ANNUAL REPORT 2013

HELLENIC BANK

BASIC FINANCIAL HIGHLIGHTS

	2013	2012	2011	2010	2009
CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS					
€ MILLION	**5.513,3**	7.766,9	7.106,5	6.853,5	6.574,0
LOANS AND ADVANCES					
€ MILLION	**4.394,2**	5.556,8	5.631,7	5.422,8	5.029,6
TOTAL FINANCIAL POSITION					
€ MILLION	**6.383,9**	8.755,7	8.279,0	8.236,7	8.294,7
CAPITAL RESOURCES					
€ MILLION	**394,5**	481,7	431,6	532,0	519,9
GROUP OPERATING PROFIT BEFORE PROVISIONS FOR IMPAIRMENT OF LOANS AND ADVANCES (Note 1)					
€ MILLION	**132,6**	159,4	55,6	90,0	99,4

Note 1: The comparative consolidated Income Statement is restated as if the operations of the Branch Network in Greece had been discontinued from the start of the comparative year.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 40th Annual General Meeting of **HELLENIC BANK PUBLIC COMPANY LIMITED** will be held at the registered office of the Bank, corner Limassol Avenue & 200 Athalassa Avenue, Strovolos - Nicosia, on **Wednesday 28 May 2014 at 5:30 p.m.**

Agenda

1. To consider and approve the Directors' Report for the year ended 31st December 2013.

2. To consider and approve the Accounts and the Auditors' Report thereon for the year ended 31st December 2013.

3. To elect Directors in the place of those retiring.

4. To approve the Remuneration Policy Report and to fix the remuneration of the Directors.

5. To re-appoint the Auditors and fix their remuneration.

By order of the Board,
CHARALAMBOS MOUSOULIDES
Company Secretary

Nicosia, 31 March 2014

Every shareholder having the right to be present and vote at the above Meeting is entitled to appoint a Proxy, whether shareholder or not, to be present at the meeting and vote on his/her behalf. The relative instrument of proxy must be drawn in accordance with the provisions of Article 83 of the Articles of Association of Hellenic Bank Public Company Ltd and must be deposited at the registered office of the Bank, corner Limassol Avenue & 200 Athalassa Avenue, 2025 Strovolos - Nicosia, not later than 48 hours before the time fixed for the Meeting. The proxy so appointed does not have to be a shareholder of the Bank in his/her own right.

Note: The Annual Report of Hellenic Bank Public Company Limited for the year 2013 is available, in electronic form, at the website of Hellenic Bank www.hellenicbank.com
Copies of the Annual Report, either in electronic form or in printed form, are also available, free of charge, at the Shares & Bonds Registry Department, Corner Limassol Avenue & 200 Athalassa Avenue, 2025 Strovolos - Nicosia, (Telephones: 22500649/22500650, Fax: 22500065, E-Mail: shares@hellenicbank.com)
The Annual Report will also be available, in printed form, during the Annual General Meeting.

BOARD OF DIRECTORS AND GENERAL MANAGEMENT

BOARD OF DIRECTORS OF HELLENIC BANK PUBLIC COMPANY LTD

Dr Andreas P. Panayiotou, CHAIRMAN
Kyriacos J. Koushos, VICE – CHAIRMAN (appointed as a member on 24.12.2013 and elected vice-chairman on 13.01.2014)
Andreas M. Moushouttas, VICE – CHAIRMAN (resigned on 04.12.2013)
Iacovos G. Iacovou (resigned on 02.10.2013)
Soteris Z. Kallis, Senior Independent Director (resigned on 03.12.2013)
Charalambos P. Panayiotou (resigned on 14.01.2014)
Ioannis Ch. Charilaou
Georgios K. Pavlou
Kyriakos E. Georgiou, Senior Independent Director (elected Senior Independent Director on 13.01.2014)
Makis Keravnos
Kyriacos I. Droushiotis (resigned on 05.12.2013)
Stavros Kremmos (resigned on 04.06.2013)
Dr Marios Clerides (resigned on 20.12.2013)
Marianna Pantelidou Neophytou (appointed on 24.12.2013)
Ioannis A. Matsis (appointed on 24.12.2013)
Marios M. Michaelides (appointed on 24.12.2013)
Dr Andreas G. Charitou (appointed on 24.12.2013)
Adonis E. Yiangou (appointed on 03.02.2014)
Vassos Y. Komodromos (appointed on 18.02.2014)

CHIEF EXECUTIVE OFFICER

Makis Keravnos

GENERAL MANAGEMENT OF THE HELLENIC BANK GROUP

Dr Marios Clerides, Senior General Manager (until 10.01.2014)
Antonis Rouvas, General Manager
Eliodoros Eliodorou, General Manager
Kyriacos Papadopoulos, General Manager (retired on 02.04.2013)

GROUP CHIEF FINANCIAL OFFICER

Antonis Rouvas

AUDITORS

KPMG Limited

LEGAL ADVISERS

Costas Ch. Velaris
Alecos F. Markides

COMPANY SECRETARY

Charalambos Mousoulides

REGISTERED OFFICE

Corner Limassol Avenue & 200 Athalassa Avenue, 2025 Strovolos,
P.O.Box 24747, 1394 Nicosia, Cyprus

CHAIRMAN'S STATEMENT

Dr Andreas P. Panayiotou
Chairman

Dear Shareholders,

Despite the challenging economic environment, the Group's operational profitability remained satisfactory, with the Group's profit from ordinary operations before provisions for 2013 amounting to €133 million.

Loss after taxation attributable to the owners of the parent Company for the year ended 31 December 2013, amounted to €190,9 million, compared to a loss of €23,4 million for the corresponding period last year. This loss includes increased provisions for impairment of loans and advances, loss resulting from discontinued operations following the sale of the Branch Network in Greece, as well as the cost of the Voluntary Early Retirement Scheme. The main reason for the increase in provisions was the negative economic environment, the increase in non-performing loans and the continuing decrease in the value of property.

The Bank successfully managed the crisis following the events of March 2013, taking all necessary measures to safeguard liquidity, ensure unimpeded customer service, and strengthen trust for the Bank and the system in general under extremely negative circumstances.

On 2nd November 2013, the completion of the Capital Base Enhancement Plan marked a great success for the Hellenic Bank Group as, despite the adverse economic conditions and the prevailing uncertainty, secured €358 million and exceeded the capital shortfall of €294 million imposed on it based on PIMCO's adverse scenario by €64 million. Following the approval of the preliminary results for the year ended 31 December 2013 and as a result of the formation of the Bank and Group's Common Equity Tier 1 Ratio below 9%, CCS 1 of a total value of €86 million were converted pro rata to shares. As a result, the Common Equity Tier 1 Ratio was adjusted to 9,3% (Bank: 9,0%). The successful capitalisation by private investors strengthens the Group's efforts to carve a dynamic and independent course so that it can have a leading role in banking events and an important role in the recovery of our country's economy.

In spite of troubled times, the Hellenic Bank Group, continued to encourage and support efforts which advance the community, education, health and research, culture, sport and the environment. In the context of its Corporate Social Responsibility, it participated in efforts to address humanitarian matters by supporting poor families and social groups. It encouraged cultural initiatives and supported Cypriot artists, thus contributing to the promotion of the Arts and Culture. As the primary supporter of Cypriot printmaking, it sponsored all activities of the Hambis Printmaking Museum and School, continued to support the Tornaritis-Pierides Municipal Museum of Marine Life 'Thalassa' in Ayia Napa, and hosted noteworthy exhibitions and events. It continued its co-operation with Papadopoulos and Schinis Productions through which the Bank sponsored cultural events, its collaboration with the Diastasis Cultural Association, and long-standing collaborations with cultural organisations. In the environmental sector, it continued to sponsor the 'Eco-Schools' Programme in co-operation with the CYMEPA environmental organisation. A noteworthy achievement was the certification of the Head Office Building with the Green Key eco-label, making the Group the first financial institution worldwide to be certified as such. In addition, efforts to gradually convert branches to energy-efficient areas continued successfully. In the field of education and training, the Group was the first to participate in the 'Scheme for the Job Placement of Unemployed Young Tertiary-Education Graduates in Companies and Organisations for the purpose of acquiring Work Experience' while, in the health sector, it continued to support the Cyprus School of Molecular Medicine at the Cyprus Institute of Neurology and Genetics.

Dear Shareholders,

Given the many fiscal, financial and structural challenges that Cyprus must face, economic and social conditions for 2014 are expected to be difficult. The prospects for recovery necessitate quick and accurate implementation of all the reform programme's measures. The economy is expected to continue contracting at levels similar to 2013. Unemployment is expected to surpass 22%, while inflation is expected to increase slightly.

The Hellenic Bank Board of Directors and Management managed and manage the crisis prudently and responsibly, creating a trustful environment for existing and new clients. It must be reminded that the Hellenic Bank Group is not subject to any resolution measures, imposition of charges on deposits or impairment of its customers' deposits. I would like to assure you that we are monitoring developments closely, are constantly vigilant and are taking all the necessary measures to effectively manage risks presented.

In closing, I would like to sincerely thank and express my deepest gratitude to the Chief Executive Officer, Mr Makis Keravnos, the Vice-Chairman of the Board of Directors, Mr Kyriacos Koushos, the Members of the Bank's Board of Directors, the Chairmen and the Members of the Boards of Directors of the Bank's subsidiary companies, and the Chairmen and the Members of the Committees of the Boards of Directors for their outstanding work and their flawless and productive co-operation. Furthermore, I would like to express my sincere gratitude and appreciation to the outgoing Vice-Chairman of the Board of Directors, Mr A. Moushouttas, who has left the Group following a number of years of invaluable service. Likewise, I would like to thank the outgoing members of the Board of Directors, Messrs I. Iacovou, S. Kallis, Ch. Panayiotou, K. Droushiotis, S. Kremmos and M. Clerides, for their valuable and long-term service to the Group.

I would also like to sincerely thank all of you, our shareholders and customers for your long-standing trust and support. I also thank the Group's Legal Advisors, Messrs C. Velaris and A. Markides, and the Group's Auditors, KPMG Limited, for their valuable services to the Group. In closing, I would like to sincerely thank the Group's Management and staff, who have worked collectively, consistently and tirelessly in this difficult economic environment in order to achieve the Group's targets.

Dr Andreas P. Panayiotou
Chairman

Nicosia, 31 March 2014

CHIEF EXECUTIVE OFFICER'S REVIEW

Makis Keravnos
Chief Executive Officer

Dear Shareholders,

2013 will be recorded in contemporary Cypriot history as a disastrous year for the economy, the banking sector and Cypriot society. Even though the Cypriot economy remained in deep recession throughout 2013, particularly after March's well-known events, the Hellenic Bank Group continued to maintain comfortable liquidity, presented operational profits and managed to be capitalised using private funds without receiving support of any kind.

Thanks to the support of its shareholders, investors, depositors and customers, as well as productive relationships based on complete transparency that have been developed between all the above and our Group's Management, Administration and staff, Hellenic Bank managed, by general consensus, to mitigate whichever negative consequences arose due to the economic crisis and the turbulence in public finances and the banking sector as much as possible and to the extent that we were able to do so.

As you are aware, Hellenic Bank has repeatedly shown:

- Proactive and sound governance;
- Continuous and prudent risk management and acceptance;
- Truthfulness, fairness and objectivity in the Group's financial statements;
- Creative and exemplary co-operation with the Supervisory Authorities, particularly with the Central Bank of Cyprus.

The particularly adverse developments in our economy resulted in the Government requesting, in June 2012, for economic support from the European Union, leading to a Memorandum of Understanding with the Troika in November 2012. As a consequence of the Memorandum, PIMCO was commissioned to conduct stress tests on the Banks' portfolios, compulsorily including Hellenic Bank despite the fact that even Troika described it as a healthy Bank.

I would like to remind you that, due to effective management and administration, Hellenic Bank did not need to apply for economic assistance from anyone, did not and does not have any lending from the European Central Bank, and did not apply for Emergency Liquidity Assistance. On the contrary, it is the only Cypriot bank that held an Annual General Meeting during 2013, presenting audited and approved accounts for 2012, and continues as a going concern. I am compelled to repeat that, unfortunately, a few created a very large bill which many, including Hellenic Bank, were obliged to pay without being at fault or responsible. On 25th June 2013, as a consequence of PIMCO adverse scenario and according to paragraph 1.22 of the Memorandum, the Central Bank of Cyprus asked Hellenic Bank to source €294 million additional capital by 30th September 2013.

In July 2013, the Board of Directors decided to take measures to enhance the Bank's capital base through its Capital Restructuring and Enhancement Plan which included issuing new shares and convertible capital securities. Upon the Plan completion, it raised €358 million, exceeding the capital shortfall of €294 million imposed on the Group by €64 million.

As the Hellenic Bank Group, we mobilised at all levels, exploiting all capabilities, as well as external International Consultants such as Rothschild, in order to be able to offer an alternative choice which could be considered as having lesser consequences than those offered by the Troika and the Memorandum.

In spite of the extremely negative economic environment, unemployment and continuous shrinking of GDP, Hellenic Bank presented profit from ordinary operations before provisions for the year ended 31 December 2013 which amounted to €132,6 million, a decrease of about 17% compared to €159,4 million for 2012, mainly due to decreased income from banking operations. Excluding compensation paid out by the Voluntary Early Retirement Scheme, which amounted to €9,6 million, and the decrease in overall income, the cost to income ratio was at 49,4%, compared to 47,2% in 2012.

Loss after taxation attributable to the owners of the parent Company for the year ended 31 December 2013 amounted to €190,9 million, compared to a loss of €23,4 million for the corresponding period last year. This loss includes an increased charge for provisions for the impairment of loans and advances.

2014 is also expected to be a difficult year. The lack of liquidity in the banking sector and the market in general renders the prospects for economic recovery unlikely and keeps interest rates high, with all subsequent consequences to the real economy. The following conditions are necessary if our economy is to gradually recover:

- The preparation of a realistic strategy and a new economic model, through the determined completion of the required structural changes, many of which are currently being implemented, paying particular attention, however, to maintaining a welfare and socially-cohesive state.
- Restoring the banking system's trustworthiness, starting with lifting restrictions on capital transfers which will, in conjunction with certain other measures, contribute to decreasing the cost of money.
- Constant monitoring of public expenditure and enhancement and maintenance of taxation stability.
- Constant, consistent, reasonably assertive and substantiated political intervention at all levels within the European Union.

STRATEGIC TARGETS

Based on the prevailing conditions in the financial environment, the Group's strategic targets remain focused on preserving and enhancing capital adequacy ratios, effective management of credit risk and ensuring sound liquidity.

CHALLENGES AND PROSPECTS FOR 2014

In 2013, the Hellenic Bank Group proved that it has the tools to face the unprecedented economic crisis. It managed to be capitalised using private funds and did not receive any form of support, a fact which enables it to take advantage of mid-term opportunities presented during the gradual recovery of the economy. Hellenic Bank's capital adequacy and comfortable liquidity, starting in 2014, enable it to aim for rational development in Cyprus.

In closing, I would like to express my sincere gratitude to the Chairman, Dr Andreas Panayiotou, and the Members of the Board of Directors for their co-operation and support. I especially thank our shareholders and customers for their constant support and trust. Finally, I thank the Managers and all employees of the Hellenic Bank Group for the difficult tasks they perform, their dedication and hard work. I also thank the Association of Cyprus Banks which, during a challenging time for the banking sector, supported the banks with all its might in both Cyprus and the European Bodies in which it participates.

Makis Keravnos
Chief Executive Officer

Nicosia, 31 March 2014

REVIEW OF GROUP OPERATIONS

REVIEW OF GROUP OPERATIONS

FINANCIAL RESULTS 2013

The loss after taxation attributable to the owners of the parent Company for the year ended 31 December 2013 amounted to €190,9 million, compared to a loss of €23,4 million for the corresponding period of 2012. This loss includes increased provisions for the impairment of loans and advances, the loss resulting from discontinued operations following the sale of the Branch Network in Greece (BNG) and the cost of the 2013 Voluntary Early Retirement Scheme.

On 26th March 2013, the Bank consented to the sale of BNG to Piraeus Bank S.A. with immediate effect, as a result of a transnational understanding between the governments of Cyprus and Greece at the request of Troika, and according to the instructions of the Ministry of Finance and the Central Bank of Cyprus. Based on the provisions of the International Financial Reporting Standards, the presentation of the Income Statement for the year ended 31 December 2012 has been adjusted so that termination of the operations of BNG is considered as having occurred at the beginning of the year. The effect of the termination on Group activities for the year ended 31 December 2013 amounted to a loss after taxation of €28,8 million (2012: loss of €72,4 million).

Provisions for impairment of loans and advances in the Income Statement for the year ended 31 December 2013 amounted to €310,8 million and increased by €206,8 million from the comparable amount of 2012, as a result of the negative economic environment, the increase of non-performing loans and the continued decrease in property value.

The Group's profit from ordinary operations before provisions for the year ended 31 December 2013 amounted to €132,6 million, a decrease of 17% compared to €159,4 million for 2012, mainly due to the decrease in income from banking operations. The cost to income ratio, excluding the cost of the 2013 Voluntary Early Retirement Scheme compensations of €9,6 million and despite the decrease in total income, was at 49,4% compared to 47,2% in 2012.

Total gross customer loans and advances in Cyprus, which amounted to €4,4 billion, decreased by 6%. The ratio of gross non-performing loans and advances to gross loans, including suspended interest that is not recognized in the Income Statement, amounted to 45,7%.

Accumulated provisions for impairment of loans and advances, which also include suspended interest that is not recognized in the Income Statement, amounted to €830,2 million as at 31 December 2013 and represented 18,9% of total gross loans and advances.

Total customer deposits in Cyprus amounted to €5,5 billion, decreasing by 23% from December 2012. Zero funding from the European Central Bank, zero raised liquidity from the Emergency Liquidity Assistance and non-dependence on the interbank market are indicative of the Group's comfortable liquidity.

The ratio of gross loans to deposits was 79,7% while the ratio of net loans to deposits was 64,6%. The ratios for the year ended 31 December 2012, excluding loans and deposits of BNG, were adjusted to 64,9% and 58,3%, respectively.

During July 2013, the Board of Directors decided to take measures to enhance the Bank's Capital Base via a Restructuring and Capital Base Enhancement Plan ('Plan'), which included the issuing of new shares and convertible capital securities.

The Group successfully completed enhancement of its Capital Base by raising €358 million, exceeding the €294 million required based on the PIMCO adverse scenario by €64 million. The share structure of the Bank has been significantly differentiated, with existing shareholders maintaining a stake of approximately 23% of the Bank's share capital, Wargaming Public Company Limited and CPB FBO Third Point Hellenic Recovery Fund LP (CY) acquiring approximately 30% each, and Demetra Investment Public Ltd acquiring approximately 15%.

Equity attributable to the owners of the Bank reached the amount of €394,5 million as at 31 December 2013, compared to €481,7 million in December 2012. The return on equity of the Group based on the results of the year ended 31 December 2013 was -43,6%, including the loss on sale of BNG (December 2012: -5,1%).

Under Pillar 1 of the Central Bank of Cyprus Directive for the Calculation of Capital Requirements and Large Exposures, the Capital Adequacy Ratio of the Group as at 31 December 2013 stood at 14,3% (December 2012: 13,6%) (Bank: 13,5%), the Tier 1 Ratio at 13,1% (December 2012: 10,9%) (Bank: 12,9%) and the Core Tier 1 Ratio at 7,3% (December 2012: 8,2%) (Bank: 7,0%).

In applying the provisions of the Prospectus dated 30 September 2013 ('Prospectus') of the Convertible Capital Securities 1 ('CCS 1'), and as a result of the formation of the Common Equity Tier 1 Ratio of the Group and the Bank to below 9%, CCS 1 of a total value of €85,9 million are subject to mandatory and irrevocable conversion, without any obligation to obtain the consent of the holders of the CCS 1, to shares so that, the lower of the two, Common Equity Tier 1 Ratio of the Group and the Bank is increased to 9%. As a result, the Common Equity Tier 1 Ratio is adjusted to 9,3% (Bank: 9,0%).

The mandatory conversion shall apply in proportion to the rest of CCS 1 for each investor on the date of conversion (transactions performed up to 28/2/2014, record date 6/3/2014).

The Mandatory Conversion price of the CCS 1 into shares was set at €0,10. All CCS 1 which have been converted into shares are automatically cancelled and any right or obligation under their Prospectus ceases to apply.

All shares resulting from the mandatory conversion were listed on the Cyprus Stock Exchange.

As at 31 December 2013, the Group's risk-weighted assets amounted to €4,4 billion (December 2012: €5,3 billion).

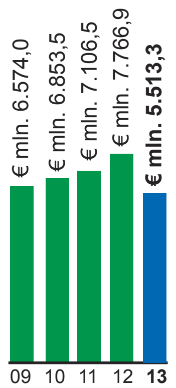
Based on the conditions prevailing in the financial environment, the strategic targets of the Group continue to focus on the safeguarding and enhancement of capital adequacy ratios, the effective management of credit risk and ensuring sound liquidity.

The capital adequacy and sound liquidity held by the Bank starting in 2014 allow Hellenic Bank to aim towards rational development in Cyprus.

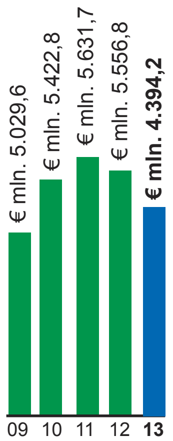
DOMESTIC OPERATIONS

CORPORATE BANKING DIVISION

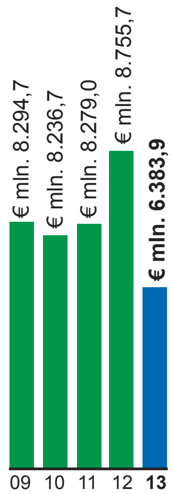
The Corporate Banking Division's constant and continuous target is to provide upgraded, high-quality services to large businesses and public companies which operate in Cyprus, as well as to semi-governmental organisations. The basic prerequisite in achieving this target is friendly and effective customer service, as well as the offering of consulting services for their current and future needs, a factor which is especially important given the present economic crisis. Particular emphasis is placed on studying and analysing the key factors which affect



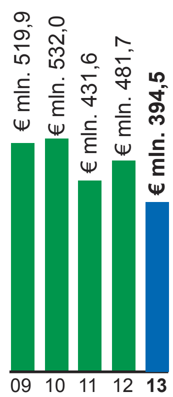
CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS



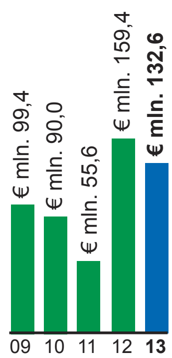
LOANS AND ADVANCES



TOTAL FINANCIAL POSITION



CAPITAL RESOURCES



GROUP OPERATING PROFIT BEFORE PROVISIONS FOR IMPAIRMENT OF LOANS AND ADVANCES (Note 1) companies' operations and cash flow in order to determine the actions necessary to deal with the risks associated with the provision of finance, especially under the prevailing difficult circumstances.

The Corporate Banking Division is comprised of three Centres in the Republic of Cyprus, which are staffed by experienced, well-trained and qualified officers and whose primary aim is to offer prompt and effective customer service.

Its main objective is to provide assistance to corporate business in their efforts to face their liquidity shortages brought on by the economic crisis to most sectors of economic activity. To achieve this, it sufficiently evaluates each business separately and creates the most suitable, under the circumstances, solutions for loan restructuring of co-operative and viable debtors.

Overall, the Division's Management and Officers entire efforts were predominantly focused on the most effective management of the portfolio, placing particular emphasis on businesses which faced problems.

BUSINESS SERVICES DIVISION

2013 was a very difficult year, with many challenges and upsets for both the Cyprus economy and the banking system, particularly after the events of 15th March. Deterioration of the economic environment, combined with the 'haircut' suffered by depositors and companies, have had a significantly negative effect on Small to Medium Sized Enterprises (SMEs) which form an important part of the Cyprus economy. In addition, the issuing of new guidelines by the Central Bank of Cyprus regarding the evaluation and handling of clients and especially the implementation of new criteria for non-performing loans, as well as the sharp decrease in the value of properties, also have had a significant negative effect on the Division's operations and results.

Despite this, the Business Services Division, with a sense of responsibility and professionalism, continued to support SMEs under these extremely adverse conditions by restructuring and granting of grace period repayments depending on customers' income and repayment ability. It also reviewed new investments by existing and new clients, bearing in mind the appropriate loan criteria.

The Business Services Division is comprised of seven Business Centres in the Republic of Cyprus: two in Nicosia, two in Limassol, one in Larnaca, one in Paralimni and one in Paphos. It is staffed by qualified, experienced and specially trained officers who are able to support their customers using the broad range of the Group's products and services, as well as the continuously upgraded and technologically advanced systems. With their professionalism, they assist businesses in facing these current negative economic circumstances by offering advice and providing complete and preferential solutions which are adjusted according to customers' banking needs, with the reliability which characterizes the Group.

The Division offers modern and continuously-improved services and specialised products which aim to satisfy the banking needs of both the SMEs operating in all sectors of the economy, as well as their directors and shareholders.

Supporting businesses during this difficult period was the Division's primary aim, as well as creating and maintaining a long-term, professional and simultaneously humane relationship through friendly and prompt service of a high quality.

RETAIL DIVISION

2013 was a milestone year for our country's banking activities, especially after March's Eurogroup decisions. Despite the imposed restrictive measures, the Division managed to significantly increase its new clientele in 2013. As expected, the Division placed particular emphasis on the restructuring of its loan portfolio.

In 2013, the rationalisation of the branch network continued with a further reduction in the number of branches, as well as staff, through the Voluntary Early Retirement Scheme. As at 31 December 2013, the network numbered 60 branches, four of which were cash offices/ seasonal.

Despite the significant increase in turnover and the decrease in the number of employees, branches' response to the new environment was admirable, thus showing the staff's consistency, professionalism and outstanding training. The Division's staff responded conscientiously to the new state of affairs in Cypriot banking and supported customer requests, reviewing and restructuring facilities for customers experiencing financial difficulty in order to restore their ability to meet their obligations.

Yet again, Retail Banking Division's Management placed particular emphasis on its staff's continuous training and development with the ultimate aim of achieving the Group's targets and providing service of a high quality to its clients.

The Retail Banking Division responded to the call of the community by organising events in various districts, collecting comestibles and money for donation to community grocery stores and charitable institutions. These efforts by the Division's staff will continue in 2014.

INTERNATIONAL BANKING DIVISION

In 2013, the economy was negatively affected by the events of March. During those difficult times, the International Banking Division played an integral role in maintaining the level of trust the Group has managed to build throughout the years between itself and its clients and associates. Through constant contact and communication both in Cyprus and abroad, the Division managed to address their concerns in the best possible manner under extremely difficult circumstances.

Through a high level of professionalism and the demonstration of flexibility where it was warranted, combined with the attraction of new clients and strengthening of existing business relationships, the Division managed to remain profitable, thus contributing effectively to the Group's overall income. At the same time, operations and the Division's overall activities were aligned to be in full compliance with the provisions of the relevant decrees and restrictive measures imposed by the Central Bank of Cyprus.

The implementation of technological innovations was maintained, including further automation of tasks relating to operations. The existing competitive pricing policy was also preserved, while mutual trust between the Bank and its clients and associates was simultaneously further enhanced. Commitment to the highest levels of quality of service was reaffirmed through the recertification of the three International Business Centres in Nicosia, Limassol and Larnaca with the ISO 9001:2008 international quality management standard, as well as certification of the second Nicosia IBC, operating since 2012, with the same standard.

The International Banking Division further strengthened its presence in the very challenging and propitious international business environment by establishing the Shipping Business Centre in Limassol. The Centre is the first of its kind in Cyprus and commenced operations in January 2013, providing specialised services to shipping companies operating both out of Cyprus and overseas locations.

Despite the adverse economic conditions, the continuous successes of the International Banking Division indicate its capacity to continue its profitable course and sustainable development.

PRODUCT DEVELOPMENT, SALES SUPPORT & RESEARCH DEPARTMENT

The Product Development, Sales Support & Research Department closely monitors developments in the banking sector, investigates its customers' needs through market research and analysis of their suggestions and complaints, and plans/revises the Group's range of products. The Department continued to offer support to the Bank's branches and business centres while simultaneously focusing on the implementation of innovative technological services.

During 2013, the promotion of the e-Statement service continued, enabling customers to instantly and securely receive their account and credit card statements via email at no additional charge.

In the context of continuously upgrading the Group's service offered to retail customers, 'Mystery Shopper' research was conducted for the thirteenth consecutive year, in conjunction with the sixth wave of the Customer Satisfaction survey. These two studies are extremely important tools for evaluating the quality of service offered to retail customers through the Bank's retail network.

With regards to the evaluation of the service quality offered by the Group's various Divisions, a significant number of internal surveys were also conducted during 2013, using a customised online research software.

The Customer Suggestions and Complaints Management Department processes Group customer complaints and suggestions. The Department managed to successfully respond to customers' comments within the required timeframe, informing them on the issues they raised. Based on customers' opinions, their suggestions for improvement of procedures and practices were promoted and implemented, leading to the offering of a better service.

TREASURY DEPARTMENT

The Treasury Department is responsible for managing the Bank's investment portfolio, as well as the Group's market and liquidity risk, and always acts within the policy framework and the limits approved by the Assets and Liabilities Management Committee (ALCO).

In 2013, especially after the Eurogroup's decisions in March, Cyprus was at the centre of the Eurozone's major banking and economic developments, experiencing a severe deterioration of its overall economic environment. As a consequence of the above and due to subsequent capital restrictions imposed by the Ministry of Finance and the Central Bank of Cyprus, the Department was actively involved in the successful implementation of internal procedures dealing with the effective management of this unprecedented crisis by taking all appropriate measures to better service customers, provide support to other Departments and by mitigating the Group's risks.

Specifically, the Department paid particular attention to the Group's liquidity through the close supervision of customer liquidity flows, as well as the portfolio management of Cyprus Government Bonds and other investments.

Overall, in spite of the difficulties encountered in 2013 by both the Department and the Group, the Department's profitability reached satisfactory levels.

PRIVATE BANKING

Hellenic Bank's Private Banking Unit is a specialised service which provides high-level investment and banking services to high-net-worth individuals in Cyprus and abroad.

The Unit operates in international markets and implements a temporal strategy based on three pillars: (1) the proper evaluation and satisfaction of its clients' investment needs, (2) the continuous training and development of its staff, and (3) access to a wealth of international investment solutions through flexible policies and broad cooperation with renowned international financial institutions.

Among others, the Unit offers investment and banking services which include:

- Mutual funds of leading international fund managers.
- Structured products, including capital-guaranteed products.
- Brokerage services for shares and bonds in major international markets.
- Transactions in precious metals, including gold.
- Deposit products, including Fiduciary Deposits.
- Loans against securities' portfolios.

In international markets, 2013 was marked by a relative improvement in economic forecasts which resulted in market volatility remaining at moderately low levels. The gradual return of investor confidence in international markets was an important development during the period, as the fear and uncertainty of previous years continued to subside.

In Cyprus, the normal flow of banking operations and overall economic climate were significantly impacted by the sweeping reforms of the banking system which were a consequence of the Eurogroup decisions in March 2013. The imposed restrictive measures on capital movement influenced the Unit's clients' investment activity considerably, thus restraining growth in its operations.

Given this challenging environment, the Unit's operating results for the period are considered satisfactory. Profitability remained high while there was only a slight decrease in the total assets under management. Furthermore, by the end of 2013, the Unit had managed to increase assets under management from Western Europe and Russia.

CUSTODIAN SERVICES

Despite the severe shock that affected the local banking sector in March 2013 and the negative effects the restrictions on capital movement had on investment activity, the Bank's Custodian Services Unit managed to increase its profitability and the volume of assets under its custody. The customers' level of confidence in the Bank has been kept at a high level, thus allowing the expansion of the Unit's client base. The local institutional investors and the collective investments sector were the main forces behind these achievements.

Hellenic Bank participates as a general clearer and custodian in the clearing and settlement systems of the Cyprus and Athens Stock Exchanges. In addition, the creation of a selective network of sub-custodians around the globe enables the Bank's Custodian Services Unit to provide high-level services to its customers (local, international, institutional and others), which are compared favourably to the leading global custodians.

Services offered include core custody services, such as safekeeping, trade settlement, corporate actions, reporting, tax reclamation and cash management, as well as dedicated services to collective investment managers and administrators, escrow agency services and fiduciary deposits. Hellenic Bank can assist its customers in securing the safe administration of their investments, taking advantage of the Bank's extensive know-how and expertise on the subject.

In 2013, following its widespread recognition in the market and its increased profitability, the Custodian Services Unit continued to play an integral part in the Bank's effort to increase its non-interest income.

HELLENIC BANK (INVESTMENTS) LIMITED

The decisions of the Eurogroup in March 2013 also impacted the operations of Hellenic Bank (Investments) Ltd. Specifically, the enforcement of restrictive measures on transactions and the decisions taken especially for the financial sector – which constituted the major part of the Cyprus Stock Exchange – affected the broader environment in which the company operates.

