774)
Interbank transactions	0	(1.545)
Other interest related expenses	(3)	(570)
Total	**(464)**	**(2.889)**
Net interest income	**1.875**	**2.248**

8. Net fee and commission income

Net fee and commission income is analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Net fees and commission income from Commercial Banking	(12)	(49)
Net fees and commission income from Investment Banking	672	567
Net fees and commission income from Securities transactions	4.386	4.721
Other	652	32
Net fees and commission income	**5.698**	**5.271**

At the other commission income the Bank includes net commission income of €582K from its participation to the European Investment Bank's Jessica program.

9. Trading income

Trading income is analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Net result from shares, mutual funds, and share hedging	(1.199)	3.832
Net result from FX and FX hedging	(136)	775
Net result from bonds and bonds hedging	(764)	0
Net result from derivatives held for trading	2.612	(2.798)
Total	**512**	**1.809**

10. Other income

Other income of the Bank is analyzed as follows:

Amounts in Euro '000	31st December 2014	31st December 2013
Buildings rentals	20	77
Income from unused provisions	468	1.842
Income from EIB Jesscia program	740	0
Other Income	285	63
Total	**1.513**	**1.982**

In the income from unused provisions the Bank includes loan provisions reversals due to receipt of additional collaterals (See note 20).

11. Staff Costs

Staff costs are analyzed as follows:

Amounts in Euro '000	31st December 2014	31st December 2013
Wages and salaries	5.411	6.265
Social insurance contribution	1.248	1.576
Pension plan costs	129	764
Other staff costs	418	377
Total	**7.207**	**8.981**

The number of staff members as of 31/12/2014 was 163 (31/12/2013: 161).

12. Other operating expenses

Other operating expenses are analyzed as follows:

Amounts in Euro '000	31st December 2014	31st December 2013
Fees relating to lawyers, advisory, auditors etc.	372	475
IT expenses	591	220
Subsciptions	263	597
Building and set-up expenses	627	938
Advertising expenses, sponsorship etc.	57	60
Taxes and duties	482	470
Printing and office materials	10	72
Miscellaneous operating expenses	601	942
Total	**3.004**	**3.774**

13. Other impairments and provisions

The account "Other impairments and provisions" is analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Loss on disposal of assets and liabilities	0	17.009
Impairment for participations (Note 21)	1.616	999
Other receivables provisions	128	0
Provisions for legal cases	0	50
Other Provisions	68	69
Total	**1.812**	**18.127**

14. Income tax

Income tax recognized in the income statement is analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Tax for the financial Year	0	0
Deferred tax	33	(198)
Total	**33**	**(198)**

According to Law 4110/2013, the nominal Greek corporate tax rate increased to 26% (from 20% in 2012) for income generated in accounting years 2013 and onwards. In addition, dividends distributed, based on General Meetings held as of 1 January 2014 onwards, are subject to 10% withholding tax. For unaudited tax years refer to Note 31.

15. Cash and Balances in Central Bank

Cash and Balances in Central Bank are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Cash in hand	310	430
Balances with Central Bank	3.914	14.394
Total	**4.223**	**14.824**

The average amount of cash placed with the Bank of Greece during the month of December 2014 was €390 th.

16. Loans and Advances to Banks

The Bank's loans and advances to other Banks are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Loans to financial institutions	680	680
Nostro accounts in foreign banks	13.908	4.465
Nostro accounts in local banks	7.887	9.181
Total	**22.475**	**14.326**
Current	***22.475***	***14.326***
Non current	***0***	***0***

17. Receivable from the sale of assets and liabilities

The receivable balance amounting to €58,1 million relates to the sale of assets and liabilities to Piraeus Bank and it was determined from the managing/settlement of the said funds during the transition, based on:

(a) Sale and transfer of assets and liabilities agreement, dated 26 March 2013, between the parent, Cyprus Popular Bank Plc (CPB) and Piraeus Bank.

(b) Sale and transfer of assets and liabilities agreement, dated 28 March 2013, between the Bank and Piraeus Bank with additional counterparties CPB and Bank of Cyprus

(c) The assumption from Bank of Cyprus, on 29 March, of the responsibility to settle the obligations and receive the benefits arising from the above agreements pursuant to the Cypriot Law for the Resolution of Banks and Other Financial Institutions.

(d) The netting agreement between the Bank and Bank of Cyprus dated 20 December 2013 and

(e) The netting agreement between the Bank Piraeus Bank and Bank of Cyprus dated 19 January 2015

The receivable amount has been fully settled in January 2015.

18. Trading portfolio

Trading portfolio includes shares listed in Athens Stock Exchange and other Greek and foreign bonds.