In this highly challenging environment, the Company managed to continue providing its full spectrum of investment services on the very first day that the Banks and local Capital Markets resumed operations following the Eurogroup decisions. This became feasible through the timely completion of system upgrades thereby permitting the Company to function fully within and in compliance with the new, albeit restrictive, operational environment. Meanwhile, the Company's personnel provided all possible information to customers to directly and objectively inform them about the developments and how they affected their respective investment positions, whilst simultaneously providing immediate service to newly-added customers.

The general upgrading of the Company's systems and infrastructure continued seamlessly in 2013, placing particular emphasis on the topics of reliability and security in the usage and operation of the HBI eTrade electronic platform. Additionally, the markets offered under the XNET platform were further broadened through the addition of markets such as Canada and Austria, thereby offering more investment options to customers.

The strategy pursued in the field of portfolio management in recent years to formulate widely-diversified investment portfolios with a particular emphasis on the main international developed markets has paid off as significant returns were achieved in 2013. It also acted as a 'shield' where developments in the local market were concerned. In the field of Advisory Services, the Advisors/ Portfolio Managers closely monitored and evaluated developments and were able to advise their clients with objective and critical reasoning. Particular emphasis was placed on providing timely and accurate information to provident funds, especially to those who considered the possibility of dissolving their fund. The practice of professionally managing investment portfolios – particularly provident/pension funds – is in a transformation phase and the Company is well-placed to provide specialised services that are consistent with the new environment and the funds' current needs.

PANCYPRIAN INSURANCE LTD

Following the Eurogroup's decisions in March 2013, Pancyprian Insurance operated in an economic environment that was, unprecedented not only for Cyprus, but also worldwide. In spite of the year's particularities and economic inactivity, Pancyprian Insurance maintained comfortable liquidity and prudently managed the great challenges that the insurance industry faced. The insurance market, as a whole, was affected negatively, mainly due to the decline in demand. The decrease in vehicle and property sales, the deceleration of the construction sector to minimal activity, as well as imports/exports, were some of the challenges that the Company had to face during the year. In spite of this, Pancyprian Insurance maintained both its market share and profitability at satisfactory levels.

Within the framework of the strategic target for increasing income and profitability, the Company sought new ideas for further development, simultaneously creating contemporary and competitive products which responded to the altered market needs. In co-operation with the Bank's Business Units, Pancyprian Insurance intensified its efforts to attract new clients. At the same time, more efforts were exercised to attract new noteworthy intermediaries, putting forth its reliability.

In addition, it continued its efforts to improve productivity via new procedures, automation and technological upgrades, with the ultimate aim of reducing operational costs. It also placed particular emphasis on training the Group's staff in insurance matters in order to expand their knowledge and skills so that they would be able to respond more effectively and efficiently to customer needs and demands.

One of the most difficult challenges during the year – which were a consequence of the unprecedented downturn and resulted in very high unemployment rates – was the management of debit balances. Pancyprian Insurance placed particular emphasis in this area, strengthening collection teams, implementing stricter monitoring mechanisms and offering incentives for swift collection. Due to its comfortable liquidity and despite the negative climate, Pancyprian Insurance continued to respond to its customers' needs in a timely manner, fairly and humanely, thus confirming its ranking, according to independent research, as the most trustworthy Insurance Company in the General Branch sector.

The Company maintains a strong capital base and is adequately prepared for implementation of all obligations arising from the impending European Solvency II Directive.

HELLENIC ALICO LIFE INSURANCE COMPANY LTD

In spite of the negative events which affected the country's economy, Hellenic Alico Life Insurance Company Ltd managed to achieve satisfactory, productive results, as well as maintaining its rate of new client penetration. It also managed to have a high rate of profitability, thus contributing to the Group's overall results.

The Company's long-standing philosophy is to provide products which are characterised by their simplicity and ease of promotion to clients by the Bank's well-trained staff.

The innovative nature of its products is also an important factor, as is the way that they are promoted. This places the Company in a distinct position in the Cypriot insurance industry. Its products are created in order to meet customers' needs and ensure financial security for both themselves and their families in cases where unforeseen events may leave them financially exposed. The Company's products are divided into two main categories: Credit Life Products (Connected) and Other Products (Non-Bank).

GROUP CARD SERVICES DEPARTMENT

In spite of the difficult and challenging financial year, the Card Services Department continued its significant contribution to the Group's turnover and income.

The Department focused on providing exemplary customer service despite the adverse economic circumstances and the imposed restrictive measures. The Department's human resources were immediately trained so that they could respond effectively to customers' requests. At the same time, the technological infrastructure was modified for the better management of these requests.

The full range of card products was maintained in order to respond to the needs of the entire spectrum of its clientele. At the same time, targeted promotional activities which were in line with the general economic climate and aimed to fulfil customers' differentiated needs were executed. Targeted promotional activities for the use of MasterCard and Visa cards in supermarkets were carried out.

In 2013, the Card Services Department continued to offer its customers the benefits of its more4U (Discount Scheme) and points4U (Points Collection Scheme) Loyalty Card Schemes, at no extra charge. more4u enables its customers to use their cards to get significant discounts at more than 200 businesses. The points4u Scheme enables customers to collect points every time they use their credit card for any purchase and then redeem those points for gift vouchers which can be used at travel agencies, hotels and supermarkets.

ELECTRONIC BANKING

2013 was a difficult year for the Cypriot economy, with unfamiliar circumstances for the banking sector. However, the Electronic Banking Division fully exploited its technological infrastructure and seamlessly continued to offer immediate, complete and reliable information and the execution of banking transactions, with the greatest possible security, 24hours from wherever in the world customers may be.

In this difficult banking environment, Electronic Banking managed to respond quickly and effectively to the increased demand for registration of new subscribers /customers, outperforming the significant increase noted during the previous year. Particular emphasis was placed on immediate customer service for the execution of online payrolls and transfers.

Within 2013, in an effort to offer reliable and quality service to the Group's customers, Electronic Banking implemented a number of upgrades with the ultimate aim of further increasing the use of the NetBanking service and, in turn, reduce the Bank's operational expenses. These upgrades were the result of both the implementation of new technological infrastructure and suggestions made by the Bank's customers and associates.

The offering of online deposit and lending products makes the Bank more competitive as it satisfies customer demands for immediate and easy opening of accounts, while customers simultaneously benefit from higher deposit rates and lower charges.

Despite the adverse economic conditions, the Customer Service Line successfully continued its mission by offering to customers information and support. The professionalism and effective service it provides to its clientele, usually outside the Bank's normal working hours, is confirmed by both the continued increase in the number of customers which use its services, as well as, the increase in the number of subscribers requesting more detailed information.

OVERSEAS OPERATIONS

OPERATIONS IN RUSSIA

During 2013, the Group's Subsidiary Bank, LLC CB 'Hellenic Bank', based in Moscow, continued to provide banking services to Russia. The Bank's primary mission is to serve the Group's Russian clients, as well as its Cypriot, Greek and Russian corporate clients which are active in Russia.

Efforts to attract clients are based on the recommendation of clients by the Group's International Business Centres and other Business Units. The events of March 2013, the signing of the Memorandum of Understanding and the restrictive measures imposed on the Cypriot financial sector had a negative effect on the confidence of existing and new potential clients towards Cypriot banks. Consequently, the Subsidiary's efforts throughout the year were focused on the management and maintenance of relationships with the Group's existing clients and associates, the improvement in confidence for the Cypriot banking sector, the enhancement of the Group's trustworthiness, and the management of the new economic and supervisory environment as it evolved.

The new economic reality in Cyprus and the stricter supervisory environment in Russia had an inevitably negative effect on efforts to attract new partnerships and increase clientele. For this reason, particular emphasis was placed throughout the year on both the enhancement and simplification of processes for recommending and evaluating clients and the strengthening and reinforcement of procedures which concern lending and the opening of accounts.

At the same time, in order to face these difficult financial circumstances and the increased demands of the supervisory authorities, the Subsidiary in Russia focused on containing operational costs, maintaining the portfolio's good quality and decreasing deposit cost while simultaneously prudently managing risk and liquidity. Consequently, 2013's results were improved compared to the budget.

REPRESENTATIVE OFFICES

The Representative Offices continued to successfully represent the Group overseas, promoting the Bank's interests in Russia, via Offices in Moscow and Saint Petersburg, in Ukraine, via the Office in Kiev, and in South Africa, via the Office in Johannesburg.

After the events in Cyprus in March 2013, the Representative Offices' role was greatly upgraded due to their presence in countries where a large number of the Bank's customers are active. Immediately following the Eurogroup's decision, they were inundated with telephone calls and visits to their premises by customers who wished to be informed of developments, decrees, restrictive measures in force and the overall economic situation in Cyprus and the consequences to their accounts.

In this uncertainty and under tremendous pressure, the Representative Offices responded with the greatest professionalism, and their contribution to both retaining existing customers and promoting the Bank to new clients was extremely significant.

HEAD OFFICE SUPPORT SERVICES

GROUP RISK MANAGEMENT

The Cypriot financial environment changed dramatically in 2013 and brought about a shaking of the country's overall credibility. The main events which led to the current dire economic situation may be summarised as follows:

The long-standing ineffective management of public finances has placed Cyprus under a long and difficult consolidation programme, signed between the Cypriot Government and the European Stability Mechanism ("ESM"), for the financing of Cyprus and the restructuring of its banking sector ("Memorandum of Understanding").

The events of March 2013 led to a protracted closure of banks, the resolution of Cyprus Popular Bank (Laiki Bank), the merging of its local operations with Bank of Cyprus, the sale of the Cyprus banks' operations in Greece, the 'haircut' of uninsured deposits in Bank of Cyprus and Cyprus Popular Bank and the imposition of stringent restrictive measures in domestic and overseas transactions.

Liquidity in the market has been significantly restricted as banks are implementing deleveraging programs for the reduction of their loan portfolio. As a result, new lending is extremely limited. The significant outflow of deposits also contributes to this as it greatly reduces deposit balances in the system.

Sources of economic growth are limited. The services sector appears to have been dealt a severe blow, while other growth sectors, such as construction, are going through a period of major restructuring. However, long-term positive prospects are emerging in the energy sector for the exploitation of natural gas, while tourism appears to present some positive prospects, primarily due to the attraction of tourists from Russia.

The above developments had the following consequences on Hellenic Bank:

- Sale of the Bank's Branch Network in Greece to Piraeus Bank. This resulted in the significant risk concentration of the Group's income on its Cypriot operations. Additionally, this development prevents the diversification of the Group's income and the exploitation of a potential recovery of the Greek economy, at a time when Cyprus is going through a period of deep recession.

- Successful completion of the Capital Restructuring and Enhancement Plan, securing the €294 million capital needed under the adverse scenario of PIMCO's diagnostic exercise.

- Obligation to continuously maintain the Core Tier 1 ratio equal to at least 9% (as of 31.10.2013).

- The new environment which was created as a result of the restrictive measures on banking transactions dealt a serious blow on depositors' trust and influenced the banking system's credibility within Cyprus and overseas.

- Worsening of the Cypriot economy's fiscal indicators had a negative impact on business activity and on Group operating results. There appears to be a risk of further deterioration of the loan portfolio quality and of an increase in non-performing loans and capital provisions.

- The Bank successfully managed the crisis following the events of March through its Crisis Management Team which took all necessary measures to preserve liquidity, to ensure unimpeded customer service, as much as possible, and to strengthen trust towards the Bank and the overall banking system, under extremely negative circumstances.

- Following March's events, 2013 was marked by the issuance of a number of Directives by the Regulatory Authority which aim at regulating the operation of Banks and set them on an entirely new track.

• CREDIT RISK MANAGEMENT

Credit Risk Management is one of the most important parts of a Bank's operations and is vitally essential to their long-term robustness. The Group applies various policies in order to identify, calculate/assess, monitor and control credit risk in both the Banking and Treasury portfolios. At the same time, it continuously reconfigures and reviews/amends these policies based on its strategic objectives and ongoing developments in the local and international economy.

(a) Banking Portfolio

The Credit Risk Management Department closely monitors the portfolio's composition and quality, taking preventative or corrective measures as deemed necessary. It indicates appropriate actions to Business Units in order to improve portfolio quality and reduce credit risk. It reviews credit facility proposals which fulfil predetermined criteria, identifies and evaluates risk and recommends risk mitigants to manage it. It monitors high-risk accounts and forms suggestions to create provisions for unsecured/doubtful debt.

Simulations of extreme scenarios, related to both a possible deterioration in the portfolio´s credit quality as well as the possible reduction in the value of specific securities, are carried out at regular intervals. The results are taken into account when taking preventative measures, including the withholding of capital under Pillar II to cover potential losses.

2013 was marked by the following developments:

- Deterioration of the loan portfolio with a significant increase in default rates and its subsequent restructuring in all sectors (businesses, individuals, etc.), with a particular emphasis on medium and large businesses engaged with construction, land development, trade, etc.

- A significant part of the Group's portfolio is covered by mortgages on real estate (85% of total collateral held) and floating/fixed charges on movable securities and other assets. The Group is exposed to the consequences of the decrease in value of said collateral, especially real estate, which may be difficult to be sold/liquidated as the economic crisis has resulted to a significant decrease in investor interest.

- The Department proceeded in revising/enhancing the Loan Restructuring Policy, aiming to assist customers in facing the consequences of the economic crisis. The Directive on Arrears Management of 2013 – which regulates the framework for managing arrears and establishes a code of conduct between Banks and Borrowers

– was implemented in Bank´s procedures. In the context of the above Directive, the Arrears Management Unit was introduced and became fully operational on 31st January 2014 in order to handle the restructuring process falling under the provisions of the Directive.

- As of September 2013, the Central Bank issued a new Directive on the Definitions of Non-Performing and Restructured Credit Facilities which provides that if a credit facility meets the criteria for its classification as non-performing then it will be classified as such, regardless of whether it is fully covered by a tangible security. As a result of the Directive and the further deterioration of the economic environment, non-performing loans increased significantly to 44,1% of the lending portfolio in November 2013 (based on the new Directive) from 20,4% in June 2013 and 13,3% in December 2012 (based on the previous Directive).

- Provisions have been created for approximately 30,5% of non-performing loans. These provisions are, to a certain degree, limited due to the existence of tangible securities. A possible decrease in the value of mortgaged properties may potentially create a need for additional provisions. Based on the requirements of the Memorandum of Understanding, the Central Bank of Cyprus has issued a new Directive which covers matters related to provisioning practices. It is possible that the guidelines included in the new Directive will lead to an increase in the amounts of provisions.

(b) Treasury Portfolio

- The Bank's Treasury portfolio remains positioned mostly in countries and/or banking institutions with a good credit rating. However, the Hellenic Bank Group is greatly exposed to Cypriot Government Bonds. The non-tradability of these bonds impedes risk management, along with other factors related to the Group's position in Cypriot society. In July 2013, the Bank's Board of Directors decided to accept exchange of existing Cypriot bonds amounting to €155,4 with new longer-term bonds. There remains the risk that a possible future exchange may negatively affect the Groups' results, depending on the terms of the exchange which may, amongst others, involve devaluation of the bonds' face value and/or a decrease in the interest rate.

- In 2013, the Department closely monitored international market developments, as well as fluctuations incurred in the credit rating of the Bank's counterparties and the countries in which they are based. Consequently, in 2013, the Department proceeded in the reduction or retraction of the credit limits of countries and/or financial institutions. In addition, the Department submitted a number of reports and suggestion memos, based in which decisions and corrective measures were taken in order to mitigate credit risk involved.

- Due to the prevailing situation in Cyprus under the Memorandum of Understanding as well as the overall uncertainty which existed in the interbank market during 2013, a decrease in the limits extended to the Bank by certain credit institutions was observed. This fact restricted the counterparties with which the Group's Treasury Service (GTS) transacts. Additionally, some Banks with which we have bilateral agreements – which provide for clearing of derivative transactions during closing or the provision of a multilateral payment clearance system – ask for additional collateral (pledged cash) in order to reduce Hellenic Bank's credit risk. It must be noted that such cases and any impediments they may cause to the operation of the Treasury Department are gradually lessened as time progresses.

- **MARKET & LIQUIDITY RISK MANAGEMENT**

In the extremely difficult environment that prevailed during 2013 and especially following the events of March 15, the Group's Market & Liquidity Risk Management Department focused primarily on the evaluation, monitoring and management of risks concerning the critical, for the Bank's future, area of liquidity. Particular attention was paid to the close monitoring of the evolution of deposits, including, among others, analyses of the daily inflows and outflows, the changes in the sources of deposits as well as the structural changes in both the type and the maturity of the deposit portfolio. Additionally, the Department monitored compliance with the regulatory prudential liquidity ratios and fluctuations in the Bank's internal liquidity ratios. With substantially increased reporting to both the Bank's management and the regulatory authorities, all were kept fully informed and updated regarding the prevailing trends. Despite the huge market disruption, the Bank capitalised on its good reputation and, under the circumstances, managed to maintain very satisfactory liquidity ratios throughout the year.

At the same time, the Department continuously evaluated market risks arising from positions in financial instruments and derivatives. The Group continued to implement its strategy to limit trading and position taking which involve market risk. In fact, during the year and in light of the developments, the Group further reduced its positions in bonds. In addition, the equity portfolio and foreign exchange positions were kept at low levels throughout the year.

During the year, the Department also regularly monitored developments with regards to interest rate risk. The replacement of Cyprus Government bonds held by the Bank with new longer-term Cyprus Government bonds in mid-year and the replacement of a significant part of its loan capital with new Contingent Capital Securities CCS1 and CCS2 issued by the Bank in November 2013, affected interest rate risk. In spite of all these, the sensitivity of net interest income to potential future interest rate changes, as well as the sensitivity of the Group's economic value to such changes, remained at low levels.

Finally, throughout the year, the Department played an active role in the operations of the Asset-Liability Committee (ALCO) and the Group's Investment Committee, with frequent reporting on the risks it monitors and with recommendations for their reduction, mitigation or management, thus facilitating important decision making. Through all these actions, it thus contributed substantially towards the more effective management of market and liquidity risks within the Group.

• OPERATIONAL RISK MANAGEMENT

The Group Operational Risk Department dealt with the modification of the Group's insurance coverage due to the recapitalisation, resulting in a supplementary contract and the implementation of additional coverage on an existing contract.

At the same time, the upgrading of the Division's software system began and the first phase has already been implemented. Progress has been made in the utilisation of the 'Operational Risk Liaison Officers' and the closer co-operation with related Departments, both increasing the Department's effectiveness.

Recognition and control of Operational Risk was improved by the implementation of the Risk Control Self-Assessment Procedure and the Annual Plan to additional Units of the Group, with the simultaneous commencement of upgrading and automating of Key Risk Indicators.

During 2013, the Department continued to participate in various Group projects, such as the review of Operational Procedure, the management of control measures and other initiatives for the better management of operational risk.

GROUP COMPLIANCE UNIT

In 2013, the difficulties faced by the banking system and the economy in general created particular challenges for the Group Compliance Unit. The ever-increasing requirements posed by the institutional and regulatory framework due to either amendments made to Government legislation or the issuing of a number of directives by the Supervisory Authority significantly increased the Group's compliance costs and the Unit's workload. The major issues that arose which were successfully managed by the Group Compliance Unit were:

- The introduction of restrictive measures on banking transactions.
- The conduct of two independent external audits on money laundering by Moneyval and Deloitte Italy under the supervision of the Central Bank of Cyprus.

As a result of the ongoing economic crisis, money laundering risks remained high. The Unit persisted in its efforts for continuous improvement in the fight against money laundering through a number of actions, as follows:

- The training of both the Unit and other Departments' in anti-money laundering issues.
- The improvement and upgrading of the automated transaction monitoring systems.
- The continuous communication and supervision of Business Units as well as the suggestion of recommendations.

Moreover, in collaboration with the Unit's Liaison Officers and Departmental and Business Unit Managers, the Unit successfully managed the compliance of the Group's services and products with the institutional and regulatory framework.

GROUP OPERATIONS

Group Operations' objectives for the year 2013 were directly aligned to the Group's Business Plan. During the year, the objectives had to be revised in the post-15th March period. A lot of time and resources were utilized towards handling the financial environment, the restrictive measures on transactions as well as on the increasing regulatory obligations. The activities of Group Operations focused on the following:

1. Implementation of new/upgraded credit-related systems, which contributed towards the Re-engineering of credit processes. Such systems included the new systems for the Debt Recovery Unit, and the Collections Department, and the upgrading of the Loan Automation system which, consequently led to numerous system improvements, now implemented easier/faster under the new platform.

2. Satisfaction of regulatory requirements (restrictive measures, numerous new Laws and Central Bank directives which concerned provisions for doubtful debts, non-performing loans, arrears management, loan restructuring, capitalization, etc.).

3. Cost Reduction with a continuous attempt to renegotiate contracts, new quotations, etc.

4. Implementation of an Energy Management Policy aiming at increasing staff awareness, reduction in electricity consumption and, in turn, reduction in electricity cost. The cost was reduced by more than 15% in 2013 compared to the previous year. The effort is ongoing.

5. Group Restructuring as a result of the Special Early Retirement Scheme. Group Operations simultaneously proceeded with the centralisation of operations so that customer service to Business Units and other Departments remained unaffected.

During 2013, the Bank's new building at Amphipoleos Street in Nicosia was renovated and exploited, and currently houses many of the Bank's Sectors and Departments. Its proximity to Nicosia Headquarters building leads to considerable synergies and operational benefits. Also in 2013, branch renovation continued based on energy standards (10 "energy-friendly" branches/buildings were in operation by the end of 2013).

GROUP STRATEGIC DEVELOPMENT

The Group's Strategic Development Division's responsibilities include preparation of the Group's Three-Year Strategic Plan and the Group's Annual Business Plan, as well as monitoring progress in the implementation of set targets. The Division is responsible for coordinating various Support Divisions and Business Units so that their targets are met. It simultaneously bolsters the relationship between Units in order to ensure a path of smooth and fruitful co-operation that is aligned with the strategy set by the Group's Board of Directors.

2013 was a momentous year as it radically altered the financial environment, particularly the banking sector. Following the signing of the Memorandum in March 2013 and the application of restrictive measures for the opening of accounts and capital movement, the Group mobilised immediately, setting the following strategic priorities:

- Safeguarding of capital
- Preservation of liquidity
- Reduction of expenses

To safeguard capital, the Bank immediately began conducting meetings with customers with the aim of more effective management of credit risk, while simultaneously initiating planning for strengthening of its capital base.

Regarding preservation of liquidity, restrictions were set on new advances. However at the same time, the healthy liquidity level maintained by the Bank before the onset of restrictive measures enabled it to grant small sized facilities to credit-worthy customers. Furthermore, the Bank paid particular attention to the International Business Sector in order to ensure as little disruption as possible to customers with international activities. Priority was also given to supporting the Personal Banking Sector in order to effectively service the increased demands by new and existing retail customers.

Regarding the reduction of expenses, the Group proceeded in successfully implementing the Voluntary Early Retirement scheme which was successful, bringing about savings in labour costs of approximately 14%. Reductions were also achieved in other areas such as rent, consumables and electricity.

At the same time, the Group focused on attracting investors to strengthen its capital base, an especially challenging task under the adverse economic conditions and the prevailing uncertainty. These efforts were successful, resulting in the strengthening of the capital base by €100 million fresh capital, with a significant portion of foreign funds, thus demonstrating the reliability of Hellenic Bank.

Based on this and with full awareness of the prevailing economic environment, the new Three-Year Plan for 2014-2016 was developed in December 2013, as well as the Annual Business Plan for 2014. The Group, recapitalised and strengthened, is now in a position to assume a more significant role in the Cypriot market.

The Bank's Management, recognising the criticalness and need for the existence and maintenance of data which meet specific quality criteria to a satisfactory degree, as well as the need to ensure the accuracy and adequacy of information presented to Senior Management, proceeded in establishing a dedicated Information Management and Data Quality Division towards the end of the year. The new Division aims to ensure the smooth operation of the Bank's internal processes, compliance with its regulatory requirements, effective communication by mandated Units of the Group with external bodies and regulatory authorities, as well as the submission of information for management decisions.

HUMAN RESOURCES

As part of the efforts to reduce operational costs, the Group's Human Resources Division proceeded with the introduction of an Early Retirement Scheme, which was completed in August 2013. The Scheme was open to all of the Group's permanent staff in Cyprus and had the form of a voluntary exit plan. Upon completion of the annual Scheme, staff numbers were reduced by 11% and annual payroll cost was reduced by 14%.

Predominantly due to the Voluntary Early Retirement Scheme, as well as the sale of the Branch Network in Greece, the Group's human resources at the end of 2013 amounted to 1.396 persons, of which 1.343 (96%) were employed in Cyprus. As far as the educational level of staff is concerned, 49% are university graduates, 23% of which have also completed post-graduate studies. Additionally, 21% are higher tertiary education graduates and 35% are holders of professional qualifications.

Training in areas which are inextricably connected to the Group's vision and values always remains a priority; however, developments in the financial sector also affected the training plan which was readjusted based on the prevailing conditions. Training programmes were conducted primarily to enhance knowledge and improve employees' skills in areas relevant to combatting the economic crisis. Emphasis was placed on training for procedures, new systems, subjects relating to technical specialisation and matters which concerned requirements of the Regulatory Authorities.

Driven by its sensitivity to the country's social matters, the Group was the first Organisation in Cyprus to participate in the Human Resource Development Authority's (HRDA) 'Scheme for the Job Placement of Unemployed Young Tertiary-Education Graduates in Companies and Organisations for the purpose of acquiring Work Experience'. Based on the Scheme's provisions, a significant number of unemployed young graduates were offered work for six months and were immediately provided with the required training so as to perform their duties.

In meeting obligations to the Regulatory Authorities, the 'Policy on the Suitability of Key Function Holders' was prepared and approved. The policy concerns the selection, evaluation and succession of people who play an important role in the daily execution of the Group's operations. The Policy is based on the European Banking Authority's 'Guidelines of the Assessment of the Suitability of Members of the Management Body and Key Function Holders' and provisions made by the Central Bank of Cyprus' 'Fitness and Probity (Assessment Criteria) of Directors and Managers of Banks Directive of 2006 and 2007'.

Additionally, in the context of improving efficiency in the Group's operations, the implementation of a new Human Resources Management System began in 2013 and is expected to yield significant benefits. The project is expected to be completed in 2014.

CORPORATE SOCIAL RESPONSIBILITY

Hellenic Bank continues its Corporate Social Responsibility (SCR) Programme as it believes that organisations have a duty to support activities that benefit society as a whole. This is why it strengthens its activities towards Society, Education, Health and Research, as well as those concerning the Environment, the Arts and Culture.

Recognising the problems that the financial crisis has created in Cypriot society, the Group participated in initiatives that mitigate social problems, supporting families, unemployed people and bodies concerned with covering the basic needs of poor families.

VOLUNTEERISM

During 2013, the Bank's various Divisions and Units carried out campaigns, fundraisers and other charitable activities in order to collect money, food and other items which were given to Municipalities, Associations and other bodies.

During these campaigns, charitable institutions were strengthened. The Group's staff participated in the annual blood drives which are co-organised with hospital Blood Banks.

EDUCATION

Hellenic Bank realises that supporting Education and Training is important if a society is to survive and progress, and so contributed to the employment of unemployed graduates. During 2013, the Group gave young people the opportunity to gain work experience through participation in Human Resource Development Authority's (HRDA) 'Scheme for the Job Placement of Unemployed Young Tertiary-Education Graduates in Companies and Organisations for the purpose of acquiring Work Experience'. The Group thus provided employment for six months to a number of young new graduates.

In an effort to support companies, the economy in general and young people in particular, the Bank sponsored, among others, the newly-formed Cyprus Marketing Youth Society, indirectly supporting Non-Profit Organisations which receive free Marketing services from the Society. It also honoured Cypriot Eleni Iosif, the first female standard-bearer and chief of the Hellenic Naval Academy. It also awarded a post-graduate student of the Neapolis University of Paphos.

HEALTH AND RESEARCH

The Group exhibits particular sensitivity to matters which concern well-being and health. In the context of its contribution to research, it continued to support the Cyprus School of Molecular Medicine at the Cyprus Institute of Neurology and Genetics by granting a scholarship to a doctoral student.

ENVIRONMENT

The Group has composed its Environmental Policy which aims to reduce environmental consequences and develop effective corporate behaviour where environmental matters are concerned.

The Group's environmental achievements in 2013 include:

- Certification of the Head Office Building with the Green Key eco-label, making the Bank the first financial institution worldwide to be awarded this status.
- Receiving the award for 'Corporate Social Responsibility in Environmental Matters' at Green Dot Cyprus' third Environmental Awards.
- Continuation of the programme for the collection and recycling of household batteries at the Bank's branches, in co-operation with A.F.I.S. Cyprus Ltd.
- Continuation of the support of the 'Eco-Schools' Programme in co-operation with the CYMEPA environmental organisation.
- Conversion of its Branches to energy-efficient areas which have been certified with the Green Offices eco-label.

ARTS AND CULTURE

HELLENIC BANK CULTURAL CENTRE

Hellenic Bank plays a significant role in cultural activities by encouraging artistic creation and promoting the Arts and Culture.

The Bank's Cultural Centre contributes in promoting the work of important artists and, with the contribution of two other Centres in Limassol and Paphos, organises and hosts cultural activities. In 2013, it continued its co-operation with acclaimed engraver Hambis, supporting the Printmaking Museum and School. It also organised and hosted an exhibition of traditional matryoshka dolls by Irina Stylianou.

In the context of the Centre's cultural activities, it hosted *Cyprus Panoramically*, an exhibition of historic and contemporary photographs, and sponsored presentation of *Theogony – The Aphrodite of Cyprus*, a book by Haris Yiakoumis. It also hosted an exhibition of paintings by Andreas Karayan. Moreover, it sponsored *Valentinos – Ceramics, Past and Recent Creations*, an exhibition by the renowned artist Valentinos Charalambous.

It co-organised, with the International Animation Festival of Cyprus, a retrospective of the work of Bordo Dovnikovic, one of the most globally important artists and innovator in the field of animation. In the context of the exhibition, there was a series of animation workshops for children.

Hellenic Bank continued its long-standing collaboration with the Rialto Theatre in Limassol, Papadopoulos and Schinis Productions, the Diastasis Cultural Association, and the Pharos Trust.

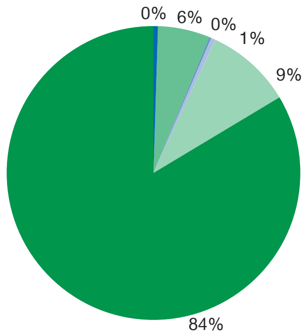
CYPRIOT ECONOMIC ENVIRONMENT

ECONOMIC DEVELOPMENTS IN 2013

In 2013, the Cypriot economy remained in deep recession, with GDP contracting to 5,5 %. This deterioration was affected by both the uncertainty caused by the decisions made by Eurogroup during March 2013 and the procrastination and delays in the implementation of measures to tackle the economic crisis. According to the Statistical Service of Cyprus, the annual rate of inflation fell sharply to -0,4 %. Moreover, labour market conditions worsened with the

ANALYSIS OF SHAREHOLDERS
31 December 2013

Category of Shareholders	Number of Shares	Percentage %	Number of Shareholders
INSURANCE COMPANIES	12.835.600	0,48	17
CHURCH INSTITUTIONS	154.778.905	5,76	33
PROVIDENT FUNDS	5.173.826	0,19	81
STAFF	13.185.231	0,49	981
PRIVATE INDIVIDUALS	254.792.484	9,48	24.505
COMPANIES	2.247.987.645	83,61	518
Issued Capital	2.688.753.691	**100%**	26.135



unemployment rate soaring to an alarming 17,5%, thus reflecting the downturn in economic activity.

Total economic activity slowed considerably, despite the relative improvement of the Economic Sentiment Indicator (ESI) in recent months. Specifically, the main sectors of the economy presented severe contractions. In the construction sector, domestic sales of cement in tonnes – an indicator of construction activity – recorded an annual decrease of 31,4 %. The industry and manufacturing sectors also recorded negative yields, while the economic climate in the services sector improved during the last six months. In the tourism sector, developments have been somewhat more encouraging as, despite the year-on-year decline in tourist arrivals by 2,5%, revenue from tourism generated a positive rate of growth. Regarding consumption, the retail sales volume decreased by 6,2 % for the period January-December in comparison with the same period during the previous year.

In the financial sector, following the events of March, total deposits decreased by 26%, mainly due to the outflow of deposits from non-residents. Additionally, a significant reduction of 10% in total lending was also recorded. Regarding the euro's interest rates, the European Central Bank (ECB) cut its benchmark interest rate to a record low of 0,25% in an effort to support economic activity.

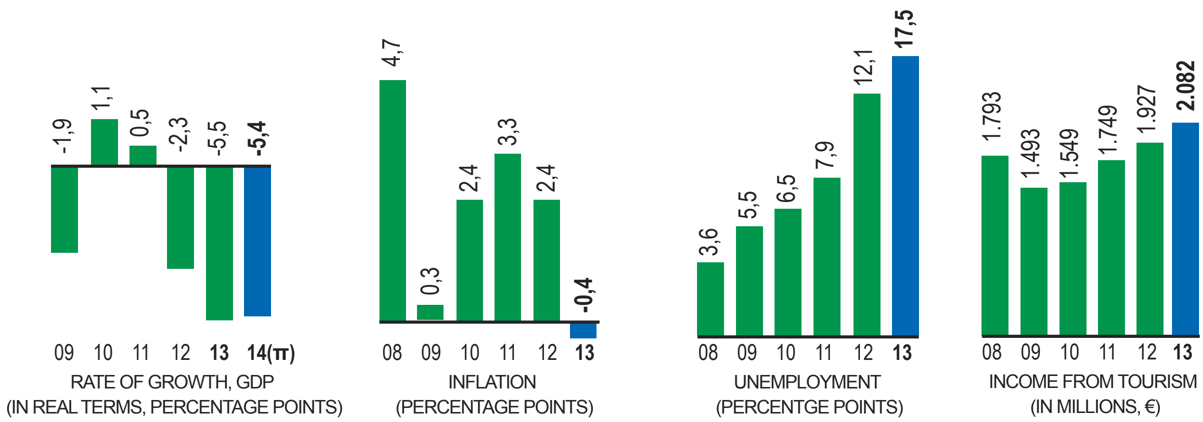
The negative economic developments in both the public and banking sectors led the Republic of Cyprus to apply for financial support from both the European mechanisms and the International Monetary Fund. The necessary fiscal consolidation and restructuring of the financial system led to a final agreement between the Republic of Cyprus and Troika for the provision of financial support. The agreement requires strict implementation of a rigorous program which aims to fully restore the financial system's credibility, fiscal consolidation and the implementation of structural reforms in order to strengthen the recovery of the Cypriot economy's competitiveness. Immediate and disciplined implementation of this program may have a negative impact on the short-term prospects of the Cypriot economy but is the only way to lead Cyprus towards sustainable development and growth.

CYPRIOT ECONOMIC PROSPECTS FOR 2014

Given the many fiscal, financial and structural challenges that Cyprus is facing, the economic and social conditions for 2014 are expected to be just as difficult. The prospects for recovery require fast and accurate implementation of all the measures of the reform program.

The economy is expected to continue contracting at similar levels to 2013. Unemployment is expected to surpass 22%, while inflation is expected to increase slightly.

The financial crisis in Cyprus highlights institutional and social weaknesses which led the country to this unfortunate situation, problems which were swept under the carpet of the past years' unorthodox economic growth. The current crisis provides an opportunity to analyse the system's weaknesses and develop a new economic model on which the country's future development in all sectors can be based.


-1,9
1,1
0,5
-2,3
-5,5
-5,4
09 10 11 12 13 14(π)
RATE OF GROWTH, GDP
(IN REAL TERMS, PERCENTAGE POINTS)
4,7
0,3
2,4
3,3
2,4
-0,4
08 09 10 11 12 13
INFLATION
(PERCENTAGE POINTS)
3,6
5,5
6,5
7,9
12,1
17,5
08 09 10 11 12 13
UNEMPLOYMENT
(PERCENTGE POINTS)
1.793
1.493
1.549
1.749
1.927
2.082
08 09 10 11 12 13
INCOME FROM TOURISM
(IN MILLIONS, €)

REPORT OF THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits to the shareholders its annual report together with the audited financial statements for the year ended 31 December 2013.

ACTIVITIES AND BRANCH NETWORK

The principal activity of the Group during 2013 continued to be the provision of a wide range of banking and financial services, including hire purchase and leasing, investment, insurance services, as well as trustee and factoring services.

The Bank provides banking and financial services through its branches in Cyprus and Russia and maintains Representative Offices in Moscow, Johannesburg, Saint Petersburg and Kiev. Until the 25th of March 2013 the Bank provided banking and financial services through the Branch Network in Greece.

On 26 March 2013, the Bank, as a result of a transnational understanding of the governments of Greece and Cyprus at the demand of Troika and according to the instructions of the Ministry of Finance and the Central Bank, the Bank consented to the sale of its Branch Network in Greece (BNG) to Piraeus Bank SA (PB) with immediate effect (see note 13).

RESULTS

The profit of the Group before provisions for the year ended 31 December 2013 decreased by 17% and amounts to €132,6 million, compared to €159,4 million for 2012 mainly due to reduced income from banking operations. The cost to income ratio, excluding the cost of the 2013 Voluntary Early Retirement Scheme compensations of €9,6 million and despite the decrease in total income, was at 49,4% compared to 47,2% in 2012.

For the year ended 31 December 2013 the loss after taxation attributable to the owners of the parent company amounted to €190,9 million compared to a loss of €23,4 million for the corresponding prior year period. This loss includes increased provisions for the impairment of loans and advances, the loss resulting from discontinued operations following the sale of the Branch Network in Greece (BNG) and the cost of the 2013 Voluntary Early Retirement Scheme.

Provisions for impairment of loans and advances in the Income Statement for the year ended 31 December 2013, amounted to €310,8 million and increased by €206,8 million from the comparable amount of 2012, as a result of the negative economic environment, the increase of non-performing loans and the continued decrease in the value of property.

The effect of the operations which were terminated with the sale of the BNG on Group results for the year ended 31 December 2013 amounted to a loss after taxation of €28,8 million (2012: loss €72,4 million). The cost of the 2013 Voluntary Early Retirement Scheme compensations amounted to €9,6 million.

Total gross customer loans and advances in Cyprus, which amounted to €4,4 billion, decreased by 6%. The ratio of gross non-performing loans and advances to gross loans, including suspended interest that is not recognized in the income statement, amounted to 45,7%.

Accumulated provisions for impairment of loans and advances, which also include suspended interest that is not recognised in the Income Statement, amounted to €830,2 million as at 31 December 2013 and represent 18,9% of total gross loans and advances.

Total customer deposits in Cyprus amounted to €5,5 billion, decreasing by 23% from December 2012. The zero funding from the European Central Bank, the zero raised liquidity from the Emergency Liquidity Assistance and the non dependence on the interbank market are indicative of the comfortable liquidity of the Group.

The ratio of gross loans to deposits is 79,7% while the ratio of net loans to deposits is 64,6%. The ratios for the year ended 31 December 2012 excluding loans and deposits of the BNG were adjusted to 64,9% and 58,3% respectively.

Equity attributable to the owners of the Bank reached the amount of €394,5 million as at 31 December 2013, compared to €481,7 million in December 2012. The return on equity of the Group based on the results of the year ended 31 December 2013 was -43,6% including the loss on sale of the BNG (December 2012: -5,1%).

SHARE CAPITAL

The total number of fully paid shares at 31 December 2013 amounted to 2.688.753.691 shares of nominal value €0,01 each (2012: 619.689.220 shares of nominal value €0,43 each). Details on the development of the share capital are analyzed in Note 31 of the financial statements.

There are no restrictions on the transfer of the Bank's ordinary shares, other than the provisions of the Banking Law of Cyprus which requires Central Bank's of Cyprus approval prior to acquiring shares of the Company in excess of certain thresholds and the requirements of the Directive on Insider Dealing and Market Manipulation, which relates to transactions with related parties.

Shares of the Bank, held by the life insurance subsidiary company as part of its financial assets which are invested for the benefit of insurance policyholders carry no voting rights, pursuant to the Insurance Companies Law.

The Bank does not have any shares in issue which carry special control rights.

RESTRUCTURING AND STRENGTHENING OF THE CAPITAL BASE PLAN

During July 2013, the Board of Directors has decided to take measures to enhance the capital base of the Bank via a Restructuring and Capital Base Enhancement Plan ("Plan"), which included the issue of new shares and convertible capital securities.

With the completion of the plan €358 million were raised, exceeding by €64 million the €294 million required based on the PIMCO adverse scenario. The share structure of the Bank is significantly differentiated, with the existing shareholders maintaining a stake of approximately 23% of the share capital of the bank, Wargaming Public Company Limited and CPB FBO Third Point Hellenic Recovery Fund LP (CY) acquiring approximately 30% (each) and Demetra Investment Public Ltd acquiring approximately 15%.

LOAN CAPITAL

As a result of the plan, all developments in the loan capital for the year 2013 are described in Note 30 of the financial statements.

CAPITAL ADEQUACY

Under Pillar 1 of the Central Bank of Cyprus Directive for the Calculation of Capital Requirements and Large Exposures, the Capital Adequacy Ratio of the Group as at 31 December 2013 stands at 14,3% (December 2012: 13,6%) (Bank: 13,5%), the Tier 1 Ratio at 13,1% (December 2012: 10,9%) (Bank: 12,9%) and the Core Tier 1 ratio at 7,3% (December 2012: 8,2%) (Bank: 7,0%).

In applying the provisions of the Prospectus dated 30 September 2013 ("Prospectus") of the Convertible Capital Securities 1 "CCS 1", and as a result of the formation of the Common Equity Tier 1 ratio of the Group and the Bank to below 9%, CCS 1 of a total value of €85,9 million are subject to mandatory and irrevocable conversion, without any obligation to obtain the consent of the holders of the CCS 1, to shares so that, the lower of the two, Common Equity Tier 1 ratio of the Group and the Bank is increased to 9%. As a result, the Core Tier 1 ratio is adjusted to 9,3% (Bank: 9,0%) (see note 45).

DIVIDEND

The Board of Directors of the Bank does not to propose the payment of dividend for the year 2013 at the shareholders' Annual General Meeting. No dividend payment was proposed for the year 2012.

ANTICIPATED GROUP DEVELOPMENTS

Based on the conditions prevailing in the financial environment (see note 42), the strategic targets of the Group continue to focus on the safeguarding and enhancement of capital adequacy ratios, the effective management of credit risk and ensuring sound liquidity.

Hellenic Bank Group, estimating that 2014 will be another year of recession in the economy, focuses on the effective management of credit risk. The Group considers that the gradual lifting of the restrictive measures will help to enhance the credibility of the banking system and the growth prospects of Hellenic Bank.

In 2013, Hellenic Bank Group has proven that it has the skills to cope with the unprecedented economic crisis. The Group has managed to capitalize based on private funds and has not received any form of support, allowing it to exploit opportunities of gradual recovery of the economy in the medium term.

The capital adequacy and sound liquidity held by Hellenic Bank starting in 2014 allow the Bank to aim in rational development in Cyprus.

RISK MANAGEMENT

The Group is exposed to a variety of risks, the most important of which are described and analysed in Note 44 to the financial statements. The management and monitoring of risks is centralised under a uniform unit which covers the entire range of the Group's operations.

AGREEMENTS WITH MEMBERS OF THE BOARD OF DIRECTORS OR THE STAFF OF THE BANK

In case of a premature and non-justified termination of the contract of the Executive Member of the Board of the Bank (which may take effect at anytime during its life), a variable compensation is paid, the amount of which reaches the maximum amount equal to two annual salaries. Such compensation will be equal to the remaining of the salary until the end of the contract if the remaining at the time of termination period is less than two years.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Code published by the Cyprus Stock Exchange (3rd Edition Revised – September 2012), the "Code", has been fully adopted by the Bank's Board of Directors.

The Board of Directors recognizes the importance of implementing sound Corporate Governance based on the Code in combination with the mandate and practices followed by the various Committees of the Board of Directors in order to achieve the target for maximization of the shareholders' investment.

The Corporate Governance Code is available on the Cyprus Stock Exchange (CSE) website www.cse.com.cy.

Information on Members of the Board of Directors retiring and being eligible for re-election, as well as on the composition and operation of the administrative, managerial and supervisory bodies of the Bank and its committees are set out in section B of the Report on Corporate Governance.

Any amendments to the Articles of Association of the Company are only valid if approved by a Special Resolution at an Extraordinary General Meeting of the shareholders.

Details of restrictions in voting rights and special control rights in relation to the shares of the Bank are set out in the share capital section above.

The Board of Directors may issue share capital if there is sufficient authorised capital which has not been issued and as long as the new shares to be issued are offered first to the existing shareholders, pro-rata to their percentage holding in the Bank's share capital. In the event that a share capital increase requires an increase in the authorized share capital or if the new shares will not be offered to existing shareholders, the approval of the shareholders at a General Meeting must be obtained. The Board of Directors may also propose to a General Meeting of the shareholders a share buyback scheme.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

Shareholders holding more than 5% of the share capital of the Bank are presented in Note 39 to the financial statements.

PREPARATION OF PERIODIC REPORTS

The Group has in place an effective internal audit system, the adequacy of which is evaluated at least annually by the Board of Directors and in more frequent intervals by the Board's Audit Committee, in respect of financial and operational systems as well as for compliance with any risk management regulations that may arise. The adequacy of the Internal Audit System secures the validity of financial data and compliance with relevant legislation and aims to ensure the management of risks while providing reasonable assurance that no loss will incur.

The Group's internal audit and risk management systems incorporate effective procedures aiming at the identification and prevention of errors, omissions or fraud that could result in material misstatements during the preparation of financial statements and relevant disclosures included in the periodic reporting provided by the Group based on Part II of the Transparency Law of Cyprus (Law Providing for Transparency Requirements in relation to Information about Issuers whose Securities are admitted to trading on a Regulated Market) of 2007 and 2009.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in Note 45 to the financial statements.

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2013 were the following:

Dr Andreas P. Panayiotou
Non Executive Chairman
Kyriacos J. Koushos
Non Executive Member of the Board
Ioannis Ch. Charilaou
Non Executive Member of the Board
Georgios K. Pavlou
Non Executive Member of the Board
Kyriakos E. Georgiou
Non Executive Member of the Board
Marianna Pantelidou Neophytou
Non Executive Member of the Board
Ioannis A. Matsis
Non Executive Member of the Board
Dr Andreas G. Charitou
Non Executive Member of the Board
Marios M. Michaelides
Non Executive Member of the Board
Charalambos P. Panayiotou
Non Executive Member of the Board
Makis Keravnos
Executive Member of the Board

All Directors were Members of the Board of Directors throughout the year 2013 with the exception of Messrs Kyriacos J. Koushos, Marianna Pantelidou Neophytou (Mrs.), Ioannis A. Matsis, Dr Andreas G. Charitou, Marios M. Michaelides who were appointed on 24 December 2013.

On 14 January 2014 Mr. Charalambos P. Panayiotou resigned while on 16 January 2014, Mr. Kyriacos J. Koushos was elected as Non Executive Vice Chairman and Mr. Kyriakos E. Georgiou as Senior Independent Non-Executive Director.

On 3 February 2014 and 18 February 2014, Messrs Adonis E. Yiangou and Vasos G. Komodromos were appointed as Non Executive Members of the Board respectively.

Reference to Directors' emoluments, fees and compensation is made in Note 38 to the financial statements.

In accordance with the Company's Articles of Association, Messrs Kyriacos J. Koushos, Adonis E. Yiangou, Marianna Pantelidou Neophytou (Mrs.), Ioannis A. Matsis, Dr Andreas G. Charitou, Marios M. Michaelides, Vasos G. Komodromos, Georgios K. Pavlou and Kyriakos E. Georgiou will retire, and being eligible, will offer themselves for re-election. The vacancies so created will be filled by election.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

The percentage shareholdings in the Bank's share capital owned by Members of the Board of Directors are shown in Note 37 to the financial statements.

INDEPENDENT AUDITORS

The independent auditors KPMG Limited have expressed their willingness to continue in office as the Bank's auditors. A resolution authorising the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board of Directors,

Dr Andreas P. Panayiotou
Chairman

Nicosia, 31 March 2014

REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE FOR THE YEAR 2013

REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE FOR THE YEAR 2013

INTRODUCTION

The Bank's Board of Directors fully adopted the Code of Corporate Governance, which was published by the Cyprus Stock Exchange (3rd revised edition - September 2012), hereinafter referred to as "the Code". In compliance with the provisions included in the Code's introduction, the Board of Directors incorporates the present Report on Corporate Governance in the Bank's 2013 Annual Report.

PART A

The Bank states that the full implementation of the Code's principles constitutes the Bank's policy and that it had already taken the initiative of applying many of these principles well before the establishment of the Code. The Board of Directors believes that correct corporate governance, based on the Code, in conjunction with the terms of reference and the practices followed by the various Board Committees, constitutes a fundamental factor in achieving the corporate goal of maximising shareholder value. The Board acknowledges that there is an on-going process of formulating principles of corporate governance based on both international and local conditions. As such, the Board continually follows a policy of reviewing and readjusting the various aspects of corporate governance accordingly.

PART B

The Bank confirms that it has taken appropriate action in order to comply with the provisions of the Code as of 1st January 2003. Specifically, bearing in mind its third revised edition in September 2012, the Bank proceeded to inform all the Departments, Services and officers of the Bank as well as all Board Members of the Bank and affiliated, subsidiary and associated companies so as to ensure the broadest possible cooperation of all parties concerned in the full implementation of the principles and provisions of the Code.

In light of the above, the following confirmations and reports are made:

The Board of Directors

The Bank is governed and controlled by the Board of Directors, which operates on the basis of the Code, the relevant Companies, Stock Exchange and Banking Operations laws and of course the Bank's Articles of Association. On 31 December 2013, the Board was composed of ten non-Executive Directors and one Executive Director, all of whom have the appropriate qualifications and broad relevant experience. The Board of Directors' composition as at 31 December 2013, as well as the changes in the composition and distribution of responsibilities of the Board throughout the year and up to the date of the present Report, appear in the Directors' Report for the year 2013.

During 2013, the Board of Directors held forty seven meetings. In all instances, it is ensured that all Members of the Board are correctly informed in writing of forthcoming Board meetings and all necessary documentation related to the meeting is provided so that they have adequate time to review it. The Members of the Board hold positions on the Boards of Directors of other companies as noted in their curricula vitae, published in the Corporate Governance Report for the year they offer themselves for re-election. Their participation in other Boards allows them to devote the necessary time and attention to their duties as Members of the Board of Directors of the Bank.

The Company Secretary and the Executive Officer responsible for ensuring compliance with the Code of Corporate Governance provides information and advisory services to the Members of the Board of Directors related to Board procedures and the Code.

(1) Independent Non-Executive Directors in 2013

- Dr Andreas P. Panayiotou, Chairman
- Andreas M. Moushouttas, Vice Chairman
  (resigned on 4 December 2013)
- Kyriacos J. Koushos, Vice Chairman
  (appointed on 24 December 2013 and elected Vice Chairman on 13 January 2014)
- Marianna Pantelidou Neophytou
  (appointed on 24 December 2013)
- Dr Andreas G. Charitou
  (appointed on 24 December 2013)
- Ioannis A. Matsis
  (appointed on 24 December 2013)
- Soteris Z. Kallis, Senior Independent Director
  (resigned on 3 December 2013)
- Ioannis Ch. Charilaou
- Georgios K. Pavlou
- Kyriakos E. Georgiou, Senior Independent Director
  (elected Senior Independent Director on 13 January 2014)
- Kyriacos I. Droushiotis
  (resigned on 5 December 2013)

From 1 January 2014 until the date of this Report:

- Adonis E. Yiangou
  (appointed on 3 February 2014)
- Vassos Y. Komodromos
  (appointed on 18 February 2014)

Note

Based on the independence criteria listed in the amending directive of the Central Bank of Cyprus "Framework of Principles of Operation and Criteria of Assessment of Banks' Organisational Structure, Internal Governance and Internal Control Systems" (October 2009, Revised Questionnaire for the Assessment of an Individual to be appointed as a Member of the Board dated 08/2013), which differ from those in the Corporate Governance Code, Messrs. Kyriacos J. Koushos, Ioannis Ch. Charilaou and Marianna Pantelidou Neophytou are not independent.

(2) Non-Executive Directors in 2013

- Iacovos G. Iacovou
  (resigned on 2 October 2013)
- Charalambos P. Panayiotou
  (resigned on 14 January 2014)
- Stavros Kremmos
  (resigned on 4 June 2013)
- Marios M. Michaelides
  (appointed on 24 December 2013)

A relevant "Confirmation of Independence" based on the minimum independence criteria in accordance with provision A.2.3. of the Code has been signed by each of the above mentioned Directors (in paragraphs 1 and 2 above) and has been submitted to the Cyprus Stock Exchange together with the present Report on Corporate Governance.

The abovementioned provision A.2.3. allows the Board of Directors, where it considers that one of its Members is independent even if not all the independence criteria are fulfilled, to give a comprehensive explanation of the reasons for which the Director is regarded as independent.

Upon completion, on 18 March 2014, of a period of nine years since the appointment of Dr Andreas P. Panayiotou to the Board, the independence criterion A.2.3.(h) – maximum tenure on the Board – is not fulfilled. However, both he and the Members of the Board believe that this fact on its own, given that the rest of the criteria are fulfilled, does not compromise his independent and unbiased judgement. Particularly, after taking into account the in-depth change of the Bank's owners / major shareholders as well as the majority of the Members of its Board. Therefore, they believe that Dr Panayiotou continues to hold the position of Independent Non-Executive Director of the Company.

(3) Executive Directors in 2013

- Makis Keravnos, Director / Chief Executive Officer
- Dr Marios Clerides, Director / Group Senior General Manager
  (resigned from the Board on 20 December 2013 and left the Group on 10 January 2014)

At least 50% of the Board of Directors (excluding the Chairman) consists of Independent Non-Executive Directors.

(4) Chief Executive Officer

- Makis Keravnos

(5) Application of best possible practices of Corporate and Internal Governance in the Bank during 2013

2013 Economic Developments and Restructuring & Capital Base Enhancement Plan of the Bank

As a result of the decisions taken at the Eurogroup on 25 March 2013 and the agreement signed between the Cyprus Government and the European Stability Mechanism for the funding of Cyprus and the restructuring of the banking sector (Memorandum of Understanding), the government introduced new laws and amended the provisions of existing laws. Within this framework, a new economic environment has been established for Cyprus and the banking industry in particular, capital controls have been introduced and restructuring and/or resolution measures have been effected.

On 26 March 2013, as a result of an agreement between the Governments of Cyprus and Greece following the Troika's demand, the Bank consented to the sale of its Branch Network in Greece, as a result of relevant suggestions made by the Ministry of Finance and the Central Bank of Cyprus, effective immediately.

Following the completion of the due diligence test of loan portfolios of financial institutions operating in Cyprus, including Hellenic Bank, performed by the company Pacific Investment Management Company LLC (PIMCO) following instructions from the Central Bank of Cyprus, the Central Bank defined the capital needs of the financial institutions involved in the test and which, according to the Central Bank, should have been raised either from private sources or state aid with funds from Troika's Financial Sector Reform Program ("Program") that have already been committed.

According to the Central Bank of Cyprus and on the basis of the extreme scenario of PIMCO's due diligence and after the sale of the Branch Network in Greece, the capital need that the Bank was required to meet by 31 October 2013 was €294 million.

The Board of Directors of the Bank, at its meetings on 11 July 2013 and 18 July 2013, decided to enhance the capital base of the bank via a Restructuring and Capital Base Enhancement Plan ("Plan") with an aim of raising private funds to meet the amounts and structure set by the Plan to satisfy its capital needs. The actions planned based on the Plan, included the increase of the authorized share capital of the Company, the reduction of the nominal value of the issued share capital, the transfer of the difference that emerged from the reduction to a special reserve account from the reduction of capital pursuant to the provisions of article 64(1)(e) of the Companies' Law (Chapter 113), the issue of new ordinary shares to the existing shareholders, to the holders of Non-Cumulative Convertible Capital Securities of Indefinite Duration and to new investors, the issue of Convertible Capital Securities 1 (CCS1) which was offered for optional exchange to the holders of the Non Cumulative Convertible Capital Securities of Indefinite Duration and the issue of Convertible Capital Securities 2 (CCS2) which was offered for optional exchange to the holders of Capital Securities and to the bondholders of the Bank and to new investors.

On 1st November 2013, the Bank's Board of Directors completed the evaluation of the applications received within the framework of the Restructuring and Capital Base Enhancement Plan, pursuant to the Prospectus dated 30 September 2013 and the implementation of provisions of Article 5B of the Restructuring of Financial Organizations Law (N.200(I)/2011, as amended), securing capital of €358 million. All titles that arose from the Plan were listed and traded on the Cyprus Stock Exchange. The capital raised by the Bank, despite the unfavourable conditions of the market and the prevailing uncertainty then, exceeded by €64 million the imposed, by the extreme scenario of PIMCO, capital deficit of €294 million and formed a Core Tier 1 Ratio of more than 9%, giving new impetus and dynamics to Hellenic Bank Group and securing its autonomous course.

Upon completion of the Restructuring and Capital Base Enhancement Plan, the percentage holdings of shareholders holding more than 5% of the Bank's issued share capital were as shown below:

- Wargaming Public Company Limited 29,75%
- CPB FBO Third Point Hellenic Recovery Fund LP (CY) 29,75%
- Demetra Investment Public Ltd 14,89%

In applying the provisions of the Prospectus dated 30 September 2013 of the Convertible Capital Securities 1 (CCS 1), as a result of the formation of the Common Equity Tier 1 ratio of the Group and the Bank to below 9% at 31 December 2013, CCS 1 of a total value of €85,9 million were converted on 28 February 2014, mandatory and irrevocably and without any obligation to obtain the consent of their holders, to shares at the price of €0,10, so that the lower of the two, Common Equity Tier 1 ratio of the Bank and the Group was increased to 9% (Bank 9,0% / Group 9,3% at 31 December 2013). All CCS 1, which were converted into shares, were automatically cancelled and any right or obligation under their Prospectus ceased to apply. All shares resulting from the mandatory conversion were listed on the Cyprus Stock Exchange.

Upon completion of the above mentioned mandatory conversion, the percentage holdings of shareholders holding more than 5% of the Bank's issued share capital were as shown below:

- Wargaming Public Company Limited 22,55%
- CPB FBO Third Point Hellenic Recovery Fund LP (CY) 22,55%
- Demetra Investment Public Ltd 11,64%
- Holy Archbishopric of Cyprus and connected persons 7,15%

Considering the above mentioned developments, during 2013 and 2014 until the date of this Report various actions were taken in compliance with the directives of the Central Bank of Cyprus on the "Framework of Principles of Operation and Criteria of Assessment of Banks' Organisational Structure, Internal Governance and Internal Control Systems of 2006 to 2012", always taking into consideration the Code of Corporate Governance published by the Cyprus Stock Exchange (3rd revised edition - September 2012).

Board of Directors

Within the above mentioned framework, during 2013 and at the beginning of 2014 seven Directors resigned and seven new Members were appointed to the Board as shown in the Directors' Report for the year 2013. The above mentioned appointments took place after applying in full the procedures of the Directives of the Central Bank of Cyprus on "The Fitness and Probity (Assessment Criteria) of Directors and Managers of Banks of 2006 and 2007". A recomposition of the Board Committees took place in January and February 2014, with a view to adhere to their Terms of Reference (Composition).

During 2013 and 2014 until the date of this Report the following new Policies were approved by the Board of Directors:
a) Policy in relation to the Appointment of Hellenic Bank's Representatives in the Boards of Directors of Companies, Associations and Committees outside the Group (26 March 2013)
b) Credit Policy in relation to Leasing (3 July 2013)
c) Policy in relation to the Assessment of the Probity of Key Function Holders (12 July 2013)
d) Loans Restructuring Policy (12 July 2013, revised 24 February 2014)
e) Arrears Management Unit Policy (24 February 2014)

The following existing Policies were revised:
a) Policy for the Write-Off of Debts (8 March and 12 August 2013)
b) Customer Acceptance and Risk Assessment Policy (7 June 2013 and 31 January 2014)

Other Matters

The Board of Directors and the Group's Management closely monitor the developments regarding the implementation of the decisions of the Eurogroup and the Memorandum of Understanding for the Financial Assistance of Cyprus and take the necessary possible measures for the management of any negative impact on the Group's operations that arise from the newly-formed business and economic environment.

Group Risk Management, the Board Risk Management Committee and the Board of Directors, in cooperation with Executive Management, continue to actively pursue the evaluation and management of all related risks, particularly in view of the financial crisis.

The Department of Corporate Governance / Compliance, in co-operation with the Chairman, the Chief Executive Officer and the Executive Officer responsible for ensuring compliance with the Code of Corporate Governance, confirms compliance with the relevant laws, regulations and directives, the implementation of best possible practices of Corporate Governance within the Bank and the application of an adequate and transparent framework of internal governance.

(6) Remuneration Policy Report

The Remuneration Policy Report was prepared by the Board of Directors following a proposal by the Remuneration Committee in accordance with Appendix 1 of the Code. It is presented in the Annual Report of the Company after the present Board of Directors' Report on Corporate Governance (page 51). The Remuneration Policy Report will be presented to the Annual General Meeting of Shareholders for approval.

Information on the remuneration / fees of the Members of the Board of Directors and the Chief Executive Officer for the year 2013 is disclosed in the notes to the Accounts contained in this Annual Report (Note 38) as well as in the Remuneration Policy Report itself.

(7) Going Concern

The Board of Directors states that the Company intends to continue to operate on a going concern basis for the next twelve months.

(8) Internal Control System

The Board of Directors confirms that the Company has an effective internal control system, the adequacy of which is reviewed by the Board at least once a year. It is also reviewed on a more regular basis by the Audit Committee, both with respect to financial and operational systems as well as compliance systems for the management of risks, which might occur and which fall within the competencies, duties and responsibilities of the Asset and Liability Management Committee and the Risk Management of the Group. The Group Internal Audit reports directly to the Audit Committee and the Board of Directors itself. It consists of 25 persons and is headed by Mrs. Niki Nicolaidou – Hadjixenophontos (B.Sc. Honours in Financial Services, M.B.A., A.C.I.B., F.C.C.A.). All the Internal Audit functions are carried out in accordance with the Internal Audit Manual. No Internal Audit function was outsourced in 2013.

A review of the adequacy of the internal control system, on a company and group basis, was successfully completed in 2013, by other external auditors than the Bank's current external auditors, in accordance with the Directives of the Central Bank of Cyprus on the "Framework of Principles of Operation and Criteria of Assessment of Banks' Organisational Structure, Internal Governance and Internal Control Systems of 2006 to 2012".

In this context, all Group operational management units are suitably staffed and committed to the introduction and operation of appropriate control systems according to their respective business and responsibilities. Within this framework, the above mentioned management units:

- Operate on the basis of a specific organisational structure and allocation of responsibilities;
- Prepare and monitor the implementation of the

strategic and business plans and annual budgets;

- Follow written procedures, receive and disseminate information and advice through circulars and training programmes;
- Adopt a policy of adequate segregation of duties in order to avoid a conflict of interest wherever this is deemed necessary;
- Apply, at branch level, performance evaluation and measurement models based on specific targets;
- Are supported by appropriate software and hardware systems;
- Are subject to regular internal and external audits.

The adequacy of the internal control system safeguards the Group's and its customers' assets, as well as the validity of the financial data and overall compliance with existing laws. It aims towards the management and not the complete removal of risks, providing reasonable but not absolute assurance that no major loss will be incurred.

(9) Confirmation in Accordance with the Provision C.2.1. of the Code

In relation to paragraph (8) above (Internal Control System), the Members of the Board of Directors confirm that they have reviewed the adequacy of the Internal Control Systems of the Company as well as the procedures for verification of correctness, accuracy and validity of information disseminated to investors.

The Board also confirms that, to its knowledge, no violation in the Stock Exchange Legislation and Regulations has occurred, except in cases already reported to the relevant authorities (where this applies).

(10) External Auditors – Provision C.2.2. of the Code

In 2013 Messrs KPMG, external auditors of the Bank, offered other services except auditing e.g. tax services, general and specialized advisory services, review of various returns, training seminars, etc. Their objectivity and independence are ensured in the following ways:

(a) Non-auditing services are offered by different companies / departments of the KPMG Group in accordance with the professional code of certified accountants / auditors ("Chinese Walls").

(b) The KPMG team that carries out the external audit of the Bank does not participate in offering any other services except auditing.

(c) The offer of non-auditing services is carried out by a tendering process except where these are considered to be of minor importance.

Messrs KPMG have confirmed in writing to the Bank that the offering of the above mentioned services does not affect their independence and objectivity. The external auditors do not offer internal audit services to the Bank.

(11) Credit Facilities to Directors

Information as to credit facilities provided to Company Directors (and related parties) or to its subsidiary or associated company Directors is to be found in the relevant notes to the Financial Statements contained within the present Annual Report (Note 38). It is confirmed that all such transactions were carried out within the normal course of the Bank's business, under normal commercial and employment terms and with transparency. Furthermore, it is confirmed that all relevant cases of Bank facilities to Company Directors and its subsidiary company Directors are forwarded for approval to the Board, after the relevant proposal of the Board's Audit Committee. During this procedure the interested Member of the Board neither participates nor is present.

(12) Code of Corporate Governance Compliance Officer

The Bank has appointed Mrs Maria Vovides-Iliescu, Manager Corporate Governance / Compliance, as Executive Officer responsible for ensuring compliance with the Code of Corporate Governance.