19. Derivative financial instruments

Amounts in Euro '000	31st December 2014			31st December 2013		
		Fair Value			Fair Value	
	Notional amount	**Assets**	**Liabilities**	**Notional amount**	**Assets**	**Liabilities**
Trading Derivatives						
Foreign currency derivatives:						
Interest rate swaps						
		0	**0**		**0**	**0**
Index / equity derivatives:						
Futures	5.193	0	0	5.129	0	0
Options	255	137	119	170	94	76
Index futures	0			14.589		
		137	**119**		**94**	**76**
Total		**137**	**119**		**94**	**76**
Current		***137***	***119***		***94***	***76***
Non - current		***0***	***0***		***0***	***0***

Due to the daily clearing of futures derivatives, their fair value as at 31 December 2013 and 2014 is included as a net amount in the relevant margin account, included in Other Assets.

20. Loans and Advances to Customers

Loans and advances to customers are analyzed as follows:

Amounts in Euro '000	31st December 2014	31st December 2013
Consumer loans	96	72
Loans to individuals	11.180	19.968
Intragroup loans	5.911	8.613
Corporate loans	1.869	468
	19.056	**29.121**
Less: allowance for losses (impairment) on loans and advances to customers	(1.871)	(10.084)
Total	**17.185**	**19.037**
Current	***0***	***0***
Non current	***17.185***	***19.037***

Provisions for impairment losses are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Balance at beginning of period	(10.084)	(163.517)
Income / Expense for the period	-263	(1.068)
Loans sales	0	154.496
Loans write offs	8.476	5
Balance at end of period	**(1.871)**	**(10.084)**

The bank has written off loan stock exchange accounts of a total € 7.922K, with their equivalent accumulated provisions. The remaining amount is reversed loans provisions due to receipt of additional collateral.

21. Investment portfolio

The investment portfolio of the Bank comprises available for sale financial instruments which include exclusively bonds.

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Available for sale portfolio (at fair value)		
Greek Government bonds	2.975	0
Foreign bonds	996	0
Total fixed income securities	*3.971*	*0*
Non-listed domestic shares	1	39
Total shares	*1*	*39*
Total available for sale portfolio	**3.972**	**39**
Current	***3.972***	***39***
Non current	***0***	***0***

22. Investment in subsidiaries and associates

Name	% participation 31/12/2014	Country of incorporation	Services Provided
IBG CAPITAL S.A.	99,99%	Greece	Equity participation
IBG MANAGEMENT MUTUAL FUNDS	50,00%	Greece	Mutual Funds Management
IBG A.E.P.E.Y.	79,31%	Greece	Investment services
MARFIN SECURITIES CYPRUS	100,00%	Cyprus	Brokerage Services, Cyprus stock exchange
LAIKI MUTUAL FUNDS S.A.	4,40%	Greece	Mutual Funds Management
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Investment services

Amount in Euro '000	Assets	Liabilities	Revenue Turn Over	Profit / (Loss) before tax
IBG CAPITAL S.A.	3.106	354	0	(776)
IBG MANAGEMENT MUTUAL FUNDS	2.206	623	1.308	60
IBG A.E.P.E.Y.	0	0	0	0
MARFIN SECURITIES CYPRUS	4	0	0	(3)
LAIKI MUTUAL FUNDS S.A.	2.560	1.185	1.280	(462)
IBG INVESTMENTS S.A.	5.627	4.201	0	(1.087)

The financial statements of the above mentioned subsidiaries of the Bank, with the exemption of "IBG BROKERAGE S.A" which is under liquidation, are consolidated under full consolidation method in the consolidated financial statements of "Investment Bank of Greece S.A".

Investment in associates is analyzed as follows:

Amounts in Euro '000	31st December 2014	31st December 2013
Balance at beginning of period	**2.694**	**3.770**
- Impairment of participation on subsidiary	(1.916)	(900)
- Decrease of shares in investments in associates	0	(176)
- Increase of shares in investments in associates	3.780	0
Balance at end of period	**4.558**	**2.694**

23. Investment Property and Property, Plant and Equipment

Property plant and equipment and investment property are analyzed as follows:

Amounts in Euro '000	**Property, plant and equipment**				**Investment in property**
	Land-buildings	**Mechanical equipment & transport**	**Furniture & other equipment**	**Total**	
Acquisition cost on 1st January 2014	11.241	45	6.678	17.964	2.295
Less: Accumulated depreciation	(5.140)	(11)	(6.426)	(11.577)	0
Carrying amount on 1st January 2014	**6.101**	**35**	**252**	**6.388**	**2.295**
				0	
Additions	3	0	103	106	0
Write-off – disposals	0	(9)	(60)	(69)	0
Depreciation for the period	(95)	(6)	(87)	(188)	0
Depreciation attributed to disposed-written-off	0	9	32	41	0
Acquisition cost on 31st December 2014	11.244	36	6.721	18.001	2.295
Less accumulated depreciation	(5.235)	(7)	(6.481)	(11.724)	0
Carrying amount on 31st December 2014	**6.009**	**29**	**240**	**6.277**	**2.295**

Total rental income from investment property for the period ended 2014 amounted to € 20,2 thousands.