(13) Board Committees

The following Board Committees operate within the Bank:

(a) Audit Committee

Chairman: Dr Andreas G. Charitou
(from 20 January 2014)
Kyriacos I. Droushiotis
(resigned on 5 December 2013)

Members: Ioannis Ch. Charilaou
Ioannis A. Matsis
(from 20 January 2014)
Marianna Pantelidou Neophytou
(from 20 January 2014)
Adonis E. Yiangou
(from 11 February 2014)
Georgios K. Pavlou
(until 20 January 2014)
Kyriakos E. Georgiou
Soteris Z. Kallis
(resigned on 3 December 2013)

(b) Remuneration Committee

Chairman: Ioannis A. Matsis
(from 20 January 2014)
Soteris Z. Kallis
(resigned on 3 December 2013)

Members: Kyriacos J. Koushos
(from 20 January 2014)
Dr Andreas G. Charitou
(from 20 January 2014)
Kyriakos E. Georgiou
Georgios K. Pavlou
(from 20 January 2014)
Vassos Y. Komodromos
(from 24 February 2014)
Iacovos G. Iacovou
(resigned on 2 October 2013)
Kyriacos I. Droushiotis
(resigned on 5 December 2013)
Stavros Kremmos
(resigned on 4 June 2013)

(c) Nominations / Internal Governance Committee

Chairman: Dr Andreas P. Panayiotou

Μέλη: Kyriacos J. Koushos
(from 20 January 2014)
Marianna Pantelidou Neophytou
(from 20 January 2014)
Marios M. Michaelides
(from 20 January 2014)
Ioannis Ch. Charilaou
(from 20 January 2014)
Vassos Y. Komodromos
(from 24 February 2014)
Andreas M. Moushouttas
(resigned on 4 December 2013)
Iacovos G. Iacovou
(resigned on 2 October 2013)
Georgios K. Pavlou
(until 20 January 2014)
Soteris Z. Kallis
(resigned on 3 December 2013)
Charalambos P. Panayiotou
(resigned on 14 January 2014)

(d) Risk Management Committee

Chairman: Ioannis Ch. Charilaou

Members: Marianna Pantelidou Neophytou
(from 20 January 2014)
Ioannis A. Matsis
(from 20 January 2014)
Marios M. Michaelides
(from 20 January 2014)
Dr Andreas G. Charitou
(from 20 January 2014)
Adonis E. Yiangou
(from 11 February 2014)
Charalambos P. Panayiotou
(resigned on 14 January 2014)
Kyriacos I. Droushiotis
(resigned on 5 December 2013)
Stavros Kremmos
(resigned on 4 June 2013)
Kyriakos E. Georgiou
(until 20 January 2014)
Georgios K. Pavlou
(from 20 January 2014)

The terms of reference of the above Committees are based both on the relevant provisions of the Code pertaining to them and the relevant guiding directives of the Central Bank of Cyprus. They are published in paragraph 14 below while those of the Remuneration Committee are in the Remuneration Policy Report. Within the framework of the provisions of the Code concerning relations with shareholders, the Chairmen of these Committees are available to answer any questions at the Annual General Meeting at which all shareholders are encouraged to participate. The Chairmen and Members of the Committees periodically submit reports or proposals to the Board of Directors following meetings of the corresponding Committees, depending on the subjects being addressed.

The **Audit Committee** meets on its own before the announcement of the quarterly results to review the Financial Accounts and specifically, the extent and sufficiency of provisions for debts which may be doubtful of collection, as well as the adequacy of the Internal Control System. It then proceeds with the relevant suggestions to the Board. The Audit Committee also meets on its own (without the presence of members of the Executive Management) to review matters which are its responsibility. Additionally, it participates in meetings with the Executive Management of the Bank and Internal Audit, in order to review issues which arise from the financial accounts, various special reports or investigations, or the Annual Report of the Internal Audit of the Bank and its subsidiary companies. The Committee makes recommendations or suggestions to the Board of Directors on issues under its jurisdiction. The Committee is assisted by the respective Audit Committees of three of the Bank's subsidiary companies – Hellenic Bank (Investments) Ltd, Pancyprian Insurance Ltd and Hellenic Alico Life Insurance Company Ltd. During 2013, the Audit Committee held nineteen meetings. The Committee's Chairman has university degrees in Business Administration / Accounting (B.Sc., M.Sc. and

Ph.D.) and he is a University Professor of Finance & Accounting. Two of its Members are qualified Accountants.

The **Remuneration Committee** meets whenever it is necessary to fix or review the remuneration of Executive and non-Executive Members of the Board of Directors and the Chief Executive Officer. After considering all relevant parameters and data, it makes relevant recommendations to the Board for making decisions, in the absence of the Executive Member of the Board or other Officers involved. The Committee's suggestions and the Group's Remuneration Policy take into consideration the relevant responsibilities, workload, qualifications, know-how, academic background, experience, individual performance, remuneration of comparable positions in the market, especially in areas where the Group is active, remuneration at other levels in the Group as well as non-financial criteria e.g. compliance with applicable rules and procedures. The Committee's aim is to attract and retain good quality officers at Executive and General Management levels, in order to better serve the interests of the Group as well as those of its shareholders and other stakeholders.

Each year, the Remuneration Committee proposes to the Board of Directors the Annual Remuneration Policy Report, as part of the Annual Report of the Company, which is submitted to the shareholders' Annual General Meeting for approval. The Committee also reviews and approves the Information disclosed on the Annual Remuneration of the Members of the Board, which is prepared by Group Financial Management for inclusion in the notes to the annual accounts of the Company and the Remuneration Policy Report itself.

The **Nominations / Internal Governance Committee** is engaged in selecting fit and proper individuals for appointment as Board Members of the Bank or its subsidiaries, either for positions extraordinarily vacated or after the retirement of Board Directors, in accordance with the Bank's policy regarding retirement age. The Committee then submits its suggestion to the Board of Directors of the Company concerned for its decision. The decision applies for the period from the appointment date of the new Member to the next shareholders' General Meeting, when the Directors so appointed, if eligible, may offer themselves for re-election. New Board Members are briefed by the Executive Officer responsible for ensuring compliance with the Code of Corporate Governance and by other high-ranking officers, regarding the provisions of the Code as well as on broad issues in relation to the organisational structure, procedures, strategic planning, the Company's practices in general and those of the Board and its Committees in particular. The Committee also has the responsibility of implementing the Group's policies on internal governance. The Nominations / Internal Governance Committee meets whenever issues arise that are within its jurisdiction.

The **Risk Management Committee** assists the Bank's Board of Directors in fulfilling its responsibilities and obligations concerning the recognition, measurement, monitoring and effective management of all the Group's risks (credit, interest-rates, operational, market, liquidity, foreign exchange, capital and other). Amongst other duties, the Committee prepares and submits proposals for approval to the Board. Where applicable, it evaluates the principles, the framework and policies of undertaking and managing all forms of risk and the use of capital that corresponds to the business objectives of the Bank, the Group and / or each subsidiary company separately. It also recommends to the Board the assignment of approval authority (which concerns the undertaking of risks) to the Executive Management, General Management and other approving groups, as well as the approval of new products or services that the Group intends to introduce. The Risk Management Committee meets whenever issues arise that are within its jurisdiction.

(14) Terms of Reference of the Board of Directors' Committees (except the Remuneration Committee)

Terms of Reference of the Audit Committee

1. Establishment / Mission

The Audit Committee was established to ensure that the Bank complies with the directives published by the Central Bank of Cyprus in accordance with the provisions of article 41 of the Banking Business Law of 1997.

The primary mission of the Committee is to ensure the achievement, in a reliable and effective manner, of the obligations imposed on the Bank by the above mentioned directive, the compliance with the relevant provisions of the Code of Corporate Governance and generally its contribution to the strengthening of the principles of sound management in the conduct of operations and activities of the Bank.

The Audit Committee is responsible for helping the Board of Directors in the effective monitoring of the activities and operations of the Group.

In order to accomplish its mission, the Committee has under its direct monitoring and control the Group Internal Audit, which is, as required by the Central

Bank, independent of the Executive Management and answerable to the Committee.

The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.

2. Composition and Term-in-Office of Members of the Audit Committee

The Board appoints at least four and a maximum of seven non-Executive Directors as members of the Committee. The majority of the members of the Committee must be independent non-Executive Members of the Board, including the Chairman of the Committee.

The Chairman of the Committee should have experience in accounting and / or finance and will be appointed by the Board of Directors. The Chairman of the Group should not be a member of the Audit Committee.

The term-in-office of the members of the Committee is decided by the Board of Directors.

3. Meetings of the Committee

The Committee meets at regular intervals, at least six times a year. In emergency or crisis situations, the Committee may convene via teleconferencing for decision-taking. The next integral number of one half of the members comprises a quorum.

The Committee invites to its meetings any officers of the Group whose opinion it considers necessary for the best conduct of its duties.

The Committee should meet with the external auditors at least once a year to discuss matters arising from audits.

The Committee keeps minutes of its meetings and decisions and submits its annual and periodical reports of proceedings to the Board, as it deems advisable.

4. Decision-making Process

In case of disagreement, the decisions of the Committee are taken by voting. In the case of a tie, the Chairman has the casting vote.

5. Duties and Responsibilities

The duties and responsibilities of the Committee are:

A. Financial Statements

A1. It examines the contents of the quarterly, semi-annual, nine-monthly and annual financial statements as well as other special periodic financial reports, in order to be satisfied that they present a true and fair view before they are submitted to the Board of Directors for approval.

A2. It supervises the processes applied by the Group Chief Financial Officer with the technical supervision of the external auditors (where this is deemed necessary) regarding the choice of accounting policies and accounting estimates for the preparation of the Group's financial statements.

B. External Audit

B1. It submits proposals to the Board regarding the appointment, termination and remuneration of the Group's auditors.

B2. It monitors and ensures the independence and effectiveness of the auditors.

B3. It monitors the relationship between the Group and its auditors.

B4. It evaluates the extent and effectiveness of the audits and examines ways to better co-ordinate the audit effort to ensure complete coverage, avoidance of overlapping work and the best use of available audit resources (cost - effectiveness).

B5. It evaluates the comments / proposals of the auditors with regard to the management of the Group, the preparation and presentation of its financial statements and the monitoring of their application.

B6. It monitors the substantial volume, nature and extent of non-auditing services provided by the auditors at Group level, aiming to maintain the balance between objectivity and the value added by the services offered.

In the case where non-auditing services are offered to a subsidiary or affiliated company of the Bank and the volume is such that it downgrades the objectivity of their audits, the Committee informs the corresponding Committee (where it exists) of the subsidiary company or its Board of Directors.

The Committee is informed, at least once a year, by the Group's Financial Management about the nature, extent and fees for non-auditing services or other advisory duties of the auditors.

B7. It annually prepares a table in which the auditing and non-auditing services are recorded by category, time and fees paid.

This table is submitted to the Board of Directors, along with the relevant comments of the Audit Committee.

C. Internal Audit

C1. It approves and evaluates the Internal Audit manual that contains, amongst others, the rules, the way the Committee works and the audit objectives and programmes.

C2. The Group Internal Audit submits its annual audit plan and the Unit's budget to the Audit Committee for approval. Any changes that are likely to be made to the audit plan or the budget during the year must also be approved by the Committee.

C3. It proposes to the Board the appointment and replacement of the Head of Group Internal Audit.

It evaluates his performance as well as the work and effectiveness of Group Internal Audit.

C4. It evaluates the adequacy and effectiveness of the Internal Control System of the Group.

C5. It submits to the Board of Directors a report regarding:

(a) The adequacy of audits carried out, the conclusions and the proposals of Group Internal Audit.

(b) Subjects that are related to the independence and smooth execution of audit work carried out by Group Internal Audit.

C6. It confirms that the Bank assigns the evaluation of the adequacy of the Internal Control System, on an individual and consolidated base, to external auditors who have the necessary experience.

It evaluates the findings of the above audits and proposes corrective measures to the Board of Directors.

D. Miscellaneous Issues

D1. It assigns to Group Internal Audit or, following authorisation of the Board of Directors, to independent experts, the investigation of any subjects which fall within its mission and powers.

D2. It requests information from the Management on the significant risks to which the Group is exposed; it evaluates the steps taken by the Board to minimise these risks, and submits proposals for their improvement.

D3. It investigates any other important elements, data or facts that concern and influence the efficiency and operation of the Bank or its compliance with the laws and regulations that govern it.

D4. Once a year, the Committee confirms the compliance of the Bank with the laws and the institutional framework in which it is active.

D5. Following a decision of the Audit Committee, the Chairman convenes a joint meeting with the members of the Audit Committee of any subsidiary company to discuss and study any matters concerning that company as may be deemed necessary.

D6. The Committee has the responsibility for examining any significant transactions, in any form, carried out by the Bank and / or its subsidiary companies, where any Member of the Board, Chief Executive Officer, Senior Executive Officer, Secretary, Auditor or large shareholder (who directly or indirectly holds more than 5% of the issued share capital of the Company or voting rights) has, directly or indirectly, any significant interest. It ensures that these transactions are carried out within the framework of the Bank's normal commercial practices (at arm's length).

The above definition includes the Board Members of subsidiary companies.

D7. It draws up, with the assistance of the Executive Officer responsible for ensuring compliance with the Code of Corporate Governance, the Board of Directors' Report on Corporate Governance to be included in the Group's Annual Report.

D8. It discusses with the Group's Management the policy for management and evaluation of business risk, including the main Group financial risks, and the measures that are taken by the Board for their monitoring and containment. The external auditors and the Head of Group Internal Audit may also be invited to this meeting.

D9. It handles any eponymous or anonymous reports by employees, submitted under the Group's relevant policy.

D10. It receives information through reports of the Appeals Committee, on the basis of which it assesses the adequacy and effectiveness of the appeals process and of the Appeals Committee itself. It identifies any weaknesses / gaps in the loans restructuring process and it subsequently informs the Board of Directors on further action where this is necessary.

D11. The Chairman of the Committee will be available for personal, telephone, electronic or written communication, which shareholders of the Bank may request, regarding issues concerning the work of the Committee. He will also be available to answer any questions during the Annual General Meeting or any meeting for the purposes of briefing all shareholders of the Bank.

Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

6. Validity and Modification of the Terms of Reference
The terms of reference will be revised and appropriately readjusted so as to reflect any new practices that may be adopted by the Group. These may include organisational restructuring, directives of the Central Bank, changes in the relative legislation, new directives of the Securities and Exchange Commission or new regulations of the Cyprus Stock Exchange added to the Code.

The Board is responsible for any addition to or readjustment of the procedures related to the terms of reference.

7. Code of Corporate Governance
In observing all the above, it is understood that the Audit Committee will function strictly within the framework of the relevant provisions of the Code of Corporate Governance, as determined by Chapter C of the Code.

Terms of Reference of the Risk Management Committee

1. Terms of Reference of the Risk Management Committee
The role of the Committee is to assist the Board of Directors of Hellenic Bank Public Company Limited ("the Company") to fulfil its responsibilities and obligations concerning the recognition, measurement, monitoring and effective management of all Group risks (credit, operational, market, liquidity, foreign currency and others). The Committee also has the responsibility of monitoring compliance risk.

2. Appointment of the Risk Management Committee
The Committee will be appointed by the Board of Directors and will consist of three to seven non-Executive members with sufficient knowledge and experience in the Risk Management sector. At least one member will be an independent non-Executive member. The Chairman of the Committee will be appointed by the Board.
The term-of-office of the members of the Committee will be decided by the Board.
The Board can, during the term-of-office of the Committee: (a) replace any member of the Committee including the Chairman, and (b) fill positions in the Committee which are vacated, for any reason.

3. Meetings of the Risk Management Committee
The Committee will meet whenever necessary and at least once every quarter. In emergency or crisis situations, the Committee may convene via teleconferencing for decision-taking.
The majority of Committee members will comprise a quorum. A majority of Committee members is considered to be the next integral number of one half of the members. In the case of a tie, the Chairman will have the casting vote.
The Committee will keep minutes of its meetings and decisions.
The Chairman of the Committee will inform the Members of the Board of the Committee's work.
The Committee may invite to any of its meetings any person who may contribute towards the effective conduct of its business.

4. Duties, Responsibilities and Rights of the Risk Management Committee
4.1 The Committee will prepare and submit to the Board of Directors, for approval, the principles which should govern risk management. Based on these principles, the Committee will cultivate an internal environment of risk management, which will govern the business decision-making processes across the activities and / or units of the Group and its subsidiaries.

4.2 Based on the approved principles, the Committee will shape and propose to the Board of Directors, for approval, the framework for undertaking all forms of risk and the use of capital that would correspond to the business objectives of the Company, Group and / or each Company separately. Inter alia:

(a) The Committee will shape the policy of the Group with regard to the limits and pricing of undertaking Group risks.
(b) The Committee will ensure that the Group's capital is maintained at levels that correspond to the risks undertaken.
(c) The Committee will confirm the sufficiency of the acceptable limits of risk and the limits of interruption of loss-making activities or the undertaking of other corrective measures.

4.3 The Committee will formulate and submit to the

Board of Directors of the Company proposals for the undertaking of corrective measures in cases where it sees a weakness in the implementation of the risk management strategy.

4.4 The Committee will recommend to the Board of Directors the transfer to the Top Executive and General Management and other approving groups of approval rights (which concern the undertaking of risks) along with the restrictions and limits which govern these rights. Specifically, it will propose to the Board approval limits for the Executive Loan Committee and the Assets and Liabilities Management Committee (ALCO).

4.5 The Committee will obtain satisfactory assurances that the Top Executive Management fully understands and applies the desired risk taking levels as prescribed by the Board of Directors. The Committee will also obtain satisfactory assurances that all staff involved understands and applies risk appetite and management policy and that excessive risk appetite is not encouraged. Sources of assurances are e.g. the Reports of the Head Office Departments responsible such as Risk Management, Internal Audit, Credit Monitoring, etc. as well as external Reports such as those of the supervisory authorities, the auditors, the consultants, etc.

4.6 The Committee will receive and evaluate, on a quarterly basis, reports by the Head of the Group Risk Management Unit with regard to the more important risks that were undertaken by the Group and will inform the Board of Directors accordingly.

4.7 The Committee will annually evaluate the adequacy and effectiveness of the risk management policy, including the appropriateness of limits, the adequacy of provisions and own funds relative to the size and form of risks undertaken. The evaluation will be carried out based on the annual report of the Head of the Risk Management Unit.

The above mentioned report and evaluation, along with the relevant extracts of the minutes of the Board, will be submitted to the Department of Regulation and Supervision of Banking Institutions of the Central Bank of Cyprus by 30 April each year.

4.8 The Committee will refer to the Board of Directors for its approval of any new products or services that the Group intends to introduce which, in the opinion of the Risk Management Unit, include new risks or require the adoption of risk limits. It will also ensure that the various risks contained in these products (credit, market, liquidity, operational, etc.) are adequately monitored.

4.9 The Committee will evaluate the risks that are related to the involvement of the Group in new markets, new companies or business ventures and will submit a recommendation to the Board of Directors.

4.10 The Committee will be informed of the relevant reports of the Central Bank of Cyprus and the Group Internal Audit concerning risk management and will see to the undertaking of corrective measures where these are necessary, based on the observations and suggestions of these reports.

The Committee will also be informed of the contents of reports by the International Rating Agencies and, after evaluation, will proceed with proposals for any necessary corrective measures concerning risk management.

4.11 The Committee will propose to the Board the nomination or replacement of the Head of the Risk Management Unit of the Group.

4.12 Within the framework of its responsibilities, the Committee, in co-operation with the Audit Committee, will also be responsible, at Board level, for the implementation of the Second Basel Accord (Basel II) and the Directives of the European Union (CAD 3).

4.13 The Risk Management Committee will work with the Audit Committee of the Board to ensure that a global view is taken in the management of risk.

4.14 The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.

4.15 The Chairman of the Committee will be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. He will also be available to answer any questions during the Annual General Meeting or any meeting for the purposes of briefing all shareholders of the Company. Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

Terms of Reference of the Nominations / Internal Governance Committee

Principle of the Code of Corporate Governance

There should be a specified and transparent process for the nomination of new Board Members to the Board of Directors. The Board should consist of individuals fit and proper to participate in the Board of Directors of the Company.

1. Terms of Reference of the Nominations / Internal Governance Committee

The role of the Committee is to prepare proposals for the Board of Directors of Hellenic Bank Public Company Limited ("the Company") regarding the selection of fit and proper individuals for nomination as Members of its Board or the Boards of Subsidiary Companies of the Group, either to fill extraordinarily vacated or vacant seats or after the retirement of a Member in accordance with the retirement policy due to age. The Committee is also responsible for the overall implementation of policies of internal governance within the Group.

2. Appointment of the Nominations / Internal Governance Committee

The Committee is appointed by the Board of Directors and consists of three to six, in their majority non-Executive Board Members with the participation of at least one non-Executive and Independent Member. The Chairman of the Committee should be a non-Executive Board Member.

The term-of-office of the members of the Committee is decided by the Board of Directors.

3. Meetings of the Nominations / Internal Governance Committee

The Committee will meet whenever necessary and at least three times a year.

The majority of Committee members will comprise a quorum. A majority of Committee members is considered to be the next integral number of one half of the members, provided the Chairman of the Committee is present.

In the case of a tie, the Chairman will have the casting vote.

The Committee will keep minutes of its meetings and decisions and will submit copies to the Chairman and the Members of the Board of Directors of the Company. The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.

4. Duties and Responsibilities of the Nominations / Internal Governance Committee

4.1 The Committee will make proposals to the Board on the necessary qualifications that an individual should possess in order to serve as a member of the Board of any of the Group's companies. The minimum qualifications required are:

(a) Knowledge, skills and experience.
(b) Honesty and objective judgement.
(c) Any special qualifications that may be required by laws that govern the operation of the specific company (including the Directives of the Central Bank on "The Fitness and Probity (Assessment Criteria) of Directors and Managers of Banks of 2006 and 2007").
(d) Availability of time for the business of the Company.
(e) Appropriate age.

4.2 The Committee will examine proposals regarding the nomination of members to the Group Boards of Directors based on the required qualifications and will submit the relevant report with its opinion to the Board of Directors of the Company, which will make the final decisions. The Committee will state in its report the companies in which a candidate for Board membership is not allowed to participate because of conflict of interest, as well as the information the candidate should have at his / her disposal before being appointed as a Member of the Board.

4.3 The Committee will examine, on an annual basis, the structure, size, composition and performance / effectiveness of the Board of Directors of the Company and those of the Group's Subsidiary Companies and it will propose any changes to the Board of the Company that are deemed necessary.

4.4 The Committee will evaluate, on an annual basis, the skills, knowledge and expertise of Members of the Board of Directors of the Company and those of the Group's Subsidiary Companies, reporting accordingly to the Board of the Company.

4.5 The Committee will be responsible for preparing plans on the succession of Board Members.

4.6 The Committee will study and prepare a relevant proposal for the Board of Directors in relation to the "Annual Evaluation of the independence of the non-Executive and Independent Members of the Board" that, as prescribed by the Directives of the Central Bank of Cyprus on the "Framework of Principles of Operation and Criteria of Assessment of Banks' Organisational Structure, Internal Governance and Internal Control Systems 2006 and 2009", is considered by the Board during February each year.

The Committee will be responsible for the continuous evaluation, during each year, of the independence of these Members and for suggesting the preparation of a supplementary Evaluation, if at any point in time, due to changes or developments, persons that hold the position of non-executive and independent director no longer satisfy or seem to satisfy any of the independence criteria of the above-mentioned Directive.

4.7 The Committee will evaluate the extent of compliance with the policies of internal governance as approved by the Board of Directors of the Company.

4.8 The Chairman of the Committee will be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. He will also be available to answer any questions during the Annual General Meeting or any meeting for the purposes of briefing all shareholders of the Company. Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

5. Best Principles of Internal Governance

As reported in the Directive of the Central Bank of Cyprus - May 2006 and by the Basel Committee on Banking Supervision - February 2006.

6. Code of Corporate Governance

It is understood that the Nominations / Internal Governance Committee will operate strictly within the framework of the relevant provisions of the Code of Corporate Governance as determined in Chapter A of the Code.

(15) Part D of the Code which refers to the Relations of the Company with its Shareholders

Hellenic Bank Group announces its financial results every quarter.

The Board of Directors of the Company utilises the occasions of the announcements of the quarterly or interim results, as well as of the Annual General Meeting of the Shareholders itself for organising analytical presentations of the Financial Statements. These are usually undertaken by the Group Chief Financial Officer and the Company's Executive Management for the benefit of shareholders, financial analysts, members of the Stock Exchange and representatives of the Mass Media. More specifically, regarding the Annual General Meeting, there is complete compliance with the relevant provisions of the legislation, the Bank's Articles of Association and the Code. The shareholders also have the opportunity to communicate, regarding matters that concern them, with the Secretariat of the Company and the Investor Relations Officer, Mr Antonis Rouvas (tel. 22500760).

(16) Rotating Directors eligible for Re-Election

Members of the Board retire on a rotating basis or retire according to the relative articles of the Bank's Articles of Association and the relevant provisions of the Companies Law and the Code (at least every three years). The retiring Directors, who are eligible and will offer themselves for re-election at the Annual General Meeting of the Shareholders on 28 May 2014, are the following (brief curriculum vitae included):

(a) Kyriacos J. Koushos, Advocate / Vice Chairman of the Board of Directors, Hellenic Bank

Born on 28 May 1952. Graduated from the First Gymnasium for Boys in Famagusta and studied Law at the National and Kapodistrian University of Athens. Has been working as a lawyer since 1977 and today is Senior Partner at Koushos & Korfiotis, Advocates and Legal Consultants. Served as Deputy Mayor of Strovolos, Member of the Consular Corps, Chairman / Member of the Board of Directors in public companies, Member of Sports and other Bodies / Committees, etc.

Appointed Member of the Board of Directors of Hellenic Bank on 24 December 2013. Member of the Nominations / Internal Governance and Remuneration Committees of the Bank's Board of Directors.

(b) Marianna Pantelidou Neophytou, Investment Portfolio Manager

Born on 5 January 1972. Graduated from the First Kykkos Lyceum in Nicosia and studied Economics at the University of Manchester in the United Kingdom. A Chartered Accountant – Member of the Institute of Chartered Accountants in England and Wales. Worked for the international Audit Firm / Financial Advisors Arthur Andersen in London and Boston, in the Financial Markets and Asset Management Divisions respectively. Served as Vice President in the international Credit Rating Agency Thomson Financial Bankwatch (Fitch Ratings) and was responsible for assessing banks and banking systems in Russia, South Africa, Greece and Cyprus. In 1999 became Manager, Investor Relations and then Manager, Group Strategy in the Bank of Cyprus. Left in 2012 to work as a Financial Consultant in the private sector. In April 2013 appointed, by the President of the Republic, Member of the Council for National Economy. Since November 2013 works as Investment Portfolio Manager at Wargaming Public Company Ltd.

Appointed Member of the Board of Directors of Hellenic Bank on 24 December 2013. Member of the Audit, Risk Management and Nominations / Internal Governance Committees of the Bank's Board of Directors.

(c) Marios M. Michaelides, Chartered Accountant / Auditor

Born on 27 July 1959. Graduated from the Second Gymnasium in Limassol and studied Economics at the University of Lyon 2 in France. A Chartered Accountant – Member (Fellow) of the Association of Chartered Certified Accountants. Worked in Elliots Chartered Accountants / Auditors in the United Kingdom and returned to Cyprus in 1991 to become Finance Director in ESEL-SPOLP Ltd in Limassol. Since 1998 offers audit and accounting services via his company M.M.C.A. Audit Ltd. From February 2011 to November 2013 was an Independent Non-Executive Member of the Committee, Chairman of the Internal Audit Unit and Member of the Risk Management Committee of the Limassol Cooperative Savings Bank Ltd.

Appointed Member of the Board of Directors of Hellenic Bank on 24 December 2013. Member of the Risk Management and Nominations / Internal Governance Committees of the Bank's Board of Directors.

(d) Adonis E. Yiangou, Investment Consultant

Born on 20 June 1964. Graduated from the Acropolis Lyceum in Nicosia and studied Business Administration, Finance & Investments (B.B.A.) at the Bernard M. Baruch College, City University of New York in the United States. Worked in Olympian Bank Inc. in New York and returned to Cyprus in 1990 to work in various positions in the capital markets sector and subsequently in investment advisory services via his company PCM Advisers Ltd. From October 2011 to June 2013 was Manager Private Banking of the Cyprus Development Bank Public Company Ltd. Served as Chairman of the Board of Directors of the Cyprus Land Development Organisation for the period 2003-2013. Member of the Board of Directors of the non-for-profit organisation Cyprus Business Angels Network Ltd (CyBAN), which promotes and develops startups and innovative entrepreneurship in Cyprus. Elected Deputy General Secretary of the Cyprus Green Party.

Appointed Member of the Board of Directors of Hellenic Bank on 3 February 2014. Member of the Audit and Risk Management Committees of the Bank's Board of Directors.

(e) Ioannis A. Matsis, Provider of Services on Middle and Back Office Processes

Born on 2 January 1969. Graduated from the English School in Nicosia and studied Chemical Engineering (B.A., M.Eng.) at the University of Cambridge in the United Kingdom. Worked in the Investment Banking Sector of ING Barings, Chase Manhattan and Mizuho International in London. At ING Barings, was Head of Credit Derivatives Structuring and Trading and at Mizuho International, built and managed a Team responsible for structuring and trading credit, interest rate and foreign exchange derivative products. Returned to Cyprus in 2008 to work at Point Nine Ltd, a company he had co-founded, which offers middle and back office outsourcing and financial software services to Financial Institutions.

Appointed Member of the Board of Directors of Hellenic Bank on 24 December 2013. Chairman of the Remuneration Committee and Member of the Audit and Risk Management Committees of the Bank's Board of Directors.

(f) Dr Andreas G. Charitou, Professor of Finance & Accounting, University of Cyprus

Born on 22 November 1958. Studied Business Administration / Accounting at the Economic University of Athens (B.Sc.) and at the Pennsylvania State University in the United States (M.Sc., Ph.D.). Holder of the professional title of Certified Management Accountant (C.M.A., U.S.A.). Was also an active member of the American Institute of Certified Public Accountants and holder of the Professional Ethics for CPAs Certificate. Taught at the Pennsylvania State University in the U.S.A. and at the University of Toronto in Canada. Currently a Professor of Finance & Accounting at the University of Cyprus and in charge of the Doctoral Programmes (Ph.D.) and the Postgraduate M.B.A. Programme. Served as Chairman of the Department of Business Administration and Vice Dean of the School of Economics and Management at the University of Cyprus.

Was a Member of the Cyprus Securities and Exchange Commission (2000-2001) and Member of the Board of Directors (2003-2005), the Audit Committee and the Corporate Governance Committee of the Cyprus Stock Exchange. From April 2009 to October 2013 was an Independent Non-Executive Member of the Board of Directors of the Cooperative Central Bank and served as Chairman of the Risk Management Committee and Member of the Remuneration & Appointments Committee of the Bank. Was appointed by the Council of Ministers as an Expert of the Inquiry

Committee on the Cyprus Economy. Member of the Disciplinary Committee of the Institute of Certified Public Accountants of Cyprus.

Appointed Member of the Board of Directors of Hellenic Bank on 24 December 2013. Chairman of the Audit Committee and Member of the Risk Management and Remuneration Committees of the Bank's Board of Directors.

(g) Vassos Y. Komodromos, Chartered Accountant
Born on 2 May 1964. Graduated from the Pancyprian Lyceum in Larnaca. A Chartered Accountant, practicing in the profession since 1987. Started his career with Littlestone Martin Glenton in London where he trained to become a member of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Association of Certified Accountants. In 1992 co-founded Komodromos & Co Ltd, offering auditing, accounting, tax and business consultancy services. He is the Senior Director, heading the Paphos office of the Company. Specialises in the provision of business consultancy services and advises local and international clients on compliance and business finance issues.

Appointed Member of the Board of Directors of Hellenic Bank on 18 February 2014. Member of the Nominations / Internal Governance and Remuneration Committees of the Bank's Board of Directors.

(h) Kyriakos E. Georgiou, Senior Administrator and Researcher
Born on 23 May 1960. Graduated from the Acropolis Lyceum in Nicosia and studied Mechanical Engineering (B.S.M.E., 1986) and Business Administration (M.B.A., 1988) at the University of Houston in Texas, U.S.A. Currently a Doctor of Business Administration candidate (D.B.A.) at Kingston University, London, U.K. Has extensive experience in project management and is a certified Project Manager (PRINCE II).

Member of the Cyprus Scientific and Technical Chamber (E.T.E.K.) in the area of Mechanical Engineering, the American Society of Mechanical Engineers, the Cyprus Computer Society and the Cyprus Human Resource Management Association. Has extensive experience in business and the trade union movement, where he worked as a senior manager and director of various companies, including the Cyprus Development Bank (1995-2001).

Currently works as a senior administrator and researcher at the Cyprus Centre for European and International Affairs, a non-profit research organisation and think tank, academically affiliated with the University of Nicosia, which carries out research in the areas of international relations, politics, economics, sociology and environmental studies. Mr. Georgiou's duties include, amongst others, the administrative coordination of national and European research projects, contribution in the submission of proposals and the execution of research projects. Also a management lecturer, teaching postgraduate M.B.A. courses in Organisational Behaviour, Leadership and Management of Change and overseeing dissertations of postgraduate students.

Appointed Member of the Board of Directors of Hellenic Bank on 18 May 2006. Also Member of the Board of Directors of Hellenic Bank (Investments) Limited and Limited Liability Company Commercial Bank "Hellenic Bank" (Russia). Member of the Audit and Remuneration Committees of the Bank's Board of Directors.

(i) Georgios K. Pavlou, Financial Controller
Born on 7 February 1959. Graduated from the Nicosia Commercial Lyceum and in 1980, received the Diploma in Management, qualifying as a Member of the Association of Business Executives London. In 1983, received the Diploma of the British Educational Council in Business Studies / Accounting. In 2006, became a Member of the Institute of Directors (U.K.). In 1983, was employed by the Audit Department of the Church of Cyprus and in June 1986, took over as Financial Controller of the Holy Monastery of Kykkos. Member of the Board of Directors of Hellenic Mining Company.

Elected a Member of the Board of Directors of Hellenic Bank on 1 June 2005 and also member of the Board of Directors of Hellenic Alico Life Insurance Company Limited and Limited Liability Company Commercial Bank "Hellenic Bank" (Russia). Member of the Risk Management and Remuneration Committees of the Bank's Board of Directors.

Nicosia, 31 March 2014

REMUNERATION POLICY REPORT FOR THE YEAR 2013

INTRODUCTION

The Board of Directors, in compliance with the provisions in the Code of Corporate Governance, published by the Cyprus Stock Exchange (3rd revised edition - September 2012) and particularly Appendix 1 of the Code, incorporates the present Remuneration Policy Report in the Bank's 2013 Annual Report. The latest has been published in the Bank's Website.

REMUNERATION COMMITTEE

The Remuneration Committee meets whenever it is necessary to fix or review the remuneration of Executive and non-Executive Members of the Board of Directors and the Chief Executive Officer. After considering all relevant parameters and data, it makes relevant recommendations to the Board for making decisions, in the absence of the Executive Member of the Board or other Officers involved. The Committee's suggestions and the Group's Remuneration Policy take into consideration the relevant responsibilities, workload, qualifications, know-how, academic background, experience, individual performance, remuneration of comparable positions in the market, especially in areas where the Group is active, remuneration at other levels in the Group as well as non-financial criteria e.g. compliance with applicable rules and procedures. The Committee's aim is to attract and retain good quality officers at Executive and General Management levels, in order to better serve the interests of the Group as well as those of its shareholders and other stakeholders.

Each year, the Remuneration Committee proposes to the Board of Directors the Annual Remuneration Policy Report, as part of the Annual Report of the Company, which is submitted to the shareholders' Annual General Meeting for approval. The Committee also reviews and approves the Information disclosed on the Annual Remuneration of the Members of the Board, which is prepared by Group Financial Management for inclusion in the notes to the annual accounts of the Company and the Remuneration Policy Report itself.

The Remuneration Committee consists of the following Board Members:

Chairman: Ioannis A. Matsis
(from 20 January 2014)
Soteris Z. Kallis
(resigned on 3 December 2013)

Members: Kyriacos J. Koushos
(from 20 January 2014)
Dr Andreas G. Charitou
(from 20 January 2014)
Kyriakos E. Georgiou
Georgios K. Pavlou
(from 20 January 2014)
Vassos Y. Komodromos
(from 24 February 2014)
Iacovos G. Iacovou
(resigned on 2 October 2013)
Kyriacos I. Droushiotis
(resigned on 5 December 2013)
Stavros Kremmos
(resigned on 4 June 2013)

The terms of reference of the Remuneration Committee are listed below:

Terms of Reference of the Remuneration Committee

Principles of the Code of Corporate Governance

The companies should introduce official and transparent procedures for the development of policies concerning the remuneration of Executive Members of the Board and for fixing the remuneration of each Board Member separately.

The level of remuneration should be sufficient to attract and retain in the Company Board Members who strengthen the Group's Management but the Companies should avoid paying more than is required in order to achieve this. It is recommended that part of the remuneration of the Executive Members of the Board is determined in such a way that it relates remuneration to the company and individual performance.

The Company's Corporate Governance Report should include a statement of the Remuneration Policy and relevant criteria, as well the total remuneration of the Executive and non-Executive Members of the Board.

1. Terms of Reference of the Remuneration Committee

The role of the Committee is to prepare proposals for the Board of Directors of Hellenic Bank Public Company Limited ("the Company") on the remuneration packages of Executive and non-Executive Members of the Board of the Company as well as of the Chief Executive Officer and the Group General Managers.

2. Appointment of the Remuneration Committee

The Board appoints at least three exclusively non-Executive Directors as members of the Committee. The majority of the members of the Committee must be independent non-Executive Members of the Board,

including the Chairman of the Committee.
The Chairman of the Committee is appointed by the Board.
The term-in-office of the members of the Committee is decided by the Board.

3. Meetings of the Remuneration Committee

The Committee will meet whenever necessary and at least twice a year.
The majority of Committee members will comprise a quorum. A majority of Committee members is considered to be the next integral number of one half of the members, provided that the Chairman is present.
In the case of a tie, the Chairman has the casting vote.
The Committee will keep minutes of its meetings and decisions.
The Committee has the approval of the Board of Directors of the Company to obtain independent professional advice whenever it deems this necessary.
The Committee may invite to any of its meetings any person who may contribute towards better conduct of its business.

4. Duties and Responsibilities of the Remuneration Committee

4.1 The Committee will submit to the Board of Directors of the Company, within terms of reference agreed upon and without the presence of the party interested in their evaluation, proposals concerning the framework and level of remuneration (including fixed pay, performance-related pay, bonuses, pension rights and any compensation payments, share options, etc.) of Executive and non-Executive Members of the Board and the Chief Executive Officer. The Committee will take into consideration factors such as the relevant responsibilities, workload, qualifications, know-how, academic background, experience, individual performance, remuneration of comparable positions in the market, especially in areas where the Group is active, remuneration in other levels of the Group and non-financial criteria e.g. compliance with applicable rules and procedures. It will also consider the need to attract and retain the most suitable Directors (Executive and non-Executive) / General Managers in the Company.

During the formulation of the above-mentioned proposals, the Committee should take care so that:

(a) these proposals are consistent with Appendix 3 of the directives of the Central Bank of Cyprus on the “Framework of Principles of Operation and Criteria of Assessment of Banks’ Organisational Structure, Internal Governance and Internal Control Systems 2006 to 2012” (attached) and

(b) the performance-related systems:
- should not extend any benefits before the gains expected by the Company materialise in a satisfactory degree
- should not include non-Executive Members of the Board among the beneficiaries
- should specify targets and evaluation criteria so that the remuneration of the Company executives is properly aligned with the long term interests of the shareholders, the targets set by the Board of Directors and the risk policy of the Company.

4.2 In relation to the level of remuneration of the non-Executive Members of the Board, the Committee will take the following into consideration:

(a) The available time that the Members have to attend meetings.
(b) The responsibilities assumed by each Member.
(c) The non-correlation of remuneration to the profitability of the Company.
(d) The non-participation in any insurance or pension plan.

4.3 The Committee will submit to the Board of Directors proposals for the determination of each readjustment of benefits of the Members of the Board and the Chief Executive Officer, being sensitive to the terms of remuneration and conditions of employment at other levels of the Group.

4.4 During the preparation of its proposals, the Remuneration Committee will provide the opportunity to the Chairman and the Chief Executive Officer to express an opinion with regard to its proposals concerning the salaries of other Executive Board Members. It should also have access to professional advice both internal and external.

The Remuneration Committee shall, when using the services of a consultant to obtain information on market standards for remuneration systems, ensure that this consultant does not also give advice to the Human Resources Department or the Executive Members of the Board of the Company.

4.5 The Committee will assist, through relevant studies / proposals, the Board of Directors in fulfilling its duties in approving the principles that govern the Bank’s Remuneration Policy and in supervising their application. The implementation of the remuneration policy should be subject to a central and independent review. In this process, the participation is essential, in a satisfactory degree, of (a) the control functions (such as Internal Audit, Risk Management and Compliance), (b) the Human Resources Department and (c) the shareholders, where applicable.

4.6 The Committee will prepare for submission to the Board of Directors the Annual Remuneration Policy Report, which will comprise part of or be attached to the Annual Report of the Company. The Report should also be presented to the Annual General Meeting of the shareholders for approval and posted on the official website of the Company. Details of the content that needs to be published are described in Appendix 1 of the Code of Corporate Governance.

The Committee also approves and suggests to the Board of Directors the thorough and clear presentation of the Bank Remuneration Policy, e.g. in the form of an extended Remuneration Policy Report, which will be made to the Central Bank at its request.

4.7 The Committee will review and approve the Annual Remuneration Statement, prepared by Group Financial Management for inclusion in the Company's annual accounts or in the notes to the annual accounts, in accordance with Appendix 2 of the Code of Corporate Governance.

4.8 The Committee will review and approve the content of any resolutions submitted for approval at the General Meeting of the shareholders, which will be prepared by the Secretariat in cooperation with the Group's legal advisers, in accordance with Appendix 3 of the Code of Corporate Governance, and concern possible plans for the compensation of Members of the Board in the form of shares, share warrants or share options.

4.9 The Committee will review and approve, where this is deemed necessary, the Job Descriptions (roles, responsibilities, main duties, powers, etc.) of Top and Senior Executive Management.

4.10 The Chairman of the Committee will be available for personal, telephone, electronic or written communication, which shareholders of the Company may request, regarding issues concerning the work of the Committee. He will also be available to answer any questions during the Annual General Meeting or any meeting for the purposes of briefing all shareholders of the Company. Information concerning the structure and work of the Committee will also be given in the Annual Corporate Governance Report of the Board of Directors of Hellenic Bank Public Company Limited.

5. Code of Corporate Governance

5.1 It is understood that the Remuneration Committee will act strictly within the framework of the relevant provisions of the Code of Corporate Governance as determined in Chapter B of the Code.

DIRECTORS' REMUNERATION POLICY

The Remuneration Policy for the Directors of the Company remains the same as it was when approved in the Annual General Meeting of 29 May 2013, as shown below. A related proposal will be submitted by the Board of Directors to the Annual General Meeting of the share-holders for approval.

The Chairman of the Board receives annual fees and hospitality expenses of €55.359, the Vice Chairman annual fees €25.629 and the Members €10.252. The remuneration for the Directors as Members of the Board was revised in 2007 to take into consideration the services rendered by the Chairman, the Vice Chairman and the Members of the Board, the time they devote, the fees received by corresponding officers of other comparable organisations, the responsibilities undertaken and in general their overall contribution to the Group's best interests.

The Chairmen of the Audit and Risk Management Committees receive annual fees of €6.834 and each Member €5.126. The Chairmen of the Remuneration and Nominations / Internal Governance Committees receive annual fees of €2.563 and each Member €1.709. The remuneration for the Directors as Members of the Committees of the Board was revised in 2007 to take into consideration the services rendered by the Members of Board, the time they devote, the fees received by corresponding officers of other comparable organisations and the responsibilities undertaken.

The Remuneration Committee, in the process of the annual evaluation of the Remuneration Policy for the Directors of the Company, recognised the enormous increase during recent years of the responsibilities undertaken and the workload of the Board as well as of its Committees. This has arisen due to the increased regulatory requirements, the increased risks associated with the Group's activities as well as the current unfavourable financial conditions in Cyprus. However, taking into account the latter and being sensitive to the general labour conditions in the Financial and other Sectors of the Economy, the Members of the Committee decided unanimously to suggest to the Board of Directors that the annual Directors' fees remain the same as revised in 2007.

REMUNERATION POLICY FOR THE EXECUTIVE DIRECTORS / CHIEF EXECUTIVE OFFICER

The Executive Director / Chief Executive Officer is compensated with a remuneration package based on a contract whose terms are compliant with the relevant provisions of the existing Code of Corporate Governance (paragraphs B.2.11. to B.2.14.) The remuneration package includes a non-variable annual salary payable monthly, which takes into consideration the relevant responsibilities, workload, qualifications, know how, academic background, experience and remuneration of comparable positions in the market, especially in areas where the Group is active. It aims to attract and retain the most suitable individuals. The remuneration package also includes hospitality expenses, health, life and accident insurance cover, the use of a company car (in accordance with the current regulations for the Group's Managerial Staff) and participation in a defined-benefit retirement scheme. The changes in the cumulative retirement benefits of the Executive Directors for the year are disclosed in Note 38 to the Accounts contained in this Annual Report.

The Executive Director / Chief Executive Officer's contract has a five-year duration and can be renewed six months before its expiry (with a Board of Directors' decision following suggestions of the relevant committees of the Board). In the case of early and unjustified termination of the contract (which can be effected any time during its term), variable compensation is paid up to a maximum amount equal to two annual salaries. It is understood that the compensation will be equal to the salaries attributed to the remaining period of the contract if the latter is of less than two years' duration.

The Executive Director / Senior Group General Manager, who resigned from the Board on 20 December 2013 and from the Group on 10 January 2014, was compensated with a remuneration package governed by the Collective Agreements between the Cyprus Bankers Employers' Association and the Cyprus Union of Bank Employees. His employment, in relation to its duration, was governed by the retirement age applicable for the personnel of the Bank. There was no specific stipulation for compensation in case of premature termination of the employment.

For the determination of the rewards of the Executive Members of the Board, the Board, on the basis of the recommendations of the Remuneration Committee, takes into account:

(a) The Group results, taking into account the economic / financial conditions of the market in which these results were achieved and the risks assumed. It is also examined whether the results and the performance in the year under evaluation serve the long-term interests of the Group.
(b) The individual performance of the Executive.
(c) Non-financial criteria e.g. compliance with applicable rules and procedures.
(d) The basic principles regarding the Group Remuneration Policy as they have been published in the Bank's Website.

The remuneration policy for the Members of the Board / Chief Executive Officer, as described above, was codified for the first time in the Group Remuneration Policy which was approved by the Board of Directors following a proposal by the Remuneration Committee on 25 February 2010, on the basis of the provisions of the amending Directive of the Central Bank "Framework of Principles of Operation and Criteria of Assessment of Banks' Organisational Structure, Internal Governance and Internal Control Systems" (October 2009).

The remuneration policy for the Members of the Board / Chief Executive Officer was amended and incorporated in the Group Remuneration Policy, which was approved by the Board of Directors as recommended by the Remuneration Committee on 28 February 2012, based on the revision of the 3rd Edition of the Corporate Governance Code as published by the Cyprus Stock Exchange in March 2011. There followed further amendment based on the Directive of the Central Bank of Cyprus for the "Calculation of the Capital Requirements and Large Exposures of Banks of 2006 to 2011" and the Guidelines of the Committee of European Banking Supervisors on Remuneration Policies and Practices, which was approved by the Board of Directors as recommended by the Remuneration Committee on 5 November 2012.

The Group Remuneration Policy is reviewed annually by the Board of Directors, as recommended by the Remuneration Committee, in order to ensure that it is in line with the Group's current strategic targets and to prevent the introduction of incentives which lead to excessive risk assumption. The Policy is also evaluated in order to determine whether it corresponds to the condition and data of both the market and the Group and whether these justify the review conducted in co-operation with audit operations such as Internal Audit, Risk Management and Compliance Services and the Group's Human Resources.

Related to the Remuneration Policy for the Members of the Board, the Chief Executive Officer and other Senior Managers for 2013 is the disclosure of information in the notes to the Accounts contained in this Annual Report (Note 38) as well as the analytical Disclosure of Information regarding the Remuneration of the Members of the Board for the year 2013 shown below.

The Board of Directors submits this Remuneration Policy Report to the Annual General Meeting of the Shareholders and unanimously recommends its approval.

Nicosia, 31 March 2014

DISCLOSURE OF INFORMATION REGARDING THE REMUNERATION OF DIRECTORS FOR THE YEAR 2013

	Remuneration for services	Remuneration for participation in the Board of Directors and its Committees	**Total remuneration for services**	Remuneration and benefits from companies of the same Group of companies	Remuneration in the form of profit and/or bonus distribution	Assessment of the value of the benefits that are considered to form remuneration	**Total remuneration and benefits**	Income Tax withheld	**Remuneration and benefits net of Income Tax**	Annual increase in the total retirement benefits
	€	€	**€**	€	€	€	**€**	€	**€**	€
Executive Directors										
Makis Keravnos	295.000	10.252	**305.252**	3.417	0	29.566	**338.235**	108.607	**229.628**	75.017
Marios Clerides	159.952	9.915	**169.867**	0	0	1.367	**171.234**	40.613	**130.621**	22.370
	454.952	20.167	**475.119**	3.417	0	30.933	**509.469**	149.220	**360.249**	97.387
Non-Executive Directors										
Dr Andreas P. Panayiotou	0	53.821	**53.821**	7.000	0	4.101	**64.922**	22.362	**42.560**	0
Andreas M. Moushouttas	0	25.241	**25.241**	5.000	0	0	**30.241**	8.834	**21.407**	0
Iacovos G. Iacovou	0	10.262	**10.262**	0	0	0	**10.262**	3.592	**6.670**	0
Soteris Z. Kallis	0	18.089	**18.089**	0	0	0	**18.089**	6.331	**11.758**	0
Charalambos P. Panayiotou	0	17.087	**17.087**	3.417	0	0	**20.504**	7.176	**13.328**	0
Ioannis Ch. Charilaou	0	22.212	**22.212**	3.417	0	3.417	**29.046**	10.166	**18.880**	0
Georgios K. Pavlou	0	17.087	**17.087**	7.563	0	0	**24.650**	6.878	**17.772**	0
Kyriakos E. Georgiou	0	22.213	**22.213**	8.417	0	0	**30.630**	8.971	**21.659**	0
Kyriacos I. Droushiotis	0	22.152	**22.152**	0	0	0	**22.152**	7.753	**14.399**	0
Stavros Kremmos	0	7.209	**7.209**	2.563	0	0	**9.772**	2.932	**6.840**	0
Kyriacos J. Koushos	0	225	**225**	0	0	0	**225**	0	**225**	0
Marianna Pantelidou Neophytou	0	225	**225**	0	0	0	**225**	0	**225**	0
Marios M. Michaelides	0	225	**225**	0	0	0	**225**	0	**225**	0
Ioannis A. Matsis	0	225	**225**	0	0	0	**225**	0	**225**	0
Dr Andreas G. Charitou	0	225	**225**	0	0	0	**225**	0	**225**	0
	0	216.498	**216.498**	37.377	0	7.518	**261.393**	84.995	**176.398**	0
Total	**454.952**	**236.665**	**691.617**	**40.794**	**0**	**38.451**	**770.862**	**234.215**	**536.647**	**97.387**

Note

No remuneration for participation in the Board of Directors was paid to Messrs. Kyriacos J. Koushos, Marios M. Michaelides, Ioannis A. Matsis, Andreas G. Charitou and Mrs. Marianna Pantelidou Neophytou during 2013, therefore there is nil income tax withheld.

HELLENIC BANK GROUP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HELLENIC BANK PUBLIC COMPANY LIMITED AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HELLENIC BANK PUBLIC COMPANY LIMITED

Report on the Consolidated and Bank's Separate Financial Statements of HELLENIC BANK PUBLIC COMPANY LIMITED.

We have audited the consolidated financial statements of **HELLENIC BANK PUBLIC COMPANY LIMITED** (the "Bank") and its subsidiaries (the "Group") and the Bank's separate financial statements on pages 60 to 165, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Bank as at 31 December 2013, the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows of the Group and the income statement and statements of comprehensive income, changes in equity and cash flows of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and Bank's separate 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 whether the consolidated and separate financial statements of the Bank are free from material misstatement.

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

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 consolidated and the Bank's separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 31 December 2013, and of their financial performance and their cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Bank.
- The consolidated and separate financial statements are in agreement with the books of account, to the extent that it appears from the examination by us of these books.
- In our opinion, and to the best of our information and according to the explanations given to us, the consolidated and separate financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the Report of the Board of Directors on pages 30 to 33 is consistent with the consolidated and separate financial statements.

Pursuant to the requirements of the Directive DI190/2007/04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

Other Matter

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

Constantinos N. Kallis, FCA
Certified Public Accountant and Registered Auditor
for and behalf of

KPMG Limited
Chartered Accountants and Registered Auditors

Esperidon 14,
1087 Nicosia

Nicosia, 31 March 2014

HELLENIC BANK GROUP
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 €´000	2012 €´000
Continuing Operations			
Interest income	4	**318.966**	352.478
Interest expense	5	**(130.061)**	(161.150)
Net interest income		**188.905**	191.328
Fee and commission income	6	**61.758**	73.298
Fee and commission expense	7	**(5.109)**	(7.012)
Net fee and commission income		**56.649**	66.286
Net gains on disposal and revaluation of foreign currencies and financial instruments	8	**16.923**	21.043
Other income	9	**18.569**	23.521
Total net income		**281.046**	302.178
Staff costs	10	**(91.018)**	(94.060)
Depreciation and amortisation	22,23	**(5.916)**	(5.616)
Administrative and other expenses	11	**(51.491)**	(43.081)
Total expenses		**(148.425)**	(142.757)
Profit from ordinary operations before provisions		**132.621**	159.421
Provisions for impairment of loans and advances	17	**(310.810)**	(103.970)
(Loss)/gain before taxation		**(178.189)**	55.451
Taxation	12	**17.047**	(5.019)
(Loss)/gain for the year from continuing operations		**(161.142)**	50.432
Discontinued Operations			
Loss from discontinued operations after taxation	13	**(28.767)**	(72.364)
Loss for the year		**(189.909)**	(21.932)
(Loss)/profit attributable to:			
Owners of the parent company from continuing operations		**(162.133)**	48.924
Owners of the parent company from discontinued operations		**(28.767)**	(72.364)
Non-controlling interests		**991**	1.508
Loss for the year		**(189.909)**	(21.932)
Basic loss per share (cent)	14	**(10,9)**	(5,3)
Basic (loss)/earnings per share (cent) from continuing operations	14	**(9,2)**	11,0

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 €´000	2012 €´000
Loss for the year		**(189.909)**	(21.932)
Other comprehensive income			
Other comprehensive income to be reclassified in the income statement in subsequent periods			
Surplus on revaluation of available for sale equity and debt securities		**4.620**	8.533
Amortisation of revaluation of reclassified debt securities available for sale		**131**	3.060
Transfer to the income statement on impairment of investments in equity and debt securities available for sale		**604**	2.624
Deficit on revaluation of land and buildings		**- -**	(5.127)
Taxation relating to components of other comprehensive income	12	**(102)**	1.689
Other comprehensive income for the year net of taxation		**5.253**	10.779
Total comprehensive expenses for the year net of taxation		**(184.656)**	(11.153)
Total comprehensive (expenses)/income for the year net of taxation attributable to:			
Owners of the parent company from continuing operations		**(157.063)**	59.624
Owners of the parent company from discontinued operations		**(28.767)**	(72.364)
Non-controlling interests		**1.174**	1.587
		(184.656)	(11.153)

The notes on pages 72 to 165 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	Note	2013 €´000	2012 €´000
Assets			
Cash and balances with Central Banks	15	**1.003.020**	1.094.620
Placements with other banks	16	**921.719**	1.698.571
Loans and advances to customers	17	**3.563.949**	4.744.910
Debt securities	18	**645.465**	939.732
Equity securities	20	**8.343**	10.312
Property, plant and equipment	22	**123.662**	146.478
Intangible assets	23	**18.865**	19.003
Tax receivable		**75**	40
Deferred tax asset	24	**24.697**	17.230
Other assets	25	**74.152**	84.805
Total assets		**6.383.947**	8.755.701
Liabilities			
Deposits by banks	26	**47.362**	46.706
Customer deposits and other customer accounts	27	**5.513.272**	7.766.863
Tax payable		**5.265**	6.495
Deferred tax liability	28	**4.406**	28.905
Other liabilities	29	**110.192**	116.971
		5.680.497	7.965.940
Loan capital	30	**304.629**	304.877
Equity			
Share capital	31	**26.888**	266.466
Reserves		**367.600**	215.259
Equity attributable to owners of the parent company		**394.488**	481.725
Non-controlling interest		**4.333**	3.159
Total equity		**398.821**	484.884
Total liabilities and equity		**6.383.947**	8.755.701
Contingent liabilities and commitments	33	**806.094**	1.056.010

The consolidated financial statements have been approved by the Board of Directors on 31 March 2014.

Dr A. P. Panayiotou	K. J. Koushos	M. Keravnos	A. Rouvas
Chairman	Vice Chairman	Chief Executive Officer	Group Chief Financial Officer

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the parent company								
	Share capital	Reduction of share capital reserve	Share premium reserve	Revenue reserve	Translation reserve	Revaluation reserve (Note 32)	**Total**	Non-controlling interest	**Total**
	€'000	€'000	€'000	€'000	€'000	€'000	**€'000**	€'000	**€'000**
Balance 1 January 2013	266.466	- -	167.171	10.835	39	37.214	**481.725**	3.159	**484.884**
Total comprehensive (expenses)/income for the year net of taxation									
(Loss)/profit for the year	- -	- -	- -	(190.900)	- -	- -	**(190.900)**	991	**(189.909)**
Other comprehensive income	- -	- -	- -	- -	- -	5.070	**5.070**	183	**5.253**
Transfer of excess depreciation on revaluation surplus	- -	- -	- -	346	- -	(346)	**- -**	- -	**- -**
Transactions with shareholders recognized in equity									
Expenses from increase in authorised share capital and issue of shares and loan capital	- -	- -	(4.861)	- -	- -	- -	**(4.861)**	- -	**(4.861)**
Reduction in Nominal Value of Share Capital (Note 31)	(260.269)	260.269	- -	- -	- -	- -	**- -**	- -	**- -**
Issue of shares (Note 31)	20.691	- -	82.763	- -	- -	- -	**103.454**	- -	**103.454**
31 December 2013	26.888	260.269	245.073	(179.719)	39	41.938	**394.488**	4.333	**398.821**

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the parent company							
	Share capital	Share premium reserve	Revenue reserve	Translation reserve	Revaluation reserve (Note 32)	Total	Non-controlling interest	Total
	€'000	€'000	€'000	€'000	€'000	**€'000**	€'000	**€'000**
Balance 1 January 2012	132.448	237.174	35.331	39	26.607	**431.599**	2.599	**434.198**
Total comprehensive (expenses)/income for the year net of taxation								
(Loss)/profit for the year	- -	- -	(23.440)	- -	- -	**(23.440)**	1.508	**(21.932)**
Other comprehensive income	- -	- -	- -	- -	10.700	**10.700**	79	**10.779**
Transfer of excess depreciation on revaluation surplus	- -	- -	93	- -	(93)	**- -**	- -	**- -**
Transactions with shareholders recognized in equity								
Dividend paid	- -	- -	- -	- -	- -	**- -**	(1.027)	**(1.027)**
Expenses from increase in authorised capital and issue of shares	- -	(1.877)	- -	- -	- -	**(1.877)**	- -	**(1.877)**
Issue of shares from exercise of rights	127.228	(76.337)	- -	- -	- -	**50.891**	- -	**50.891**
Issue of shares from conversion of loan capital	6.790	8.211	- -	- -	- -	**15.001**	- -	**15.001**
Special defence contribution on deemed dividend distribution	- -	- -	(1.149)	- -	- -	**(1.149)**	- -	**(1.149)**
31 December 2012	266.466	167.171	10.835	39	37.214	**481.725**	3.159	**484.884**

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 €´000	2012 €´000
Cash flow from operating activities			
Group loss for the year		**(189.909)**	(21.932)
Depreciation of property, plant and equipment and amortisation of intangible assets	22,23	**5.916**	5.616
Loss/(gain) on disposal of property, plant and equipment		**23**	(506)
Loss on disposal and revaluation of investment in debt and equity securities		**1.046**	829
Impairment of investment in debt and equity securities	8	**111**	2.132
Impairment of property	11	**5.882**	954
Impairment of goodwill	23	**- -**	953
Income from investment in debt and equity securities		**(19.842)**	(30.881)
Interest expense on loan capital		**12.358**	16.465
Provisions for impairment of loans and advances	17	**310.810**	103.970
Loss from discontinued operations	13	**28.767**	72.364
Cash flows from discontinued operations	13	**- -**	(6.228)
Special levy tax prior year		**- -**	1.646
Taxation	12	**(17.047)**	5.019
Operating profit before working capital changes		**138.115**	150.401
Decrease in loans and advances to customers and other assets		**320.389**	97.477
(Decrease)/increase in customer deposits and other customer accounts and other liabilities		**(1.628.950)**	474.549
Decrease/(increase) in placements with other banks		**2.572**	(34.213)
Decrease in deposits with central banks		**47.347**	92.404
Decrease in deposits by banks		**(4.113)**	(27.596)
Net cash (used in)/from operating activities before taxation		**(1.124.640)**	753.022
Tax paid		**(7.405)**	(6.054)
Net cash flow (used in)/from operating activities		**(1.132.045)**	746.968
Cash flow from investing activities			
Disposal of discontinued operations, net of cash disposed of		**(90.542)**	- -
Income from investment in debt and equity securities		**19.842**	30.881
Net disposals/maturity of investment in debt and equity securities		**300.440**	221.548
Additions of property, plant and equipment		**(2.710)**	(43.640)
Additions of intangible assets		**(1.222)**	(645)
Proceeds from disposal of property, plant and equipment		**77**	1
Net cash flow from investing activities		**225.885**	208.145
Cash flow from financing activities			
Expenses from increase in authorised capital and issue of shares and loan capital		**(4.861)**	(1.877)
Proceeds from the issue of share capital		**103.454**	50.891
Proceeds from the issue of loan capital		**1**	- -
Dividend paid		**- -**	(1.027)
Interest paid on loan capital		**(12.358)**	(16.465)
Net cash flow from financing activities		**86.236**	31.522
Net (decrease)/increase in cash and cash equivalents		**(819.924)**	986.635
Effect of exchange rate fluctuations on cash and cash equivalents		**1.391**	(475)
Cash and cash equivalents at the beginning of the year		**2.634.274**	1.648.114
Cash and cash equivalents at the end of the year	36	**1.815.741**	2.634.274

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013 €´000**	2012 €´000
Continuing Operations			
Interest income	4	**318.057**	351.822
Interest expense	5	**(131.869)**	(163.547)
Net interest income		**186.188**	188.275
Fee and commission income	6	**60.206**	71.062
Fee and commission expense	7	**(2.278)**	(4.018)
Net fee and commission income		**57.928**	67.044
Net gains on disposal and revaluation of foreign currencies and financial instruments	8	**8.118**	9.998
Other income	9	**1.933**	11.323
Total net income		**254.167**	276.640
Staff costs	10	**(82.743)**	(85.211)
Depreciation and amortisation	22,23	**(5.224)**	(4.798)
Administrative and other expenses	11	**(46.640)**	(37.282)
Total expenses		**(134.607)**	(127.291)
Profit from ordinary operations before provisions		**119.560**	149.349
Provisions for impairment of loans and advances	17	**(309.711)**	(102.831)
(Loss)/gain before taxation		**(190.151)**	46.518
Taxation	12	**18.025**	(4.316)
(Loss)/gain for the year from continuing operations		**(172.126)**	42.202
Discontinued Operations			
Loss from discontinued operations after tax	13	**(28.742)**	(72.266)
Loss for the year		**(200.868)**	(30.064)
Basic loss per share (cent)	14	**(11,4)**	(6,8)
Basic (loss)/earnings per share (cent) from continuing operations	14	**(9,8)**	9,5

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 €´000	2012 €´000
Loss for the year		**(200.868)**	(30.064)
Other comprehensive income			
Other comprehensive income to be reclassified in the income statement in subsequent periods			
Surplus on revaluation of available for sale equity and debt securities		**3.954**	7.962
Amortisation of revaluation of reclassified debt securities available for sale		**131**	3.060
Transfer to the income statement on impairment of investments in equity and debt securities available for sale		**604**	2.624
Deficit on revaluation of land and buildings		**- -**	(5.064)
Taxation relating to components of other comprehensive income	12	**(98)**	1.693
Other comprehensive income for the year net of taxation		**4.591**	10.275
Total comprehensive expenses for the year net of taxation		**(196.277)**	(19.789)

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	Note	2013 €´000	2012 €´000
Assets			
Cash and balances with Central Banks	15	**1.000.719**	1.092.904
Placements with other banks	16	**898.457**	1.665.144
Loans and advances to customers	17	**3.554.502**	4.733.332
Debt securities	18	**648.753**	948.915
Equity securities	20	**8.343**	10.191
Investments in subsidiary companies	21	**70.322**	82.819
Amounts due from subsidiary companies		**5.600**	10.198
Property, plant and equipment	22	**105.924**	126.325
Intangible assets	23	**3.408**	3.409
Deferred tax asset	24	**23.966**	15.954
Other assets	25	**38.649**	46.091
Total assets		**6.358.643**	8.735.282
Liabilities			
Deposits by banks	26	**47.358**	46.684
Customer deposits and other customer accounts	27	**5.511.864**	7.763.775
Amounts due to subsidiary companies		**38.923**	39.625
Tax payable		**5.079**	6.243
Deferred tax liability	28	**2.530**	26.834
Other liabilities	29	**57.339**	58.639
		5.663.093	7.941.800
Loan capital	30	**306.253**	306.501
Equity			
Share capital	31	**26.888**	266.466
Reserves		**362.409**	220.515
Total equity		**389.297**	486.981
Total liabilities and equity		**6.358.643**	8.735.282
Contingent liabilities and commitments	33	**806.075**	1.056.010

The financial statements have been approved by the Board of Directors on 31 March 2014.