24. Intangible assets

Intangible assets are analyzed as follows:

Amounts in Euro '000	**Software**
Acquisition on 1st January 2014	3.398
Less: Accumulated amortization	(3.396)
Carrying amount on 1st January 2014	**2**
Additions	90
Amortization for the period	(1)
Amortization attributed to disposed-written-off	0
Acquisition cost on 31st December 2014	3.488
Less: Accumulated amortization	(3.397)
Carrying amount on 31st December 2014	**91**

25. Deferred tax

Temporary differences during 2014 are analyzed as follows:

Amounts in Euro '000	**Balance as at 1st January 2014**	**Recognition in Profit & Loss**	**Recognition in Equity**	**Balance as at 31st December 2014**
Investments in property and property, plant and equipment	*1.301*	*(153)*	*0*	*1.148*
Impairment on loans and advances to customers	*1.001*	*486*	*0*	*1.488*
Other provisions	*0*	*531*	*0*	*531*
Retirement benefit obligations	*(2)*	*61*	*0*	*59*
A.F.S. Portfolio	*0*	*10*	*4*	*14*
Impairment on other participation	*739*	*578*	*0*	*1.317*
Tax Losses	*2.052*	*(1.546)*	*0*	*506*
Total	***5.092***	***(33)***	***4***	***5.063***

The Bank has approximately €176 mil transferred tax losses as at 31/12/2014. The DTA recognition is limited to €5.063K, based on the current expectations for the bank's future taxable losses (see note 4).

26. Other assets

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Guarantee deposit funds	4.607	4.466
Complementary A.S.E. members guarantee fund	2.780	2.887
Auxiliary Capital	4.222	7.253
Clearing accounts for securities transactions of ASE, ADEX and foreign stock exchanges	4.691	3.805
Claims from the Greek State	2.750	2.699
Margin derivative trading account	3.782	928
Interest and other receivable income	344	0
Guarantees	715	686
Advances	58	159
Other debtors	1.966	1.842
	25.914	**24.725**
Less: Provisions	(942)	(814)
Total	**24.972**	**23.911**
Current	***12.648***	***8.619***
Non current	***12.324***	***15.292***

In the claims from the Greek state receivables the Bank includes prepaid income tax of €2.640K for 2011.

27. Due to other Banks

Amounts due to other Banks are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Interbank deposits	2.627	2.787
Due to banks	0	51
Total	**2.627**	**2.838**
Current	***2.627***	***2.838***
Non current	***0***	***0***

28. Due to customers

Amounts due to customers are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Sight deposits	2.906	948
Savings account	819	1.227
Time deposits	47.021	38.869
Blocked deposits	2.619	2.725
Total	**53.365**	**43.769**
Current	***53.365***	***43.769***
Non current	***0***	***0***

In the time deposits balance, amount of €34.830K refers to clients with stock accounts.

29. Employee benefits

The amounts recognized in the Statement of Financial Position are as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Recognition in balance sheet:		
Lump sum pension indemnity		
- Funded	0	0
- Non-funded	227	172
	227	**172**

The amounts recognized in the Income Statement are described below:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Current service cost	16	34
Cost	7	16
Settlement costs	105	714
Total included in staff costs	**129**	**764**

Changes in liabilities in the Statement of Financial Position are as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Opening book amount	**172**	**331**
Total amount debited in Income Statement	(116)	(777)
Contributions paid	129	764
Amount to Other comprehensive income	42	(146)
Closing year end account	**227**	**172**

30. Other liabilities

Other liabilities are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Due to customers from securities transactions of ASE, ADEX and foreign stock exchanges	13.051	15.054
Liabilities arising from taxes	364	331
Interest and other related expenses	129	13
Checks Payable	173	23
Insurance companies	11	17
Other creditors	2.345	2.448
Total	**16.073**	**17.886**
Current	***16.073***	***17.886***
Non current	***0***	***0***

31. Provisions

Provisions are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Provision for Legal cases (Note 13)	700	700
Provision for gurantees (Note 13)	600	600
Provision for unused leave	0	512
Provision for open tax year (2010)	345	341
Other	68	38
Total	**1.713**	**2.191**

32. Share Capital

Share Capital remained unchanged and is analyzed as follows:

	Number of Shares	**Nominal Value**	**Total of Ordinary Shares**
31st December 2013	**3.762.420**	€ 29,35	**110.427.027,00**
31st December 2014	**3.762.420**	€ 29,35	**110.427.027,00**

33. Other Reserves

Other reserves are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Statutory reserve	11.719	11.719
Untaxed and other regulatory reserve	0	3.631
Extraordinary reserve	3.481	3.481
Share Premium	1.545	1.544
Other reserves	**16.745**	**20.375**

Statutory Reserve: According to Greek Corporate Law, the Bank is required to deduct from its accounting profits a minimum of 5% per year for the purposes of a statutory reserve. The deduction ceases to be compulsory when the statutory reserve reaches 1/3 of the share capital. This is a non-distributable reserve, but can be set-off against accumulated accounting losses.