Dr A. P. Panayiotou	K. J. Koushos	M. Keravnos	A. Rouvas
Chairman	Vice Chairman	Chief Executive Officer	Group Chief Financial Officer

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Reduction of Share capital reserve	Share premium reserve	Revenue reserve	Translation reserve	Revaluation reserve (Note 32)	**Total**
	€'000	€'000	€'000	€'000	€'000	€'000	**€'000**
Balance 1 January 2013	266.466	- -	167.171	18.645	67	34.632	**486.981**
Total comprehensive expenses for the year net of taxation							
Loss for the year	- -	- -	- -	(200.868)	- -	- -	**(200.868)**
Other comprehensive income	- -	- -	- -	- -	- -	4.591	**4.591**
Transfer of excess depreciation on revaluation surplus	- -	- -	- -	271	- -	(271)	**- -**
Transactions with shareholders recognized in equity							
Expenses from increase in authorised capital and issue of shares and loan capital	- -	- -	(4.861)	- -	- -	- -	**(4.861)**
Reduction in Nominal Value of Share Capital (Note 31)	(260.269)	260.269	- -	- -	- -	- -	**- -**
Issue of shares (Note 31)	20.691	- -	82.763	- -	- -	- -	**103.454**
31 December 2013	26.888	260.269	245.073	(181.952)	67	38.952	**389.297**

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Share premium reserve	Revenue reserve	Translation reserve	Revaluation reserve (Note 32)	Total
	€'000	€'000	€'000	€'000	€'000	**€'000**
Balance 1 January 2012	132.448	237.174	49.768	67	24.411	**443.868**
Total comprehensive expenses for the year net of taxation						
Loss for the year	- -	- -	(30.064)	- -	- -	**(30.064)**
Other comprehensive income	- -	- -	- -	- -	10.275	**10.275**
Transfer of excess depreciation on revaluation surplus	- -	- -	54	- -	(54)	**- -**
Transactions with shareholders recognized in equity						
Expenses from increase in authorised capital and issue of shares	- -	(1.877)	- -	- -	- -	**(1.877)**
Issue of shares from exercise of rights	127.228	(76.337)	- -	- -	- -	**50.891**
Issue of shares from conversion of loan capital	6.790	8.211	- -	- -	- -	**15.001**
Special defence contribution on deemed dividend distribution	- -	- -	(1.113)	- -	- -	**(1.113)**
31 December 2012	266.466	167.171	18.645	67	34.632	**486.981**

The notes on pages 72 to 165 form an integral part of the financial statements.

HELLENIC BANK PUBLIC COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 €´000	2012 €´000
Cash flow from operating activities			
Bank loss for the year		**(200.868)**	(30.064)
Depreciation of property, plant and equipment and amortisation of intangible assets	22,23	**5.224**	4.798
Loss/(gain) on disposal of property, plant and equipment		**27**	(506)
Loss on disposal and revaluation of investment in debt and equity securities		**1.046**	540
Impairment of investment in debt and equity securities	8	**12.210**	10.552
Impairment of property	11	**5.294**	266
Investment income from debt and equity securities		**(21.039)**	(36.309)
Interest expense on loan capital		**12.440**	16.562
Provisions for impairment of loans and advances	17	**309.711**	102.831
Loss on discontinued operations	13	**28.742**	72.266
Cash flows from discontinued operations	13	**- -**	(6.131)
Special Levy Tax prior year		**- -**	1.646
Taxation	12	**(18.025)**	4.316
Operating profit before working capital changes		**134.762**	140.767
Decrease in loans and advances to customers and other assets		**316.157**	114.365
(Decrease)/increase in customer deposits and other customer accounts and other liabilities		**(1.621.784)**	473.989
Increase in placements with other banks		**(4.004)**	(42.161)
Decrease of deposits with central banks		**47.304**	92.401
Decrease in deposits by banks		**(4.095)**	(27.618)
Decrease/(increase) in amounts due from subsidiary companies		**4.598**	(4.468)
Decrease in amounts due to subsidiary companies		**(702)**	(8.711)
Net cash flow (used in)/from operating activities before taxation		**(1.127.764)**	738.564
Tax paid		**(6.676)**	(5.401)
Net cash flow (used in)/from operating activities		**(1.134.440)**	733.163
Cash flow from investing activities			
Disposal of discontinued operations, net of cash disposed of		**(90.542)**	- -
Investment income from debt and equity securities		**21.039**	36.309
Net disposals/maturity of investment in debt and equity securities		**305.985**	220.207
Additions of property, plant and equipment		**(2.666)**	(43.421)
Additions of intangible assets		**(1.156)**	(548)
Proceeds from disposal of property, plant and equipment		**53**	1
Net cash flow from investing activities		**232.713**	212.548
Cash flow from financing activities			
Expenses from increase in authorised capital and issue of shares and loan capital		**(4.861)**	(1.877)
Proceeds from the issue of share capital		**103.454**	50.891
Proceeds from issue of loan capital		**1**	- -
Interest paid on loan capital		**(12.440)**	(16.562)
Net cash flow from financing activities		**86.154**	32.452
Net (decrease)/increase in cash and cash equivalents		**(815.573)**	978.163
Cash and cash equivalents at the beginning of the year		**2.607.236**	1.629.073
Cash and cash equivalents at the end of the year	36	**1.791.663**	2.607.236

The notes on pages 72 to 165 form an integral part of the financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITY

Hellenic Bank Public Company Ltd (the “Bank”) was incorporated in Cyprus and is a public company in accordance with the provisions of the Companies Law Cap. 113, the Cyprus Stock Exchange Laws and Regulations and the Income Tax Laws. The Bank’s registered office is located at 200, Corner of Limassol and Athalassa Avenues, 2025 Strovolos, P.O. Box 24747, 1394 Nicosia.

The principal activity of the Group is the provision of a wide range of banking and financial services, including hire purchase, leasing, investment and insurance services, as well as trustee and factoring services.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group companies.

2.1. Basis of preparation

(a) Going concern principle

The consolidated financial statements have been prepared on a going concern basis. Despite recent developments in the economic environment in Cyprus and the capital restructuring of the Bank as mentioned in Notes 42, 43 and 44 to the financial statements, the Board of Directors and the Group’s management believe that the Bank and the Group have the ability to continue operations as a going concern.

(b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113, the Cyprus Stock Exchange Laws and Regulations and the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following which are measured at fair value:

- available for sale financial assets
- financial instruments at fair value through profit or loss
- derivative financial instruments

Property is measured at revalued amount.

(d) Functional and presentation currency

The financial statements are presented in Euro, which is the main functional currency that most faithfully represents the economic effects of the underlying transactions and activities of the Group entities.

2.2. Adoption of new and revised International Financial Reporting Standards (IFRS) and interpretations

During the current year, the Group adopted all the changes to IFRS which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Group except the adoption of IAS 1 (Amendment) "Presentation of items of other Comprehensive Income" where the separation of other total income into two groups is required, based on whether in the future it may be transferred to profits and losses of the period or not and except the adoption of IFRS 13 "Fair Value Measurement" where additional disclosures on fair value measurement are required.

2.3. Standards and interpretations that are not yet effective

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2013. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Group, with the exception of IFRS 9: “Financial Instruments” for which at present stage, the Group is considering the implications of the adoption of this standard to the financial statements. The Group does not intend to adopt the following prior to their effective date.

(i) Standards and Interpretations adopted by the EU

IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after 1 January 2014).

IFRS 10 replaces the guidelines as a whole regarding control and consolidation that are provided in IAS 27 and in Interpretation 12. The new standard alters the definition of control as a determining factor under which a financial entity should be consolidated. This standard provides extensive clarifications that dictate the different ways in which a financial entity (investor) may control another entity (investment). The revised definition of control focuses on the need of the right (or capability to direct operations that affect the returns significantly) and the variable returns (positive, negative or both) in order to presume control. The new standard also provides clarifications regarding the participating and protective rights as also the relationships between factoring and factoree. The Group is currently evaluating the impact of the standard on its financial statements.

IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after 1 January 2014).

IFRS 11 provides a more realistic treatment of joint arrangements by focusing on the rights and obligations, instead of their legal form. The types of joint arrangements are limited to two: either joint operations or joint ventures. The method of proportional consolidation is no longer acceptable. It is compulsory for the participants in joint ventures to apply the equity method. The financial entities that participate in joint operations apply the same accounting treatment as the current participants apply in joint controlled assets or in joint controlled activities. The standard also provides clarifications in relation to the participants in joint arrangements without the existence of joint control. The Group is currently evaluating the impact of the standard on its financial statements.

IFRS 12 “Disclosure of Interests in Other Entities” (effective for annual periods beginning on or after 1 January 2014).

IFRS 12 addresses the required disclosures of a financial entity, including those of significant judgments and assumptions, which allow the readers of financial statements to evaluate the nature, the risks and the financial consequences that relate to the interest of a financial entity to subsidiaries, associates, joint arrangements and non-consolidated structured entities. A financial entity has the capability to apply some or all of the above disclosures without being obliged to apply IFRS 12 as a whole, or IFRS 10 or 11 or the amended IAS 27 or 28. The Group is currently evaluating the impact of the standard on its financial statements.

Transitional Guidance - Amendments to IFRS 10, 11 and 12 (effective for annual periods beginning on or after 1 January 2014).

The International Accounting Standards Board adopted an amendment to the transition provisions of these standards. The amendment clarified that the «date of initial application» is the beginning of the annual period in which first applied IFRS 10. If the conclusion regarding the consolidation or not of the Group at the date of initial application is different than the one imposed by the provisions of IAS 27 and IFRIC 12, there's only obligation for retroactive adjustment of the previous comparative period. The presentation of retrospectively custom information for prior periods is optional. A similar exception for presenting comparative periods’ restated information is also provided in the modified transition provisions of IFRS 11 and 12. Moreover, the disclosures relating to non-consolidated structured entities are not mandatory for any comparative periods prior to the first application of IFRS 12. The Group is considering the implications of the adoption of this amendment on the financial statements.

Investment Entities - Amendments to IFRS 10, 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014).

The International Accounting Standards Board adopted this amendment which establishes the concept of "Investment Companies" and provides an exemption to the requirement to consolidate companies they control.

Specifically, an investment company will not consolidate its subsidiaries, nor will apply the provisions of IFRS 3 when it obtains control of another entity, but will measure its investment in subsidiaries at fair value through profit or loss in accordance with IFRS 9. An exception to this rule are the subsidiaries that are not held for the purpose of profiting from the investment, but to provide services related to the business of the investment company. It is clarified, however, that the parent company of an investment company, which is not itself considered an investment company, will consolidate all entities that it controls, including those controlled by the investment company. The Group is considering the implications of the adoption of this amendment on the financial statements.

IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
This standard was published at the same time with IFRS 10 and in combination, those two standards replace IAS 27 "Consolidated and Separate Financial Statements''. The amended IAS 27 addresses the accounting treatment and the required disclosures relating to the interest in subsidiaries, joint ventures and associates when a financial entity prepares separate financial statements. At the same time, the Board transferred to IAS 27 the conditions of IAS 28 "Investment in associates" and of IAS 31 "Investments in Joint Ventures" which relate to separate financial statements. The Group is currently evaluating the impact of the standard on its financial statements.

IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2014).
The revised IAS 28 "Investments in associates and Joint Ventures" replaces IAS 28 "Investments in Associates". The aim of this accounting standard is to define the accounting treatment relating to investments in associates and to quote the requirements for the application of net equity method according to the accounting of investments in associates and joint ventures, resulting from the publication of IFRS 11. The Group is currently evaluating the impact of the standard on its financial statements.

IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
IAS 32 amendments clarify, in the possibility of offsetting financial assets and liabilities, the meaning of ''for the time being there is a legal executable right of offsetting'' and that certain gross settlement systems may be regarded as equal to net settlement. The Group is currently evaluating the impact of the standard on its financial statements.

IAS 36 (Amendments) "Recoverable amounts disclosures for Non- Financial Assets" (effective for annual periods beginning on or after 1 January 2014).
The amendments introduce the disclosure of information in relation to the recoverable amount of the impaired financial assets, provided that the amount is based on the fair value less the disposal cost. The Group is currently evaluating the impact of the standard on its financial statements.

IAS 39 (Amendments) "Novation of derivatives and continuation of hedge accounting" (effective for annual periods beginning on or after 1 January 2014).
The amendment allows hedging in a situation where a derivative, designated as a hedging instrument, is renewed so as to be cleared with a new central counterparty, as a result of laws and regulations, provided that certain conditions are met. The Group is currently evaluating the impact of the standard on its financial statements.

(ii) Standards and Interpretations not adopted by the EU
IFRS 7 (Amendments) "Financial Instruments: Disclosures" - Disclosures on transition to IFRS 9 (effective for annual periods beginning on or after 1 January 2015).
This amendment sets out disclosure requirements for transferred financial assets that are not entirely derecognized as well as on transferred financial assets entirely derecognized but for which the entity has continuing involvement. It also provides guidance on the application of the required disclosures. The Group assesses at this stage the impact on its financial statements.

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
On 12 November 2009, the International Accounting Standards Board published the first phase of IFRS 9 which, upon completion, will replace IAS 39. The first phase of IFRS 9 requires the classification of financial assets based

on how an entity manages these instruments and the contractual cash flow characteristics of the financial assets. The four categories of financial instruments are abolished and the financial assets are classified under one out of the two measurement categories available: amortized cost and fair value through profit or loss. The Group is currently evaluating the impact of the standard on its financial statements.

IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The Group is currently evaluating the impact of the standard on its financial statements.

IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2014).
This amendment introduces important changes to the recognition and measurement of defined benefit plans and post retirement benefits (elimination of the corridor method) as also to the disclosures of all employees' benefits. The basic changes relate to the recognition of actuarial profits and losses, the recognition of the service cost/ curtailments to the measurement of pensions, the required disclosures for the treatment of expenses and taxes which relate to defined benefit plans and distinction between short and long term benefits. The Group is currently evaluating the impact of the standard on its financial statements.

Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1 July 2014).
In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2010-2012 Cycle (published in November 2012). The Group is currently evaluating the impact of the improvements on its financial statements.

Improvements to IFRSs 2011-2013 (effective for annual periods beginning on or after 1 July 2014).
In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The Group is currently evaluating the impact of the improvements on its financial statements.

IFRIC 21 "Bank Levies" (effective for annual periods beginning on or after 1 January 2014).
IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Group is currently evaluating the impact of this interpretation on its financial statements.

2.4. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Business combinations are accounted for by applying the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Any goodwill which may arise is tested annually for impairment.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates are entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Associates are accounted for in the consolidated financial statements using the equity method.

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interest relates to that portion of the profit or loss and net assets of a subsidiary, attributable to equity interests that are not owned directly or indirectly by the Group. The profits or losses attributable to non-controlling interest are disclosed on the face of the income statement as allocation of the profit or loss for the period. Non-controlling interest is presented on the face of the statement of financial position, within equity, separately from equity attributable to owners of the parent.

2.5. Investments in subsidiaries and associates

Investments in subsidiaries and associates are presented at cost in the Company's statement of financial position less provision for impairment, where applicable.

2.6. Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or in a qualifying cash flows hedge, which are recognised directly in equity.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's presentation currency (Euro) at exchange rates at the statement of financial position date. The income and expenses of foreign operations are translated into Euro at the average exchange rates for the year. Foreign currency differences on translation of foreign operations are recognised directly in the translation reserve within equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences recognised in equity and relating to that foreign operation is reclassified to profit or loss when the gain or loss on disposal is recognised.

2.7. Turnover

Group turnover includes interest income, fee and commission income, net gains or losses on disposal and revaluation of foreign currencies and financial instruments and other income.

2.8. Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial instrument and is not revised subsequently. Interest income and expense is calculated using the current rate of the loan/deposit.

Interest income on loans and advances to customers impaired on an individual basis, corresponding to the amount of the impairment loss, is suspended and is recognised in the Income Statement upon collection. This interest is transferred to a temporary income suspension account which is included in the total of provisions for impairment of loans and advances.

2.9. Fee and commission income and expense

Fee and commission income and expense is recognised in the income statement on an accruals basis, as the related services are performed.

2.10. Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.11. Income from hire purchase and leasing activities

Income from hire purchase and leasing activities recognised in the Income Statement is calculated in a systematic manner on the basis of instalments falling due, in order to produce a constant periodic rate of return on the net investment outstanding.

Hire purchase and leasing debtors are included in loans and advances to customers in the consolidated statement of financial position, net of unearned charges attributable to future installments.

2.12. Employee retirement benefits

The Group operates plans for the provision of staff retirement benefits. The total number of staff employed in Cyprus and covered by the provisions of the new collective agreement between the Cyprus Bankers Employers Association and the Cyprus Union of Bank Employees participates in a defined contribution plan in Provident Funds. The defined benefit plan (retirement bonus plan) which covered 98% of the staff, ended on 31 December 2011 as a result of the agreement signed on 12 January 2012 between the Cyprus Bankers Employers Association and the Cyprus Union of Bank Employees. Under the agreement, as of 1st January 2012, the employer pays a monthly contribution to the Provident Fund of 14% on the basic salary plus any automatic indexation. Additionally, the Group paid to the Provident Fund for each eligible member of the staff, the accumulated rights to retirement gratuity based on the retirement plan benefit which was applicable until the 31st December 2011.

The Group provided defined retirement benefits to its permanent employees in Greece up to 26 March 2013 on which date the Sale and Transfer Agreement of certain assets and deposits of the Branch Network in Greece to Piraeus Bank SA was signed.

The defined retirement benefits which were in the form of lump sum payments, for the permanent staff of the Group in Greece, were estimated by reference to the employee's salary and length of service on retirement. The cost of providing retirement benefits was borne exclusively by the Group and was estimated annually using the actuarial Projected Unit Credit Method.

The differences between the assumptions used and reality or other variations caused the creation of actuarial gains/ losses which were depreciated over the average remaining working lives of the employees and recognised in the Income Statement.

For the defined contribution plans, the Group has no further obligations of payment once contributions are paid. The contributions are recognised as cost of staff benefits when benefits are due. Prepaid contributions are recognized as an asset to the extent that cash refund or a reduction in future payments exists.

2.13. Income tax

Income tax expense comprises current and deferred tax. It is recognized in the Income Statement except where there is a relationship to items recognized directly in reserves or the statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority which permits the entity to make or receive a single net payment, and the Group intends either to settle taxes on a net basis or to realise the asset and settle the obligation simultaneously.

2.14. Special Levy

According to the "Special Levy on Credit Institutions Law of 2011", passed on 14 April 2011, a special levy, for the years 2011 and 2012, on credit institutions was imposed at the rate of 0,095% on qualifying deposits held by each credit institution at 31 December of the year preceding the year of taxation. Amendments passed on 21 December 2012, for purposes of enforcing the terms of the Memorandum between the Republic of Cyprus and the lenders, provide for the extension of the validity of the relevant law, increase of the special levy tax to 0,11% and the deletion of provision under which the tax paid should not exceed 20% of the total taxable profits of the credit institution assessed by the Director of Inland Revenue. A subsequent amendment to the Law, published in the Governmental Gazette on the 29th of April 2013, provided for an increase rate to the special levy of 0,15%. Based on new Law amendment published in the Governmental Gazette on the 26th of July 2013 the special levy, from the year 2013 and thereafter, is calculated on a quarterly basis at the rate of 0,0375% on qualifying deposits held by each credit institution as at 31 December, 31 March, 30 June and 30 September of each year.

On 22 March 2013, the Law on the Establishment and Operation of the Deposit Protection and Resolution of Credit and Other Institutions Scheme, as well as for relevant matters, was enacted and the Law on the Establishment and Operation of the Independent Financial Stability Fund of 2011, which was applicable from 1st of January 2013, was repealed.

Based on the provisions of the new Law, two Funds are operated (The Deposit Protection and Resolution of Credit and Other Institutions) and their Funds are made up of:

1. The Deposit Protection Fund – transfer of the total of the account, in which the contributions of the credit institutions were deposited, based on the provisions of article 34 of the Banking Operations Law. Regular or extraordinary contributions to be imposed by the Management Committee of the Fund, loans, income from investments, donations and other income.

2. The Resolution of Credit and Other Institutions Fund – transfer of 25/60 of total revenue from the imposition of special levy, original or extraordinary contributions to be imposed by the Management Committee of the Fund, amounts derived from possible sanctions imposed on the affected institutions, loans, income from investments, donations and other income.

2.15. Financial instruments

(a) Recognition

The Group initially recognises loans and advances to customers, customer deposits and loan capital issued on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(b) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest or obligation in transferred assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligation is discharged, cancelled or expired.

(c) Offsetting

Financial assets and liabilities are set off and the net amount is presented in the statement of financial position only when the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(d) Initial measurement
A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(e) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(f) Fair value measurement
Policy applicable from 1st January 2013

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the main factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy applicable before 1st January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques represent market expectations and measures of the risk-return factors inherent in the financial instrument.

(g) Derivatives

Derivatives mainly include forward contracts, interest rate and currency swaps, credit default swaps, futures and options.

Derivatives are initially recognised and subsequently measured at fair value. When their fair value is positive, derivatives are included in other assets and when their fair value is negative they are included in other liabilities. Changes in the fair value of derivatives are recognised in the Income Statement under net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments.

(h) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans and receivables include loans and advances to customers.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less provisions for impairment.

(i) Financial Assets

The Group has classified its financial assets that comprise of investments in debt securities and equity securities, under the following four categories. Investment securities are classified in these categories upon their initial recognition based on their characteristics and the purpose for which they were acquired.

(i) Held to maturity

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

After initial measurement, held to maturity investments are measured at amortised cost using the effective interest method less provisions for impairment.

Sale or reclassification of a more than insignificant amount of held to maturity investments not close to their maturity, will result in the reclassification of all held to maturity investments as available for sale, and prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years.

(ii) At fair value through profit or loss

Financial instruments at fair value through profit or loss are analysed in two categories:

Instruments held for trading: include financial instruments acquired or incurred principally for the purpose of selling or repurchasing them in the near term or which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Instruments designated as at fair value through profit or loss upon initial recognition: include financial instruments initially designated in this category when this designation results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

The changes in fair value of financial instruments at fair value through profit or loss are recognised in profit or loss.

(iii) Available for sale

Available for sale investments are non-derivative financial assets that are designated as available for sale or are not classified under another category of financial assets. Available for sale investments may be held for an undetermined period of time or may be sold in response to changes in market risks or liquidity requirements.

Subsequent to initial recognition, available for sale investments are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is sold or impaired, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

(iv) Loans and receivables

Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Investments classified as loans and receivables are subsequently measured at amortised cost using the effective interest method less provisions for impairment.

(j) Loan capital

Loan capital is initially measured at the fair value of the consideration received minus transaction costs that are directly attributable to the issue of the loan capital. Subsequently it is measured at amortised cost using the effective interest method, in order to amortise the difference between the cost and the redemption value, over the period to the earliest date that the Bank has the right to redeem the loan capital.

(k) Convertible bonds

On issuance of compound financial instruments that contain both liability and equity elements, these are accounted for separately, as financial liabilities and equity respectively. When the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument, as a whole, the amount separately determined for the liability component. On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

No gain or loss arises from initially recognizing the components of the instrument separately. The liability component is subsequently measured at amortised cost using the effective interest rate method in order to amortise the difference between the nominal value and the carrying value at inception until it is extinguished on conversion or redemption. The equity component is not subsequently remeasured.

(l) Convertible Capital Securities (CCS)
CCS are perpetual financial instruments issued by the Bank. They have no maturity date and can be converted to shares during the conversion periods upon their holder's decision. The Bank may, at its discretion, at any time, and taking into account its financial position as well as its solvency, cancel the interest payment on a non-cumulative basis. Any cancellation of interest payment will be final and will no longer be payable by the Bank.

The Bank, in applying the provisions of the Prospectus dated 30 September 2013, may, at its sole discretion, redeem the CCS at par, including accrued interest, excluding any cancelled interest, the whole or part of CCS 1 or/and CCS 2. In case of a redemption of part of the CCS1 or/and CCS2, the redemption will occur for all holders of CCS 1 or/and CCS 2 in proportion to the CCS1 or/and CCS 2 they hold.

The CCS will be mandatorily converted into Bank's ordinary shares, if an Emergency of Capital or a Viability Event occurs, as defined by the Prospectus dated 30 September 2013.

(m) Customer deposits and other customer accounts
Subsequent to initial recognition, customer deposits and other customer accounts are measured at amortised cost using the effective interest method, except for certain deposits linked to derivatives that the Group has elected to classify as financial liabilities at fair value through profit or loss. Any changes in fair value in respect of deposits designated as at fair value through profit or loss are recognised in the Income Statement.

2.16.Impairment

(a) Financial assets
At the end of each reporting period the Group assesses whether there is any objective evidence that financial assets not carried at fair value through profit or loss are impaired.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that the borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Loans and advances to customers
The Group considers evidence of impairment in its loan portfolio at both a specific and collective level. All individually significant loans are assessed for specific impairment. All individually significant loans found not to be specifically impaired as well as loans that are not individually significant are then collectively assessed for any impairment by grouping together loans with similar risk characteristics. Any collective impairment loss on these groups is not charged to specific loans. In assessing collective impairment the Group uses historical trends of the probability of default demonstrated by the relevant groups with similar risk characteristics.

Impairment loss on loans and advances to customers is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the loan's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances as stated in note 3.1.

When a subsequent event causes the amount of the impairment loss to decrease or amounts are collected from impaired loans, the decrease in impairment loss is reversed through profit or loss.

(ii) Held to maturity investments and investments classified as loans and receivables
If there is objective evidence that an impairment loss on held to maturity investments and investments classified

as loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the investment's original effective interest rate. The amount of the loss is recognised in profit or loss and the carrying amount of investments is reduced.

For investments in debt securities, the principal indication of impairment is the downgrading of the credit rating of the issuer.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss.

(iii) Available for sale investments
When there is objective evidence that an available for sale investment is impaired, the cumulative loss that had been recognised in equity is reclassified from equity to profit or loss. The amount of the cumulative loss that is re-classified from equity to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that investment previously recognised in profit or loss.

For investments in debt securities, the principal indication of impairment is the downgrading of the credit rating of the issuer. For investments in shares the main evidence of impairment is a significant or prolonged decline in the fair value below its cost. Generally, the Group considers that a reduction of 20% below cost is significant and a period of nine months is prolonged. However in special cases a smaller decrease or a shorter period may be objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss will be reversed, with the amount of the reversal recognised in profit or loss. Impairment losses recognised in profit or loss for impaired available for sale equity securities are not reversed through profit or loss but are recognised in equity.

(b) Non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The loss from impairment of goodwill is not reversible. The loss from impairment of other non financial assets is reversible only to the extent that the carrying value does not exceed net carrying value that the financial asset would have if the impairment loss was not recognised.

2.17. Property, plant and equipment
Land and buildings are initially recognised at cost and are subsequently measured at fair value less subsequent accumulated depreciation and impairment losses. Fair value is determined from market-based valuations undertaken by professionally qualified valuers. Plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all expenditure that is directly attributable to the acquisition of the asset.

Depreciation for property, plant and equipment is recognised in profit or loss on a straight line basis over the estimated useful lives of the assets. Land is not depreciated.

The depreciation rates used are as follows:

Buildings	2%
Leasehold improvements	20%
Plant and equipment	10% to 25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Gains and losses on disposal of property, plant and equipment, that are determined as the difference between the net disposal proceeds and the carrying amount of the asset, are included in profit or loss when the item is derecognised.

2.18. Property revaluation reserve

Any surplus arising on the revaluation of land and buildings is credited to the property revaluation reserve that is included in equity. If, after a revaluation, the depreciation charge is increased, then an amount equal to the increase (net of deferred taxation), is transferred annually from the property revaluation reserve to revenue reserves. Upon disposal of revalued property, any relevant accumulated revaluation surplus which remains in the property revaluation reserve is also transferred to revenue reserves.

2.19. Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entities at the date of acquisition. When the excess is negative (negative goodwill) is recognised immediately in profit or loss.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. The carrying amount of goodwill is reviewed for impairment at least on an annual basis.

For the year ended 31 December 2012, the goodwill also included goodwill relating to the Branch Network in Greece and was amortised through the Income Statement on a straight-line basis over the lease term.

Computer software

Computer software is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software estimated at five years.

2.20. Cash and cash equivalents

Cash and cash equivalents include cash and unrestricted balances with Central Banks, investment in debt securities, placements with and amounts due to other banks and repurchase agreements, with original maturities of less than three months.

Cash and cash equivalents are presented in the statement of financial position at amortised cost.

2.21. Share capital

The difference between the issue price of share capital and its nominal value is recognised in the share premium reserve.

When subsidiaries of the Group acquire shares of the parent company, the fair value of these treasury shares is shown in revenue reserves included in equity. Any gain or loss on disposal of these shares is recognised in equity.

Expenses incurred from increase of authorised capital and issue of share capital are directly recognised in equity in the same year.

2.22. Derivatives and hedge accounting

The Group designates certain derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. Hedging relationships are classified as fair value hedges or cash flow hedges. A hedging relationship qualifies for hedge accounting if the following conditions are met:

(a) Existence of formal documentation describing the derivative and the hedging objectives, as well as the specific hedged item.

(b) Existence of documented risk management strategy according to which the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk throughout the financial reporting periods for which the hedge was designated.

(c) Maintenance of reliable monitoring systems and verification of the high continuous effectiveness of the hedging derivative.

For fair value hedges, changes in the fair value of the derivative are recognised in profit or loss together with changes in the value of the hedged item attributable to the hedged risk.

For cash flow hedges, the effective portion of changes in the fair value of the derivative is recognised directly in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same Income Statement line as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting the relevant adjusting entries are made and hedge accounting is discontinued.

For the remaining derivatives where the criteria are not satisfied in order to qualify for hedge accounting or which are held for trading, the accounting policies for financial instruments held for trading are applied. Several of the derivatives have been acquired with the intention of hedging interest rate or foreign currency risks. Certain derivative transactions, while providing effective economic hedges under risk management, do not qualify for the use of hedge accounting. These derivatives are included under other assets or liabilities, with any changes in their fair value recognised in the Income Statement for the year. These include derivatives held for offsetting interest rate or other risks, in relation to other assets and liabilities that are selectively designated as at fair value through profit or loss and which do not qualify for the use of hedge accounting.

The Group also hedges the foreign currency risk that derives from the translation to Euro of the net position of its foreign subsidiaries by maintaining an open foreign exchange position. All exchange differences resulting from the translation of the open foreign exchange position are recognised in the translation reserve.

2.23. Repurchase agreements

Repurchase agreements represent agreements with Central Banks. Cash received under the agreements, including accrued interest, is recognised as a liability on the statement of financial position. The relevant debt securities disposed to be repurchased at a future date are not derecognised from the statement of financial position. The difference between the sales price and repurchase price is recognised as interest expense over the duration of the agreement using the effective interest rate method.

2.24. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that is responsible for allocating resources to and assessing the performance of the operating segments of the Group.

For management purposes, during 2013 the Group was organised into four operating segments, as follows: Cyprus banking and financial services, Cyprus insurance services, Greece, and Russia.

Management monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before taxation which is measured in the same manner as in the consolidated financial statements.

For each reportable segment interest income is reported net of interest expense, since the majority of the segments' revenues is from interest. Also, the chief operating decision-maker primarily relies on net interest revenue for assessing segment's performance and making decisions about resource allocation to segment.

Transfer prices between segments are on an arm's length basis in a manner similar to transactions with third parties. Balances and transactions between segments are eliminated on consolidation.

2.25. Investment in properties

The Group, in its normal course of business, acquires properties in debt satisfaction, which are held either directly or by entities set up and controlled by the Group for the sole purpose of managing these properties. In addition, the Group owns property which is no longer used in operations and that it intends to sell.

These properties are recognised in the Group's consolidated financial statements and are included in Other assets, reflecting the substance of these transactions. Investment in properties is measured at cost, including transaction costs. Subsequent to initial recognition, investments in properties are measured in original cost less provisions for impairment which are recognised in the income statement.

Gain or loss from disposal of investments in properties, is the difference between the net amount of the disposal and the carrying value of the financial asset and is recognized in the Income Statement when the asset is disposed.

2.26. Provisions for litigation or arbitration

Provisions for litigation or arbitration are recognised when:
(a) the Group has a present obligation (legal or constructive) as a result of a past event,
(b) an outflow of resources embodying economic benefits to settle the obligation is probable and
(c) a reliable estimate of the amount of the obligation can be made.

The Group obtains legal advice on the value of the provision of specific claims and arbitration.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the facts and circumstances of any litigation or arbitration proceedings.

Where the effect of the time value of money is material, the amount of the provision is the present value of estimated future expenditures expected to be required to settle the obligation.

When a separate liability is measured, the most likely outcome may be considered the best estimate of the liability.

2.27. Comparatives

Comparatives presented in the financial statements are restated, where considered necessary, to conform with changes in the presentation of the current year.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make use of judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and the results of which form the basis of making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies that are deemed critical to the Group's results and financial position and which involve significant estimates and judgements are set out below:

3.1. Provision for impairment of loans and advances to customers

The Group reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the consolidated income statement and reflected in an allowance account against loans and advances.

The Group considers evidence of impairment in its loan portfolio at both a specific and collective level. The portfolio of loans and advances to customers examined at a specific level includes all non performing accounts in accordance with the definition of the Directive of Non-Performing and Restructured Credit Facilities of 2013 (see note 17) as well as the performing accounts which the Group classifies as high risk.

Indicatively, the following events may be considered by the Group as an indication of impairment. However, one fact alone may not constitute an indication of impairment while the absence of a specific event does not preclude the existence of impairment.

1. Credit facilities classified as non-performing
2. Restructured credit facilities included in performing loans and advances
3. Significant and sustained reduction of total income/future cash flows of the borrower
4. Apparent worsening debt servicing capacity of the borrower
5. Significant reduction in the value of collateral
6. Credit facilities which are partly provided
7. Credit facilities with internal credit rating that represents high credit risk
8. Credit facilities which are pending renewal, violating the relevant credit policy of the Bank
9. Macroeconomic indications that may affect the expected future cash flows of borrowers such as increase in unemployment and decline in real estate prices

Impairment loss on loans and advances to customers which are examined at a specific level, is measured as the difference between the carrying amount of the asset and the forced sale value of collateral, which is assumed to approximate the present value of estimated future cash flows discounted at the loan's original effective interest rate. Therefore the value of collateral is an important factor in the calculation of the impairment loss. Future cash flows related with the sale of collateral are based on assumptions about a number of factors and therefore actual impairment losses may differ. Any decreases in the fair value of collaterals will translate to further increases of the required provisions for impairment of loans and advances.

All loans and advances individually examined and found not to be impaired are then collectively assessed for any impairment by grouping together loans with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default demonstrated by the relevant groups with similar risk characteristics. In addition, the use of historical information is supplemented with management judgement to assess whether current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than that suggested by historical experience. Loans and advances with terms that were renegotiated are classified in a separate group with a higher credit risk.

The total amount of the Group's provision for impairment of loans and advances is inherently uncertain because it is highly sensitive to changes in economic and credit conditions across a number of geographical areas. Economic and credit conditions within geographical areas are influenced by many factors with a high degree of interdependency so that there is no one single factor to which the Group's loan impairment provisions as a whole are particularly sensitive. It is possible that the actual results within the next financial year could be different from the assumptions made, resulting in a material adjustment to the carrying amount of loans and advances.

3.2. Impairment of goodwill and investments in subsidiaries

The process of identifying and evaluating impairment of goodwill and investments in subsidiaries is inherently uncertain because it requires significant management judgement in making a series of estimates, the results of which are highly sensitive to the assumptions used. The review of goodwill and investments in subsidiaries impairment represents management's best estimate of the factors below:

Firstly, significant management judgement is required in estimating the future cash flows of the entities acquired. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data in future years. However, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects. Additionally, the cost of capital used to discount its future cash flows, can have a significant effect on the entity's valuation.

Any impairment of goodwill of acquired entities affects the Group's results while any impairment of investments in subsidiaries affects the Bank's results.

3.3. Fair value of investments

The best evidence of fair value of investments is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Group use only observable market data and thus the reliability of the fair value measurement is high. The Group only uses models with unobservable inputs for the valuation of non listed investments. In these cases, the Group takes into account, amongst others, the net positions of the entities in which the investment has been made as well as estimates of the Group's management to reflect uncertainties in fair values resulting from the lack of data and significant adverse changes in technology, market and the economic or legal environment in which the entity operates.

3.4. Impairment of available for sale investments

Available for sale investments in equity securities are impaired when there has been a significant or prolonged decline in their fair value below cost. In such a case, the total loss previously recognised in equity is recognised in the consolidated Income Statement. The determination of what is significant or prolonged requires judgement by management. Factors taken into account in these estimates include the percentage reduction in the cost or impaired cost, as well as the net positions of the entities.

Available for sale investments in debt securities are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and the loss event (or events) has an impact on the estimated future cash flows of the investment. The identification of impairment requires judgment by management. An individual assessment for impairment is performed on bonds whose fair value at the balance sheet date has significantly decreased as well as the issuer has been downgraded.

3.5. Fair value of properties and impairment of investment in properties

Volatility in the global financial system is reflected in the real estate markets with a significant reduction in the volume of property transactions. Under these circumstances, the degree of uncertainty which exists is greater than in a more active market for determining the market values of property.

The properties held by the Group for own use, are measured at fair value less accumulated depreciation and impairment losses. Fair value is determined from valuations undertaken by professionally qualified valuers based on market signals for their existing use and is carried out at regular intervals so that the carrying amount does not differ materially from fair value.

Properties held for sale by the Group, which are not presented at fair value, are measured at cost which includes transaction costs, less any provision for impairment. The calculation of the provision for impairment is determined by estimations of professional valuers based on market signals.

3.6. Taxation

The Group is subject to corporation tax in the countries it operates. Estimates are required in determining the provision for corporation taxes at the balance sheet date. The Group recognises corporation tax liabilities for transactions and assessments whose tax treatment is uncertain. Where the final tax is different from the amounts initially recognised in the income statement, such differences will impact the tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

Deferred tax assets are recognised by the Group in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future strategies. These variables have been established on the basis of significant management judgement and are subject to uncertainty. It is possible that the actual future events could be different from the assumptions made, resulting in a material adjustment to the carrying amount of deferred tax assets.

4. INTEREST INCOME

	The Group		The Bank	
	2013 €΄000	2012 €΄000	**2013 €΄000**	2012 €΄000
Interest income from cash and balances with Central Banks	**360**	1.080	**360**	1.080
Interest income from placements with other banks	**5.743**	11.306	**3.921**	9.295
Interest income from loans and advances to customers	**293.103**	311.181	**292.849**	311.323
Interest income from debt securities	**16.466**	21.478	**17.586**	22.651
Interest income from other financial instruments	**3.294**	7.433	**3.341**	7.473
	318.966	352.478	**318.057**	351.822

5. INTEREST EXPENSE

	The Group		The Bank	
	2013 €΄000	2012 €΄000	**2013 €΄000**	2012 €΄000
Interest expense on deposits by other banks	**1**	10	**28**	376
Interest expense on customer deposits and other customer accounts	**109.775**	136.125	**111.047**	137.857
Interest expense on loan capital	**12.358**	16.465	**12.440**	16.562
Interest expense on other financial instruments	**7.927**	8.550	**8.354**	8.752
	130.061	161.150	**131.869**	163.547

6. FEE AND COMMISSION INCOME

	The Group		The Bank	
	2013 €΄000	2012 €΄000	**2013 €΄000**	2012 €΄000
Banking fees and commissions	**56.884**	68.849	**58.972**	70.121
Commissions from insurance operations	**2.837**	2.640	**- -**	- -
Asset management fees	**1.288**	1.027	**1.234**	941
Other fees and commissions	**749**	782	**- -**	- -
	61.758	73.298	**60.206**	71.062

7. FEE AND COMMISSION EXPENSE

	The Group		The Bank	
	2013 €΄000	2012 €΄000	**2013 €΄000**	2012 €΄000
Banking fees and commissions	**1.942**	1.797	**1.933**	1.780
Commissions for insurance operations	**2.851**	3.109	**- -**	- -
Other fees and commissions	**316**	2.106	**345**	2.238
	5.109	7.012	**2.278**	4.018

8. NET GAINS ON DISPOSAL AND REVALUATION OF FOREIGN CURRENCIES AND FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Gain on disposal and revaluation of foreign currencies	**14.298**	24.938	**17.600**	22.036
(Loss)/gain on disposal of debt securities and other financial instruments:				
Instruments available for sale	**(387)**	839	**(387)**	839
Instruments held for trading	**(160)**	(3.045)	**(160)**	(3.046)
Instruments held to maturity	**- -**	(3.750)	**- -**	(3.750)
Surplus on revaluation of debt securities and other financial instruments:				
Instruments held for trading	**3.071**	4.147	**3.063**	4.137
Gain/(loss) on disposal of equity securities:				
Instruments available for sale	**244**	(318)	**244**	(32)
Instruments held for trading	**(106)**	(558)	**(106)**	(556)
Surplus on revaluation of equity securities:				
Instruments held for trading	**107**	251	**107**	251
Changes in fair value of financial instruments in fair value hedges:				
Hedged items	**(831)**	(81)	**(831)**	(81)
Hedging instruments	**798**	752	**798**	752
Impairment loss on equity securities and debt securities:				
Instruments available for sale	**(111)**	(2.132)	**287**	(2.132)
Impairment of investments in subsidiaries	**- -**	- -	**(12.497)**	(8.420)
	16.923	21.043	**8.118**	9.998

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
(Impairment loss)/reversal of impairment on debt securities and on equity securities:				
Listed investments	**(531)**	(2.497)	**(253)**	(2.497)
Unlisted investments	**420**	365	**(11.957)**	(8.055)
	(111)	(2.132)	**(12.210)**	(10.552)

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
(Impairment loss)/reversal of impairment on debt securities and on equity securities:				
Equity securities	**(1.169)**	(2.796)	**(771)**	(2.796)
Debt securities	**1.058**	664	**1.058**	664
Investment in subsidiary companies	**- -**	- -	**(12.497)**	(8.420)
	(111)	(2.132)	**(12.210)**	(10.552)

Group’s gain on disposal and revaluation of foreign currencies includes credit of €674 thousand (2012: charge of €89 thousand) which is the net ineffective part of the hedging of the net investment.

9. OTHER INCOME

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Dividend income	**35**	448	**113**	6.073
Income from insurance operations	**16.872**	17.944	**- -**	- -
Loss on sale of assets held for sale	**- -**	(175)	**- -**	(175)
Other income	**1.662**	5.304	**1.820**	5.425
	18.569	23.521	**1.933**	11.323

10. STAFF COSTS

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Staff remuneration	**82.278**	86.458	**74.511**	78.193
Staff retirement benefits	**8.740**	7.602	**8.232**	7.018
	91.018	94.060	**82.743**	85.211

The number of staff employed by the Group at 31 December 2013 was 1.396 (2012: 1.953 employees of which 371 employed at the Branch Network in Greece) and by the Bank 1.255 (2012: 1.798 employees of which 371 employed at the Branch Network in Greece).

The Group operates plans for the provision of staff retirement benefits. The total number of staff employed in Cyprus is under collective agreements between the Cyprus Bankers Employers Association and the Cyprus Union of Bank Employees and participates in a defined contribution plan in Provident Funds. As a result of an agreement signed on 12 January 2012 between the Cyprus Bankers Employers Association and the Cyprus Union of Bank Employees, the employer pays, as of 1st January 2012, a monthly contribution to the Provident Fund of 14% on the basic salary plus any automatic indexation. During the year, an amount of €75 thousand (2012: €322 thousand) charged to the Income Statement relates to a defined benefit plan.

11. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Provision for impairment of land and buildings and assets available for sale	**5.882**	954	**5.294**	266
Operating leases of land and buildings	**2.181**	2.725	**2.174**	2.708
Repairs and maintenance	**5.378**	4.858	**5.014**	4.533
Auditors’ fees and lawyers’ expenses	**1.764**	1.576	**1.524**	1.118
Depositors Protection Plan	**- -**	2.120	**- -**	2.120
Cost of audit by Central Bank of Cyprus	**361**	1.814	**361**	1.814
Special Levy Tax (see Note 12)	**3.935**	4.215	**3.935**	4.215
Impairment of goodwill	**- -**	953	**- -**	- -
The 2013 Voluntary Early Retirement Scheme compensations	**9.635**	- -	**9.157**	- -
Other administrative expenses	**22.355**	23.866	**19.181**	20.508
	51.491	43.081	**46.640**	37.282

Auditors’ fees and lawyers’ expenses

The auditors’ fees and lawyers’ expenses include the total fees for statutory auditors and other audit firms for audit and other professional services provided to the Group both in Cyprus and abroad and are analyzed as follows:

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Audit of annual accounts	**341**	376	**168**	198
Assurance services	**32**	15	**10**	13
Tax advisory	**104**	52	**99**	50
Other non-audit services	**292**	345	**128**	163
	769	788	**405**	424

Cost of audit by Central Bank of Cyprus

On 31 December 2012 the cost of the audit by the Central Bank of Cyprus, includes the amount of €1.641 thousand relating to the charge for the audit conducted by the independent international firm PIMCO (see Note 43).

The 2013 Voluntary Early Retirement Scheme compensations

Following the decision of the Board of Directors, the Group addressed to all permanent staff members the 2013 Voluntary Early Retirement Scheme which had the form of voluntary retirement. With the completion of the Scheme, which expired on 2nd August 2013, the total compensation paid to staff members of the Group who voluntarily chose to enter the 2013 Voluntary Early Retirement Scheme amounted to €9,6 million.

12. TAXATION

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Corporation tax	**592**	(199)	**- -**	(961)
Taxes withheld at source	**40**	39	**- -**	- -
Prior years' taxes	**- -**	(19)	**- -**	- -
Capital gains tax	**- -**	232	**- -**	232
Special levy tax	**5.508**	5.901	**5.508**	5.901
Deferred tax	**(23.187)**	(935)	**(23.533)**	(856)
	(17.047)	5.019	**(18.025)**	4.316

According to the Income Tax Law 118(I)/2002-2013 as implemented from the 1st of January 2013, the Bank's profit and that of its subsidiaries in Cyprus, is subject to corporation tax at the rate of 12,5%. Taxable profits are not subject to defence fund contribution.

In accordance with article 13 of the Income Tax Law 118(I)/02, any tax losses of the Group companies in Cyprus which are not offset against taxable profits of other Group companies in Cyprus, are carried forward and offset against future taxable profits. Based on an amendment to the Income Tax Law issued on 21st December 2012, tax losses for the years from 2006 onwards can be carried forward and set off only against taxable profits for the next five years.

Profits earned from subsidiaries and permanent establishment abroad are subject to taxation at the rates applicable in the country in which the operations are carried out.

For the calculation of the tax for the year, the tax benefits expected to result in the Group are taken into account, pursuant to the provisions of Articles 9, 10, 13 and 36(3) of the Income Tax Law 118(I)/2002-2013.

As of 1st January 2003, companies that do not distribute 70% of their profits after tax, as these profits are defined by the Special Contribution for the Defence of the Republic Law, during the two years following the end of the assessment to which the profits refer, will be deemed to have contributed this amount as dividend. The amount of deemed distribution is reduced by any actual dividends already distributed for the year to which the profits refer. Special contribution for defence is payable on such deemed dividends to the extent that the shareholders (individuals and companies), at the end of the period of two years from the end of the fiscal year to which the profits refer, are Cyprus tax residents. This special contribution is paid by the company on behalf of shareholders. As of 1st January 2012 the special defence contribution rate was adjusted to 20%.

Special Levy on Credit Institutions

According to the “Special Levy on Credit Institutions Law of 2011”, passed on the 14th April 2011, a special levy, for the years 2011 and 2012, was imposed on credit institutions at the rate of 0,095% on qualifying deposits the held by each credit institution at 31st December of the year preceding the year of taxation. Amendments passed on the 21st December 2012, for purposes of enforcing the terms of the Memorandum between the Republic of Cyprus and the lenders, provide for the extension of the validity of the relevant law, increase of the special levy tax to 0,11% and the deletion of provision under which the tax paid should not exceed 20% of the total taxable profits of the credit institution assessed by the Director of Inland Revenue. With an amendment of the Law, published in the official Gazette on the 29th April 2013, the special levy tax rate increased to 0,15%. Based on a new amendment of the Law published in the official Gazette on the 26th July 2013, the special levy is calculated from the year 2013 and thereafter on a quarterly basis at the rate of 0,0375% on the deposits of financial institutions at 31st December, 31st March, 30th June and 30th September of each year. 25/60 of the total revenue collected from the imposition of the bank special levy tax is deposited to a resolution fund that will be considered as part of the Deposits Protection Fund under the Establishment and Operation of the Deposit Protection Scheme and Resolution of Credit and Other Institutions Law. Therefore an amount of €3.935 thousand reflecting the above fraction has been moved from the tax category to the category of administrative and other expenses.

Reconciliation of taxation based on taxable income and taxation based on accounting profits

	The Group	
	2013 €´000	2012 €´000
Group (loss)/profit before taxation	**(178.189)**	55.451
Taxation based on applicable tax rates	**(22.274)**	5.545
Expenses non tax deductible	**34.143**	23.937
Non taxable income	**(27.825)**	(27.790)
Tax effect of losses from overseas operations	**(6.822)**	(2.994)
Special levy tax	**5.508**	5.901
Other taxation	**223**	439
Prior years’ taxes	**- -**	(19)
Taxation for the year	**(17.047)**	5.019

	The Bank	
	2013 €´000	2012 €´000
Bank (loss)/profit before taxation	**(190.151)**	46.518
Taxation based on applicable tax rates	**(23.767)**	4.652
Expenses non tax deductible	**31.400**	22.776
Non taxable income	**(24.342)**	(26.413)
Tax effect of losses from overseas operations	**(6.824)**	(2.831)
Special levy tax	**5.508**	5.901
Other taxation	**- -**	231
Taxation for the year	**(18.025)**	4.316

Taxation recognised in other comprehensive income:

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Deferred taxation on property revaluation	**(102)**	1.689	**(98)**	1.693

13. LOSS FROM DISCONTINUED OPERATIONS AFTER TAXATION

On 26th March 2013 (transfer date), the Bank, as a result of a transnational understanding of the governments of Greece and Cyprus, at the demand of Troika and according to the instructions of the Ministry of Finance and the Central Bank, the Bank consented to the sale of its Branch Network in Greece (BNG) to Piraeus Bank SA (PB) with immediate effect.

According to the agreement the Bank:

1. Sold the total of cash, deposits, loans, software, plant and equipment of the Branch Network in Greece (BNG) for a total amount of €28 million and covered in cash the negative difference between the assets and liabilities sold, which amounted to €119 million.

During the calculation of the transfer value of the loans the additional projected losses based on the PIMCO report (adverse scenario) and the profit before provisions calculated by PIMCO in the adverse scenario were taken into consideration.

All assets and liabilities that were part of the above agreement were reviewed by a mutually accepted independent expert.

2. Gave the right to PB to use, for a period of six months from the date of transfer, the facilities leased for the operations in Greece, either as stores or as otherwise used, with the responsibility of PB for the payment of rent and any other relevant amount.

3. Provided PB with services related to the management of the loans and deposits sold. The services were provided to PB at no cost and covered a period of six months from the time of the transfer and thereafter at cost to the Bank.

Following the sale of the BNG, the Bank no longer performs banking operations in Greece, but continues to maintain a tax status as, during the remainder of 2013, it retained leased properties and properties for sale under its name. It is therefore required to comply with all institutional obligations and to maintain an accounting system at which income/expenses/assets and liabilities arising must be recorded.

According to the provisions of the International Financial Reporting Standards, the presentation of the Income Statement for 2012 is restated as if the operations of the BNG had been discontinued from the start of the comparative year.

13. LOSS FROM DISCONTINUED OPERATIONS AFTER TAXATION (continued)

The effect of the discontinued operations on the Group's results is presented as follows:

	Note	Year ended 31 December 2013 €΄000	2012 €΄000
Discontinued operations			
Turnover		**10.111**	43.114
Net interest income		**3.163**	12.110
Net income from fees, commissions, net gains on disposal and revaluation of foreign currencies and financial instruments and other income		**1.154**	4.113
Total net income		**4.317**	16.223
Total expenses		**(4.279)**	(26.510)
Profit/(loss) from ordinary operations before provisions		**38**	(10.287)
Provisions for impairment of loans and advances	17	**6.260**	(58.386)
Profit/(loss) before taxation		**6.298**	(68.673)
Taxation		**8.506**	(3.691)
Profit/(loss) after taxation		**14.804**	(72.364)
Loss on disposal of the Branch Network in Greece		**(43.571)**	- -
Loss for the year		**(28.767)**	(72.364)
Basic loss per share (cent)	14	**(1,6)**	(16,3)

The effect of the discontinued operations on the Bank's results is presented as follows:

	Note	Year ended 31 December 2013 €΄000	2012 €΄000
Discontinued operations			
Turnover		**10.135**	43.213
Net interest income		**3.163**	12.110
Net income from fees, commissions, net gains on disposal and revaluation of foreign currencies and financial instruments and other income		**1.179**	4.211
Total net income		**4.342**	16.321
Total expenses		**(4.279)**	(26.510)
Profit/(loss) from ordinary operations before provisions		**63**	(10.189)
Provisions for impairment of loans and advances	17	**6.260**	(58.386)
Profit/(loss) before taxation		**6.323**	(68.575)
Taxation		**8.506**	(3.691)
Profit/(loss) after taxation		**14.829**	(72.266)
Loss on disposal of the Branch Network in Greece		**(43.571)**	- -
Loss for the year		**(28.742)**	(72.266)
Basic loss per share (cent)	14	**(1,6)**	(16,3)

The loss on disposal of the BNG arose from the sale of BNG's assets and liabilities to Piraeus Bank SA under the agreement signed on the 26th March 2013. The loss constitutes the difference between the net payable amount and the carrying amount of net liabilities transferred, as follows:

	€´000
Cash	11.542
Loans and advances to customers	571.830
Property, plant and equipment	1.291
Total Assets	**584.663**
Deposits and other customer accounts	631.367
Other liabilities	302
Total Liabilities	**631.669**
Net Liabilities	**47.006**
Disposal consideration	27.990
Negative Difference between the assets and liabilities acquired, calculated based on the sale agreement	(118.567)
Net Payable Amount	**(90.577)**
Loss on disposal of the Branch Network in Greece	**(43.571)**

The effect of the discontinued operations on the Consolidated Statement of Cash Flows was as follows:

	The Group		The Bank	
	Year ended 31 December		Year ended 31 December	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Cash flows used in discontinued operations				
Net cash used in operating activities	**(59.839)**	(6.228)	**(59.839)**	(6.131)
Net cash used in financing activities	**- -**	- -	**- -**	- -
Net cash used in investing activities	**(90.542)**	- -	**(90.542)**	- -
Net cash flows for the year	**(150.381)**	(6.228)	**(150.381)**	(6.131)

14. BASIC (LOSS)/EARNINGS PER SHARE

	The Group		The Bank	
	Year ended 31 December		Year ended 31 December	
	2013	2012	**2013**	2012
Basic loss per share				
Loss attributable to owners of the parent company (€ thousand)	**(190.900)**	(23.440)	**(200.868)**	(30.064)
Average number of shares in issue during the year (thousand)	**1.757.109**	443.477	**1.757.109**	443.477
Basic loss per share (cent €)	**(10,9)**	(5,3)	**(11,4)**	(6,8)

	The Group		The Bank	
	Year ended 31 December		Year ended 31 December	
	2013	2012	**2013**	2012
Basic (loss)/earnings per share from continuing operations				
(Loss)/profit attributable to owners of the parent company (€ thousand) from continuing operations	**(162.133)**	48.924	**(172.126)**	42.202
Average number of shares in issue during the year (thousand)	**1.757.109**	443.477	**1.757.109**	443.477
Basic (loss)/earnings per share (cent €) from continuing operations	**(9,2)**	11,0	**(9,8)**	9,5

	The Group		The Bank	
	Year ended 31 December		Year ended 31 December	
	2013	2012	**2013**	2012
Basic loss per share from discontinued operations				
Loss attributable to owners of the parent company (€ thousand) from discontinued operations	**(28.767)**	(72.364)	**(28.742)**	(72.266)
Average number of shares in issue during the year (thousand)	**1.757.109**	443.477	**1.757.109**	443.477
Basic loss per share (cent €) from discontinued operations	**(1,6)**	(16,3)	**(1,6)**	(16,3)

15. CASH AND BALANCES WITH CENTRAL BANKS

At 31st December 2013, balances with Central Banks include the deposits for the minimum liquidity requirements for the Group, amounting to €54.353 thousand (2012: €80.404 thousand) and to €54.303 thousand (2012: €80.311 thousand) for the Bank.

16. PLACEMENTS WITH OTHER BANKS

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Other deposits with banks	**701.102**	1.444.126	**680.124**	1.411.645
Interbank accounts	**220.617**	254.445	**218.333**	253.499
	921.719	1.698.571	**898.457**	1.665.144

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
On demand	**447.212**	586.627	**444.960**	586.319
Within three months	**414.044**	1.049.546	**393.182**	1.023.466
Between three months and one year	**551**	8.054	**403**	1.015
Between one year and five years	**59.570**	50.744	**59.570**	50.744
Over five years	**342**	3.600	**342**	3.600
	921.719	1.698.571	**898.457**	1.665.144

On 31st December 2013, an amount of €61.843 thousand (2012: €58.126 thousand) is pledged as collateral on deposits with other banks, being common practice among financial institutions.

17. LOANS AND ADVANCES TO CUSTOMERS

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Trade	**725.391**	1.030.169	**725.391**	1.030.169
Construction and Real Estate	**1.131.140**	1.316.978	**1.131.139**	1.316.978
Manufacturing	**255.152**	412.525	**255.152**	412.525
Tourism	**241.167**	251.445	**241.167**	251.445
Other Sectors	**726.031**	917.060	**720.423**	910.435
Retail	**1.315.285**	1.628.634	**1.307.085**	1.620.415
	4.394.166	5.556.811	**4.380.357**	5.541.967
Provisions for impairment	**(830.217)**	(811.901)	**(825.855)**	(808.635)
	3.563.949	4.744.910	**3.554.502**	4.733.332

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
On demand	**1.874.894**	1.569.338	**1.870.531**	1.566.075
Within three months	**96.337**	352.595	**95.692**	352.279
Between three months and one year	**293.196**	554.149	**291.429**	552.321
Between one year and five years	**1.053.501**	1.517.227	**1.046.467**	1.507.794
Over five years	**1.076.238**	1.563.502	**1.076.238**	1.563.498
	4.394.166	5.556.811	**4.380.357**	5.541.967
Provisions for impairment	**(830.217)**	(811.901)	**(825.855)**	(808.635)
	3.563.949	4.744.910	**3.554.502**	4.733.332

The geographical analysis of the Group's and the Bank's total loans and advances to customers is as follows:

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Cyprus	**3.554.502**	4.156.997	**3.554.502**	4.156.997
Greece	**- -**	576.335	**- -**	576.335
Russia	**9.447**	11.578	**- -**	- -
	3.563.949	4.744.910	**3.554.502**	4.733.332

Provisions for impairment of loans and advances

The Group	Provisions for impairment €´000	Income suspension account €´000	Total €´000
1 January 2013	626.514	185.387	**811.901**
Net write-offs of loans and advances	(6.657)	(7.500)	**(14.157)**
Sale of Branch Network in Greece	(254.787)	(63.976)	**(318.763)**
Suspended income for the year – Continuing operations	- -	47.034	**47.034**
Suspended income for the year – Discontinued operations	- -	3.888	**3.888**
Charge for the year – Continuing operations	310.810	- -	**310.810**
Charge for the year – Discontinued operations	(6.260)	- -	**(6.260)**
Exchange difference	(4.236)	- -	**(4.236)**
31 December 2013	665.384	164.833	**830.217**
1 January 2012	487.023	157.876	**644.899**
Net write-offs of loans and advances	(19.289)	(18.844)	**(38.133)**
Suspended income for the year – Continuing operations	- -	21.838	**21.838**
Suspended income for the year – Discontinued operations	- -	24.517	**24.517**
Charge for the year – Continuing operations	103.970	- -	**103.970**
Charge for the year – Discontinued operations	58.386	- -	**58.386**
Exchange difference	(3.576)	- -	**(3.576)**
31 December 2012	626.514	185.387	**811.901**

The Bank	Provisions for impairment €´000	Income suspension account €´000	Total €´000
1 January 2013	623.246	185.389	**808.635**
Net write-offs of loans and advances	(6.657)	(7.500)	**(14.157)**
Sale of Branch Network in Greece	(254.787)	(63.976)	**(318.763)**
Suspended income for the year – Continuing operations	- -	47.034	**47.034**
Suspended income for the year – Discontinued operations	- -	3.888	**3.888**
Charge for the year – Continuing operations	309.711	- -	**309.711**
Charge for the year – Discontinued operations	(6.260)	- -	**(6.260)**
Exchange difference	(4.233)	- -	**(4.233)**
31 December 2013	661.020	164.835	**825.855**
1 January 2012	484.894	157.878	**642.772**
Net write-offs of loans and advances	(19.289)	(18.844)	**(38.133)**
Suspended income for the year – Continuing operations	- -	21.838	**21.838**
Suspended income for the year – Discontinued operations	- -	24.517	**24.517**
Charge for the year – Continuing operations	102.831	- -	**102.831**
Charge for the year – Discontinued operations	58.386	- -	**58.386**
Exchange difference	(3.576)	- -	**(3.576)**
31 December 2012	623.246	185.389	**808.635**

Non-performing loans and advances

On 31st December 2013, the gross non-performing loans and advances in accordance with the new Directive of the Central Bank of Cyprus, which applied as of 1st July 2013, amounted to €2.007 million.

According to the new Directive, customer loans and advances are considered non-performing when:

- they present past due balances or are in excess for a period of more than ninety days,
- they have been restructured and at the time of restructuring were classified as non-performing or presented arrears for a period of more than 60 days (with the exception of loans and advances which on 15th March 2013 were performing, were restructured between 18th March 2013 and 30th September 2013 and the restructuring did not provide for a lump sum payment of 20% or higher of the loan or for a grace period over 12 months for interest and over 24 months for capital),
- they have been restructured twice or more times in an 18 month period (with the exception of loans and advances fully secured with cash).

Until the 30th June 2013, under the Directive of the Central Bank of Cyprus which applied to that date, customer loans and advances which were not fully covered with tangible securities and presented past due balances of more than three months were classified as non-performing.

As a result, there is a significant differentiation in the amount of loans and advances classified as non-performing as of 1st July 2013 (31 December 2012: €1.230 million) (2012: Cyprus: €725 million, Greece: €505 million).

Impaired loans

Represent loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due, according to the contractual terms of the loan or relevant agreement. These loans are classified under grade 3 (high risk).

As at 31st December 2013, the impaired loans of the Group amounted to €1.591 million (31 December 2012: €723 million (excluding the Branch Network in Greece)). As at 31 December 2013, the impaired loans of the Group which were not impaired on 31 December of the prior year amounted to €801,8 million (31 December 2012: €231,9 million (excluding the Branch Network in Greece)).

Non-impaired loans

All individually significant loans assessed and found not to be specifically impaired are presented in risk categories based on the credit risk assessment system of the Group. The risk categories are as follows:

Grade 1 (Low Risk):

An immediate ability to repay the credit facility is assumed.

Grade 2 (Medium Risk):

The probability of indirect recovery of the credit facility is assumed.

Grade 3 (High Risk):

The debtor presents a higher risk compared to Grade 1 and 2 on the existence of direct and indirect recovery of the credit facility.

Past due but not impaired loans

Represent loans where contractual interest or principal repayments are past due but the Group believes that impairment is not appropriate on the basis of the level of security and/or stage of collection of amounts owed to the Group.

Loans with conditions that were renegotiated

Loans with conditions that were renegotiated represent clients' facilities that have been restructured in accordance with the new Directive of the Central Bank of Cyprus which applied as of 1st July 2013. Under the new Directive, restructuring of a client's facilities covers any action that changes the terms and/or conditions of the client's facilities in order to deal with existing or expected difficulties of the client to service the facilities in accordance with the existing repayment schedule.

According to the said Directive, a restructured non-performing facility remains classified as non-performing as follows:

- For six months following the commencement of the new amortization repayment schedule of capital installments in relation to credit facilities with modifications in their amortization repayment schedule, while for credit facilities with gradual increase of the installment amount, the facility remains non-performing for six months following the first month at which the highest installment is due. Exceptions to the above rules are cases where the modified repayment schedule provides for a lump sum payment on maturity of 20% or higher of the outstanding balance (as at the date of restructuring). For these cases, the facility remains non-performing until its maturity.

- For six months following the restructuring in relation to overdrafts. After the six months, overdraft accounts will be classified as performing only if their credit turnover (excluding credits relating to cheques returned unpaid and credits relating to disbursement of loans) is equal to or higher than the interest charged for the above-mentioned period.

After the lapse of the above-mentioned period for the classification of restructured facilities as non-performing, the facility will be classified as non-performing only if it fulfils the criteria for the classification of non-performing facilities according to the said Directive.

Until the 30th June 2013, loans with conditions that were renegotiated, represented clients' facilities that had been restructured either due to default of the debtor in accordance with the original terms of the agreement or other reasons.

Regardless of the fact that the specific facilities may not have presented any further problems, they remained in the restructured category.

Collateral

On the basis of the Group's policy, the amount of credit facilities granted should be based on the repayment capacity of the relevant counterparties. Furthermore, policies are applied for the hedging and mitigation of credit risk through the holding of collateral. These policies define the types of collateral held and the methods for estimating its fair value.

The main collaterals held by the Group include mortgage interests over property, pledging of cash, government and bank guarantees, charges over business assets as well as personal and corporate guarantees.