Untaxed Reserves (tax free reserves): The bank set off the tax free reserves in accordance with special laws with tax losses without any tax or accounting consequence. For these accounts, as defined in the relevant standard IAS12, there is not any provision for deferred tax liability.

Extraordinary Reserves: The extraordinary reserves have been created from taxed profits, and as such no additional tax liability will be imposed in case of their distribution.

34. Cash and Cash Equivalents

For the preparation of the cash flow statement of the Bank cash and cash equivalents include loans and advances to banks with an original maturity of 90 days or less.

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Cash and balances with Central Bank	4.223	14.824
Loans and advances to banks	22.475	14.326
Total	**26.699**	**29.150**

Cash flows from operating activities of the Bank include trading portfolio transactions, while investment portfolio transactions are included in cash flows from investing activities.

35. Commitments, contingent liabilities and assets

a) Contingent liabilities from guarantees

The contractual values of contingent liabilities are analyzed as follows:

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
Contingent Liabilities from guarantees		
Letters of Guarantee (Bid and Performance books)	1.519	1.519
Letters of Guarantee (Advance Payment, Retention of Tenths, Prompt Payment)	4	4
Total	**1.523**	**1.523**

b) Contingent tax liabilities

The Bank has been audited by the tax authorities for all fiscal years up until and including 2009. The Bank's tax returns and records have not been audited by the tax authorities for the year ended 31/12/2010 and as such the Bank remains potentially liable for additional taxes and penalties that may be imposed for that year. A provision of € 341 thousands has been booked for this contingency. A Tax Certificate has been issued for 2011 and 2012 by the Bank's Certified Auditors in accordance with paragraph 5 of article 82 of Law 2238/1994. In the same context, the Bank is subject to a tax audit for the year ended 31 December 2014 by its current Certified Auditors, which is in progress. The related Tax Certificate will be issued at a later stage, however, for the purposes of these financial statements it was estimated that no additional material tax liabilities will be posted from the finalization of such tax audit.

c) Contingent liabilities from litigation

There are no pending legal claims or liabilities which could have a material adverse effect on the financial position of the Bank as at 31 December 2014, apart from the cases from which a provision has already been made (Note 31)

36. Related Parties Transactions

All transactions are conducted at arm's length and on the same basis as with any third party. The total amount of transactions with related parties per category is presented below.

36.1. Transactions with companies in the CYPRUS POPULAR BANK Group

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
a) Asset accounts		
Loans and advances to banks	45	67
Loans and advances to customers	4.466	8.614
Other amounts due	124	0
Total	**4.635**	**8.681**

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
b) Liability accounts		
Due to banks	2.597	2.784
Deposits	5.990	1
Other liabilities	400	0
Total	**8.987**	**2.785**

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
c) Income		
Interest and similar income	323	395
Dividens received	0	88
Fee and commission income	0	5
Other income	61	19
Total	**384**	**507**

Amounts in Euro '000	**31st December 2014**	**31st December 2013**
d) Expenses		
Interest and similar expenses	53	1.028
Fee and commission expenses	0	84
Other expenses	400	3
Total	**453**	**1.115**

36.2. Transactions with Management and members of the Board of Directors

Amounts in Euro '000	31st December 2014	31st December 2013
a) Asset accounts		
Loans	0	7
Total	**0**	**7**

Amounts in Euro '000	31st December 2014	31st December 2013
b) Liability accounts		
Deposits	13	39
Total	**13**	**39**

Amounts in Euro '000	31st December 2014	31st December 2013
c) Income		
Interest and similar income	0	0
Fee and commission income	0	0
Total	**0**	**0**

Amounts in Euro '000	31st December 2014	31st December 2013
d) Expenses		
Interest and similar expenses	0	0
Total	**0**	**0**

36.3. Remuneration of Management and members of the Board of Directors

Amounts in Euro '000	31st December 2014	31st December 2013
Fees to members of the BoD	62	11
Salaries	414	375
Total	**476**	**386**

37. Events after the reporting period

There are no events after the reporting period that should be disclosed in the financial statements.

Marousi, 28 May 2015

Chief Executive Officer	Chief Operating Officer	Accounting Department Manager
Theodoros Theodorou	**Anestis Filopoulos**	**Konstantinos Kalliris**