The financial effect of collateral is calculated in accordance with the Group's Loan Policy, taking into account, among others, the forfeit value of collaterals and limited to the fair value of loans covered. The financial effect of collateral held against non-performing loans and advances at 31st December 2013 amounts to €1,3 billion. The financial effects of collateral (not including the Branch Network in Greece) for loans classified as individually impaired at 31st December 2013 amounted to €917.662 thousand (2012: €333.447 thousand), while for loans and advances past due but not impaired amounted to €566.408 thousand at 31st December 2013 (2012: €977.916 thousand).

Based on the above categories, loans and advances to customers of the Group, excluding the Branch Network in Greece as presented as follows:

	Loans and advances	
	31 December 2013	31 December 2012
	€´000	€´000
Carrying amount	**3.563.949**	4.168.575
Individually impaired:		
Grade 3 (high risk)	**1.591.171**	722.569
Provisions for impairment	**(763.829)**	(385.899)
Carrying amount	**827.342**	336.670
Of which term loans that were renegotiated	***398.539***	*126.049*
Past due but not impaired:		
Grade 1 (low risk)	**192.503**	539.399
Grade 2 (medium risk)	**409.130**	513.667
Grade 3 (high risk)	**41.539**	28.115
Carrying amount	**643.172**	1.081.181
Past due comprises:		
0-30 days	**127.391**	168.791
30-60 days	**116.026**	132.871
60-90 days	**95.307**	119.509
90 days+	**304.448**	660.010
Carrying amount	**643.172**	1.081.181
Of which term loans that were renegotiated	***247.259***	*414.267*
Neither past due nor impaired:		
Grade 1 (low risk)	**1.490.404**	2.213.806
Grade 2 (medium risk)	**647.666**	597.460
Grade 3 (high risk)	**21.753**	28.149
Carrying amount	**2.159.823**	2.839.415
Of which term loans that were renegotiated	***717.023***	*716.690*
Balances after individual impairment	**3.630.337**	4.257.266
Collective impairment	**(66.388)**	(88.691)
Total carrying amount	**3.563.949**	4.168.575

18. DEBT SECURITIES

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Securities held for trading	**1.962**	1.912	**1.962**	1.912
Securities held to maturity	**121.561**	189.109	**131.188**	199.928
Securities classified as loans and receivables	**328.165**	331.825	**328.165**	331.825
Securities available for sale	**195.054**	419.221	**188.715**	417.585
	646.742	942.067	**650.030**	951.250
Provisions for impairment	**(1.277)**	(2.335)	**(1.277)**	(2.335)
	645.465	939.732	**648.753**	948.915
Listed securities	**636.605**	930.491	**630.266**	928.855
Unlisted securities	**8.860**	9.241	**18.487**	20.060
	645.465	939.732	**648.753**	948.915

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Within three months	**92.433**	187.632	**92.433**	187.632
Between three months and one year	**74.557**	134.075	**74.557**	134.075
Between one year and five years	**300.868**	605.699	**298.564**	604.063
Over five years	**177.607**	12.326	**183.199**	23.145
	645.465	939.732	**648.753**	948.915

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Reportable segment:				
Governments	**394.649**	584.715	**392.344**	583.079
Banks	**214.889**	291.243	**220.482**	302.062
Other sectors	**35.927**	63.774	**35.927**	63.774
	645.465	939.732	**648.753**	948.915

The decrease in investment in debt securities from 31st December 2012 is mainly due to the maturity of bonds.

Movement of Provision for impairment in value of investment in debt securities:

	The Group and the Bank			
	2013 €´000	**2013 €´000**	2012 €´000	2012 €´000
	Securities held to maturity	Securities available for sale	Securities held to maturity	Securities available for sale
Provisions for impairment				
Balance 1 January	- -	**2.335**	77.000	7.053
Reversal of provision	- -	**(1.058)**	- -	(664)
Transfer to the income statement on disposal	- -	- -	(77.000)	(4.054)
Provisions for impairment for the year	- -	- -	- -	- -
Balance 31 December	- -	**1.277**	- -	2.335

On 31st December 2013 and on 31st December 2012, within the normal practices of treasury management, there were no investments in bonds pledged as collateral to third parties.

On the 5th of July 2013, the Board of Directors of the Bank, had unanimously decided to accept the exchange of the existing Cyprus Government Bonds amounting to €155,4 million with new bonds, with the exchange date being set as the 1st of July 2013.

The Group had made an impairment of Greek Government Bonds (GGB) as set out below.

At 31st December 2011, the Bank had in its possession Greek Government Bonds ("GGBs") with nominal value €110 million, classified as "Held to maturity" and with a book value amounting to €35,1 million after the impairment. These bonds were eligible for the Voluntary participation of private plan (PSI +) to restructure the Greek debt, issued on 21st July 2011 and finalized on 21st February 2012. As a result, and under the terms of the plan, on 12 March 2012 creditors, including Hellenic Bank, received new Greek bonds for 31,5% of the original value of the eligible Greek bonds held, short-term securities issued by the European Financial Stability Fund (EFSF) for 15% of the original value of Greek bonds held as well as securities of the GDP of the Greek Republic. Any accrued interest on the original Greek bonds were paid with 6 months securities issued by the EFSF.

Based on the difference between the carrying value of the eligible securities and the present value of the new securities arising during the exchange of Greek Government Bonds on 12 March 2012, the Bank proceeded with additional impairment of €7,3 million. The total amount for impairment of the eligible securities before the exchange, accounted for 77,3% of their nominal value. The additional impairment is included in "Net income from fees, commissions, net gains/losses on disposal and revaluation of foreign currencies and financial instruments and other income" in the consolidated Income Statement for the year ended 31st December 2012.

The IASB published on 12 November 2009 the first phase of the IFRS 9 "Financial Instruments", which once completed will replace IAS 39. The first phase of IFRS 9 requires the classification of financial assets based on the business model of an entity to manage these elements and characteristic of the contractual cash flows. The four categories of financial assets are abolished and the financial assets are classified into one of the three categories of measurement: amortised cost, fair value throught comprehensive income and fair value through profit or loss. The mandatory start date has not been set yet, but it will be set when the pending phases are finalised. However, the adoption of the standard is allowed. The Group has not adopted IFRS 9 and is currently evaluating the impact of the standard on its financial statements.

19. RECLASSIFICATION OF DEBT SECURITIES

On the 1st of January 2009, the Group proceeded with a review of its intension for the holding of debt securities and consequently of its policy for classifying them under the various categories. As a result of this review, a number of debt securities, which were included in the held for trading and available for sale categories, were reclassified to the held to maturity and loans and receivables categories. For the years 2010 to 2013 there has been no other reclassification of debt securities in other categories.

Reclassification of investments held for trading

In accordance with the provisions of the amended IAS 39 and considering the rare circumstances arising as a result of the international financial crisis and its continuing effects on the global economy, the Group identified the investments in debt securities that it did not intend to trade in on the 1st of January 2009. These investments were reclassified from the held for trading to the held to maturity category.

On 31st December 2013, all Securities held for trading reclassified as held to maturity, had expired.

Reclassification of available for sale investments

In accordance with the provisions of the amended IAS 39, the Group has reclassified certain available for sale debt securities to loans and receivables, in view of the fact that there was no active market for these debt securities and the Group did not have the intention to sell these securities in the foreseeable future.

The carrying amount and fair value of the reclassified debt securities is presented below:

	1 January 2009	31 December 2013	
	Carrying amount and fair value	Carrying amount	Fair value
	€´000	€´000	€´000
Available for sale debt securities reclassified as loans and receivables	247.140	235.770	202.360

Had the Group not reclassified the available for sale debt securities to loans and receivables on the 1st of January 2009, the Group's equity would have included losses from change in fair value of these debt securities of €44.780 thousand that would have been included in the revaluation reserve for available for sale investments.

In addition, on the 1st of January 2009, the Group reclassified certain available for sale debt securities, that it intends to hold to maturity, to the held to maturity category. The carrying amount of these debt securities transferred on the 1st of January 2009 amounted to €1.018.653 thousand. On 31st December 2013 the carrying value of these remaining bonds amounted to €45.920 thousand (31st December 2012: €75.118 thousand).

As a result of the above decision, for the year ended 31st December 2013, an amount of €131 thousand (2012:

€3.060 thousand), being amortization of revaluation of reclassified debt securities available for sale, was transferred from the investment revaluation reserve to the income statement.

20. EQUITY SECURITIES

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Securities held for trading				
Listed securities	**527**	557	**527**	557
Securities available for sale				
Listed securities	**8.271**	17.154	**7.992**	17.155
Unlisted securities	**11.612**	11.526	**10.730**	10.644
Provisions for impairment	**(12.067)**	(18.925)	**(10.906)**	(18.165)
	7.816	9.755	**7.816**	9.634
	8.343	10.312	**8.343**	10.191

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Concentration by sector:				
Securities held for trading				
Banks	**- -**	557	**- -**	557
Other sectors	**527**	- -	**527**	- -
	527	557	**527**	557
Securities available for sale				
Banks	**- -**	539	**- -**	539
Other sectors	**7.816**	9.216	**7.816**	9.095
	7.816	9.755	**7.816**	9.634
	8.343	10.312	**8.343**	10.191

Unlisted securities available for sale include the Group's and the Bank's investment in JCC Payment Systems Ltd of €4.314 thousand (2012: €3.964 thousand).

In determining the fair value of the Bank's investment in the unlisted company JCC Payment Systems Ltd a valuation method based on the company's equity was used.

Movement of Provision for impairment in the value of investment in shares:

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Provisions for impairment				
Balance 1 January	**18.925**	17.792	**18.165**	16.973
Provisions for impairment for the year - Continuing operations	**1.169**	2.796	**771**	2.796
Provisions for impairment for the year - Discontinued operations	**- -**	310	**- -**	310
Reversal due to disposal	**(8.027)**	(1.973)	**(8.030)**	(1.914)
Balance 31 December	**12.067**	18.925	**10.906**	18.165

The mandatory start date of IFRS 9 has not been set yet, but it will be set when the pending phases are finalised. However, the application of the standard is allowed. The Group has not adopted IFRS 9 and is currently evaluating the impact of the standard on its financial statements (see Note 18).

21. INVESTMENTS IN SUBSIDIARY COMPANIES

Investments in subsidiary companies represent the cost of acquisition of shares or the cost of incorporation/ investment net of any provision for impairment of investment, where applicable, in the following subsidiary companies:

				The Bank	
	Country of operation and registration	Ownership %	Number of shares (thousand)	**2013 €΄000**	2012 €'000
Hellenic Bank (Investments) Ltd	Cyprus	100	3.750	**6.407**	6.407
Hellenic Bank Trust and Finance Corporation Ltd	Cyprus	100	50	**94**	94
Pancyprian Insurance Ltd	Cyprus	99,99	15.700	**32.423**	32.423
Hellenic Alico Life Insurance Company Ltd	Cyprus	72,50	725	**1.239**	1.239
Hellenic Insurance Agency Ltd	Greece	99,50	600	**19**	19
Hellenic Insurance Agency Ltd	Cyprus	100	50	**85**	85
Limited Liability Company Commercial Bank “Hellenic Bank”	Russia	100	- -	**27.120**	32.228
Borenham Holdings Limited	Cyprus	100	5.000	**2.935**	10.324
				70.322	82.819

Athena Real estate Holdings Limited was a 100% subsidiary of the Bank, had issued and unpaid (not called-up shares) 200.000 shares of nominal value €1,71 and had been bought by Athena Cyprus Company Ltd for €1 in May 2010. During 2012 the Bank activated a voluntary liquidation process of the company which was completed on 19 March 2013.

On 23 September 2011, Hellenic Trade Services Limited ceased operations and entered on the same day into voluntary liquidation and the liquidation process was completed on 26 June 2012.

On 21 December 2012 the dissolution of Hellenic Trust Holdings S.A. was completed and the company was excluded from the Companies Register.

Borenham Holding Limited holds 100% of the share capital of the Russian company Limited Liability Company “Format Invest”, owner of the premises of the Bank’s subsidiary bank in Russia.

The subsidiary companies of Pancyprian Insurance Ltd were the following:

	31 December 2013	31 December 2012
	%	%
MIA (Insurance Agencies) Ltd	- -	100
Protection Insurance Agencies Brokers Ltd	- -	100

The absorption process, under Transfer Plan Agreements pursuant to Reorganization of Hellenic Pancyprian Insurance (Estate) Ltd and Hellenic Pancyprian Insurance Agencies Ltd by Pancyprian Insurance Ltd was completed on 25 September 2012. Upon completion of the absorption process, Pancyprian Insurance Ltd absorbed the whole of the operations and all assets and liabilities of the companies, which were dissolved without liquidation.

The company Protection Insurance Agencies Brokers Ltd, which was inactive, was dissolved by voluntary liquidation on 19 March 2013. The company Yiannis Charalambides Ltd, which was inactive, was dissolved without liquidation on 17 October 2012.

The company MIA (Insurance Agencies) Ltd, was inactive and in the process of voluntary liquidation on 31 December 2012. The liquidation was completed on 25 January 2013.

The Bank calculates the impairment of the investments in its subsidiary companies based on the future cash flows that are discounted to their present value using a pre-tax discount rate that reflects current market estimates of time value of money and the risks specific to the investments.

On 31 December 2013 the Bank proceeded with an impairment of the investment in Limited Liability Company Commercial Bank “Hellenic Bank” and Borenham Holding Ltd of €5.108 thousand and €7.389 thousand respectively, while on 31 December 2012 the Bank proceeded with an impairment of the investment in Pancyprian Insurance Ltd of €8.420 thousand.

22. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings 2013 €΄000	Plant and equipment 2013 €΄000	Total 2013 €΄000
Cost or valuation			
1 January	110.343	97.134	**207.477**
Additions	12	3.573	**3.585**
Disposals/transfers	22.699	(25.630)	**(2.931)**
Transfer to assets held for sale	(16.720)	- -	**(16.720)**
Disposal of Branch Network in Greece	- -	(17.541)	**(17.541)**
Revaluation	(576)	- -	**(576)**
Exchange difference	(1.384)	(128)	**(1.512)**
31 December	114.374	57.408	**171.782**
Depreciation			
1 January	858	60.141	**60.999**
Charge for the year	1.374	3.432	**4.806**
Disposals/transfers	- -	(1.106)	**(1.106)**
Disposal of Branch Network in Greece	- -	(16.379)	**(16.379)**
Exchange difference	(117)	(83)	**(200)**
31 December	2.115	46.005	**48.120**
Net book value 31 December	112.259	11.403	**123.662**

The Group	Land and buildings 2012 €΄000	Plant and equipment 2012 €΄000	Total 2012 €΄000
Cost or valuation			
1 January	91.238	80.442	**171.680**
Additions	25.612	18.028	**43.640**
Disposals/transfers	- -	(1.373)	**(1.373)**
Revaluation	(6.954)	- -	**(6.954)**
Exchange difference	447	37	**484**
31 December	110.343	97.134	**207.477**
Depreciation			
1 January	1.532	57.639	**59.171**
Charge for the year - Continuing operations	1.176	3.293	**4.469**
Charge for the year - Discontinued operations	- -	507	**507**
Disposals/transfers	- -	(1.318)	**(1.318)**
Revaluation	(1.865)	- -	**(1.865)**
Exchange difference	15	20	**35**
31 December	858	60.141	**60.999**
Net book value 31 December	109.485	36.993	**146.478**

The Bank	Land and buildings 2013 €´000	Plant and equipment 2013 €´000	Total 2013 €´000
Cost or valuation			
1 January	90.079	93.478	**183.557**
Additions	- -	3.544	**3.544**
Transfer to assets held for sale	(16.720)	- -	**(16.720)**
Disposal of Branch Network in Greece	- -	(17.541)	**(17.541)**
Disposals/transfers	22.700	(25.583)	**(2.883)**
31 December	96.059	53.898	**149.957**
Depreciation			
1 January	- -	57.232	**57.232**
Charge for the year	1.086	3.169	**4.255**
Disposal of Branch Network in Greece	- -	(16.379)	**(16.379)**
Disposals/transfers	- -	(1.075)	**(1.075)**
31 December	1.086	42.947	**44.033**
Net book value 31 December	94.973	10.951	**105.924**

The Bank	Land and buildings 2012 €´000	Plant and equipment 2012 €´000	Total 2012 €´000
Cost or valuation			
1 January	70.763	77.026	**147.789**
Additions	25.606	17.815	**43.421**
Revaluation	(6.290)	- -	**(6.290)**
Disposals/transfers	- -	(1.363)	**(1.363)**
31 December	90.079	93.478	**183.557**
Depreciation			
1 January	843	55.107	**55.950**
Charge for the year - Continuing operations	857	2.926	**3.783**
Charge for the year - Discontinued operations	- -	507	**507**
Revaluation	(1.700)	- -	**(1.700)**
Disposals/transfers	- -	(1.308)	**(1.308)**
31 December	- -	57.232	**57.232**
Net book value 31 December	90.079	36.246	**126.325**

Land and buildings were revalued at 31 December 2012, by independent qualified valuers on a market value basis for their existing use.

The cost and net book value on a historic cost basis of the freehold land and buildings stated at valuation at 31 December 2013 amounted to €70.879 thousand (2012: €64.870 thousand) and €65.152 thousand (2012: €59.963 thousand) respectively for the Group and to €66.923 thousand (2012: €60.926 thousand) and €61.238 thousand (2012: €56.061 thousand) respectively for the Bank.

The cost of branches under renovation and the cost of buildings under construction, included under plant and equipment at 31 December 2013 amounted to €1.616 thousand (2012: €24.133 thousand) for the Group and the Bank.

At 31 December 2013 the value of the revalued freehold land not subject to depreciation amounted to €37.150 thousand (2012: €45.539 thousand) for the Group and €35.749 thousand (2012: €44.137 thousand) for the Bank.

The transfer to financial assets held for sale refers to the land at the area of Amathus, Ayios Tychonas in Limassol which the Board of Directors of the Bank has decided to sell. The property was acquired on 23 March 2012 from the Holy Archbishopric of Cyprus at the price of €15.500.000, and would have been used for the housing needs of the Hellenic Bank Group Services, such as the International Business Centres or/and the Customers' Service of the Corporate Division as well as facilities for training, exercise or/and recreational facilities to be used by the employees and customers of the Bank.

Purchase of fixed assets

On 8 August 2012 the Bank announced the signing of an agreement for the acquisition of a property (building) at Amfipoleos Street in Strovolos at the price of €21.000.000 from Clin Company Ltd. The transaction was made at an arm's length basis. This building is used for the housing needs of the Hellenic Bank Group Services.

23. INTANGIBLE ASSETS

	Computer software	Goodwill	**Total**
The Group	2013 €´000	2013 €´000	**2013 €´000**
Cost			
1 January	24.176	26.578	**50.754**
Additions	2.587	- -	**2.587**
Disposals/transfers	(1.372)	- -	**(1.372)**
Disposal of Branch Network in Greece	(4.387)	(157)	**(4.544)**
Exchange difference	(127)	- -	**(127)**
31 December	20.877	26.421	**47.298**
Amortisation or impairment losses			
1 January	20.010	11.741	**31.751**
Charge for the year	1.110	- -	**1.110**
Disposals	(8)	- -	**(8)**
Disposal of Branch Network in Greece	(4.229)	(144)	**(4.373)**
Exchange difference	(47)	- -	**(47)**
31 December	16.836	11.597	**28.433**
Net book value 31 December	4.041	14.824	**18.865**

23. INTANGIBLE ASSETS (continued)

The Group	Computer software 2012 €´000	Goodwill 2012 €´000	Total 2012 €´000
Cost			
1 January	23.507	27.531	**51.038**
Additions	645	- -	**645**
Disposals/transfers	(13)	- -	**(13)**
Exchange difference	37	- -	**37**
31 December	24.176	27.531	**51.707**
Amortisation or impairment losses			
1 January	18.716	11.729	**30.445**
Charge for the year - Continuing operations	1.147	- -	**1.147**
Charge for the year - Discontinued operations	146	12	**158**
Impairment	- -	953	**953**
Disposals	(13)	- -	**(13)**
Exchange difference	14	- -	**14**
31 December	20.010	12.694	**32.704**
Net book value 31 December	4.166	14.837	**19.003**

The Bank	Computer software 2013 €´000	Goodwill 2013 €´000	Total 2013 €´000
Cost			
1 January	22.688	1.448	**24.136**
Additions	2.503	- -	**2.503**
Disposal of Branch Network in Greece	(4.387)	(157)	**(4.544)**
Disposals/transfers	(1.372)	- -	**(1.372)**
31 December	19.432	1.291	**20.723**
Amortisation or impairment losses			
1 January	19.292	1.435	**20.727**
Charge for the year	969	- -	**969**
Disposal of Branch Network in Greece	(4.229)	(144)	**(4.373)**
Disposals	(8)	- -	**(8)**
31 December	16.024	1.291	**17.315**
Net book value 31 December	3.408	- -	**3.408**

The Bank	Computer software 2012 €´000	Goodwill 2012 €´000	**Total 2012 €´000**
Cost			
1 January	22.141	1.448	**23.589**
Additions	548	- -	**548**
Disposals/transfers	(1)	- -	**(1)**
31 December	22.688	1.448	**24.136**
Amortisation or impairment losses			
1 January	18.132	1.423	**19.555**
Charge for the year - Continuing operations	1.015	- -	**1.015**
Charge for the year - Discontinued operations	146	12	**158**
Disposals	(1)	- -	**(1)**
31 December	19.292	1.435	**20.727**
Net book value 31 December	3.396	13	**3.409**

On 31 December 2012, the Group assessed whether there is any objective for impairment of the goodwill which arose on the acquisition of Pancyprian Insurance Ltd and the Russian Company Limited Liability Company "Format Invest". The assessment was made by calculating the estimated fair values of the companies, based on the future cash flows discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the investments. As a result, the Group proceeded with an impairment of the goodwill which arose from the acquisition of the Russian Company Limited Liability Company "Format Invest" amounting to €953 thousand.

In the Bank, goodwill related to the Branch Network in Greece (2012: net book value of €13 thousand).

24. DEFERRED TAX ASSET

Deferred taxation arises as follows:

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Property revaluation differences and differences between depreciation and capital allowances	**225**	617	**218**	616
Tax losses	**24.456**	1.223	**23.748**	- -
Temporary differences in the calculation of provisions for impairment of loans and advances	**- -**	14.880	**- -**	14.880
Other temporary differences	**16**	510	**- -**	458
	24.697	17.230	**23.966**	15.954

24. DEFERRED TAX ASSET (continued)

Movement of Deferred taxation:

The Group					
	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement- Discontinued operations	Balance 31 December
	2013 €´000	2013 €´000	2013 €´000	2013 €´000	2013 €´000
Property revaluation differences and differences between depreciation and capital allowances	617	- -	(209)	(183)	225
Tax losses	1.223	- -	23.233	- -	24.456
Temporary differences in the calculation of provisions for impairment of loans and advances	14.880	- -	- -	(14.880)	- -
Other temporary differences	510	- -	(36)	(458)	16
	17.230	- -	22.988	(15.521)	24.697

The Group					
	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement- Discontinued operations	Balance 31 December
	2012 €´000	2012 €´000	2012 €´000	2012 €´000	2012 €´000
Property revaluation differences and differences between depreciation and capital allowances	682	- -	(26)	(39)	617
Tax losses	1.237	- -	(14)	- -	1.223
Temporary differences in the calculation of provisions for impairment of loans and advances	20.313	- -	- -	(5.433)	14.880
Other temporary differences	519	- -	21	(30)	510
	22.751	- -	(19)	(5.502)	17.230

The Bank

	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement-Discontinued operations	Balance 31 December
	2013 €´000	2013 €´000	2013 €´000	2013 €´000	2013 €´000
Property revaluation differences and differences between depreciation and capital allowances	616	- -	(215)	(183)	218
Tax losses	- -	- -	23.748	- -	23.748
Temporary differences in the calculation of provisions for impairment of loans and advances	14.880	- -	- -	(14.880)	- -
Other temporary differences	458	- -	- -	(458)	- -
	15.954	- -	23.533	(15.521)	23.966

The Bank

	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement-Discontinued operations	Balance 31 December
	2012 €´000	2012 €´000	2012 €´000	2012 €´000	2012 €´000
Property revaluation differences and differences between depreciation and capital allowances	682	- -	(27)	(39)	616
Temporary differences in the calculation of provisions for impairment of loans and advances	20.313	- -	- -	(5.433)	14.880
Other temporary differences	488	- -	- -	(30)	458
	21.483	- -	(27)	(5.502)	15.954

The recognition of deferred tax asset arising from tax losses is based on the forecasts of the Bank's Management for profitability (which are based on the available evidence, including the historical levels of profitability). This fact indicates that it is probable that the Bank may realise future taxable gains against which the deferred tax assets may be used.

Deferred tax assets have not been recognized in relation to the following data, as it is possible that no future taxable profit will be available against which the Group may utilize the benefits.

The Group and the Bank

	2013 €´000
Tax losses ending in 2016	**40.000**
Tax losses ending in 2018	**80.100**

25. OTHER ASSETS

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Prepaid expenses	**885**	581	**704**	465
Fair value of derivatives (Note 34)	**7.168**	13.770	**7.173**	13.780
Assets held to cover liabilities of unit linked funds	**12.662**	12.588	**- -**	- -
Debtors and other receivables	**53.437**	57.866	**30.772**	31.846
	74.152	84.805	**38.649**	46.091

Group debtors and other receivables include assets held for sale amounting to €23.834 thousand (2012: €12.457 thousand) for the Group and €22.858 thousand (2012: €11.432 thousand) for the Bank. Assets held for sale consist of assets from customers' debt settlement amounting to €11.021 thousand (2012: €11.405 thousand) for the Group and €10.045 thousand (2012: €10.380 thousand) for the Bank, and properties which are no longer used by the Group and the Bank for their operations and which they intend to sell, amounting to €12.813 thousand (2012: €1.052 thousand).

The movement of assets from customers' debt settlement on 31 December 2013 is presented as follows:

	Banking & Financial services	Insurance Services	**Total**
	€´000	€´000	**€´000**
1 January 2013	10.380	1.025	**11.405**
Additions	- -	- -	**- -**
Disposals	- -	- -	**- -**
Impairment	(335)	(49)	**(384)**
31 December 2013	10.045	976	**11.021**

During 2013, the Group's assets held for sale were revalued by independent professional valuers based on open market value for their existing use. The fair value of these assets for the Group amounted to €25.133 thousand (2012: €13.978 thousand) and for the Bank €24.093 thousand (2012: €12.882 thousand).

During 2013 the Group has not sold any of the assets held for sale due to the current economic conditions.

Assets held to cover liabilities of unit linked funds comprise of:

	The Group	
	2013 €´000	2012 €´000
Deposits	**1.748**	1.479
Government bonds	**1.776**	1.283
Equity securities	**9.138**	9.826
	12.662	12.588

26. DEPOSITS BY BANKS

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Interbank accounts	**39.173**	32.146	**39.169**	32.124
Cheques clearing	**8.189**	14.560	**8.189**	14.560
	47.362	46.706	**47.358**	46.684

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
On demand	**33.649**	46.706	**33.649**	46.684
Within three months	**4.682**	- -	**4.682**	- -
Between three months and one year	**9.027**	- -	**9.027**	- -
Over 5 years	**4**	- -	**- -**	- -
	47.362	46.706	**47.358**	46.684

On 31 December 2013, an amount of €730 thousand (2012: €1.925 thousand) is pledged as collateral on deposits by banks, being common practise among financial institutions.

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Demand deposits	**2.211.361**	3.096.536	**2.209.953**	3.093.824
Savings deposits	**347.977**	233.012	**347.977**	233.012
Notice deposits	**233.265**	434.753	**233.265**	434.753
Time deposits	**2.720.669**	4.002.562	**2.720.669**	4.002.186
	5.513.272	7.766.863	**5.511.864**	7.763.775

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
On demand	**2.560.536**	3.365.913	**2.559.128**	3.363.203
Within three months	**1.886.402**	2.672.865	**1.886.402**	2.672.487
Between three months and one year	**1.032.831**	1.551.447	**1.032.831**	1.551.447
Between one year and five years	**33.503**	176.638	**33.503**	176.638
	5.513.272	7.766.863	**5.511.864**	7.763.775

27. CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS

The geographical analysis of the Group's and the Bank's total customer deposits and other customer accounts is as follows:

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Cyprus	**5.511.864**	7.148.964	**5.511.864**	7.148.963
Greece	**- -**	614.592	**- -**	614.812
Russia	**1.408**	3.307	**- -**	- -
	5.513.272	7.766.863	**5.511.864**	7.763.775

28. DEFERRED TAX LIABILITY

Deferred taxation arises as follows:

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Losses from permanent establishment	**- -**	23.528	**- -**	23.528
Property revaluation differences and differences between depreciation and capital allowances	**4.379**	4.437	**2.522**	2.424
Other temporary differences	**27**	940	**8**	882
	4.406	28.905	**2.530**	26.834

Movement of Deferred taxation:

The Group

	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement-Discontinued operations	Balance 31 December
	2013 €´000	2013 €´000	2013 €´000	2013 €´000	2013 €´000
Losses from permanent establishment	23.528	- -	- -	(23.528)	- -
Property revaluation differences and differences between depreciation and capital allowances	4.437	102	(160)	- -	4.379
Other temporary differences	940	- -	(39)	(874)	27
	28.905	102	(199)	(24.402)	4.406

The Group

	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement-Discontinued operations	Balance 31 December
	2012 €´000	2012 €´000	2012 €´000	2012 €´000	2012 €´000
Losses from permanent establishment	25.302	- -	(883)	(891)	23.528
Property revaluation differences and differences between depreciation and capital allowances	6.220	(1.689)	(94)	- -	4.437
Other temporary differences	1.837	- -	23	(920)	940
	33.359	(1.689)	(954)	(1.811)	28.905

The Bank

	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement- Discontinued operations	Balance 31 December
	2013 €´000	2013 €´000	2013 €´000	2013 €´000	2013 €´000
Losses from permanent establishment	23.528	- -	- -	(23.528)	- -
Property revaluation differences and differences between depreciation and capital allowances	2.424	98	- -	- -	2.522
Other temporary differences	882	- -	- -	(874)	8
	26.834	98	- -	(24.402)	2.530

The Bank

	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement- Discontinued operations	Balance 31 December
	2012 €´000	2012 €´000	2012 €´000	2012 €´000	2012 €´000
Losses from permanent establishment	25.302	- -	(883)	(891)	23.528
Property revaluation differences and differences between depreciation and capital allowances	4.117	(1.693)	- -	- -	2.424
Other temporary differences	1.802	- -	- -	(920)	882
	31.221	(1.693)	(883)	(1.811)	26.834

29. OTHER LIABILITIES

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Retirement benefit plans	**4.917**	6.275	**4.917**	6.275
Fair value of derivatives (Note 34)	**16.103**	25.400	**16.113**	25.631
Accrued expenses	**4.447**	8.541	**3.909**	7.924
Liabilities of unit linked funds	**12.662**	12.588	**- -**	- -
Other accounts payable	**72.063**	64.167	**32.400**	18.809
	110.192	116.971	**57.339**	58.639

The Group operates plans for the provision of staff retirement benefits. The total number of staff employed in Cyprus is under collective agreements between the Cyprus Bankers Employers Association and the Cyprus Union of Bank Employees and participates in a defined contribution plan in Provident Funds. Under the agreement signed on 12 January 2012 between the Cyprus Bankers Employers Association and the Cyprus Union of Bank Employees, the employer pays, from 1st January 2012, a monthly contribution to the Provident Fund of 14% on the basic salary plus any automatic indexation. Other accounts payable for the Group and the Bank include provisions for pending litigation or cases subject to arbitration proceedings amounting to €1.069 thousand (2012: €2.023 thousand).

30. LOAN CAPITAL

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Tier 1 Capital				
Capital Securities	**- -**	17.436	**- -**	17.436
Non Cumulative Perpetual Capital Securities	**- -**	124.758	**- -**	126.382
Convertible Capital Securities 1	**124.758**	- -	**126.382**	- -
Convertible Capital Securities 2	**128.070**	- -	**128.070**	- -
	252.828	142.194	**254.452**	143.818
Tier 2 Capital				
Non Convertible Bonds 2016	**41.801**	62.683	**41.801**	62.683
Non Convertible Bonds 2018	**10.000**	10.000	**10.000**	10.000
Non Convertible Bonds 2019	**- -**	90.000	**- -**	90.000
	51.801	162.683	**51.801**	162.683
	304.629	304.877	**306.253**	306.501

Full details/terms of issue of the Bonds and Securities of the Bank are included in the Prospectus and the Supplementary Prospectuses of each issue.

Tier 1 Capital

For the purposes of the calculation of the capital base, the following Securities were considered as Tier 1 Capital until 1st November 2013 (see Note 43).

Capital Securities

The Capital Securities were perpetual securities with no maturity date. Under the terms of the issue (Prospectus dated 7 November 2003), the securities could, at the option of the Bank, be redeemed as a whole, at their nominal value together with any accrued interest on 18 April 2008 or on any subsequent interest payment date, as well as purchase Capital Securities, subject to the prior consent of the Central Bank of Cyprus.

The Capital Securities bore interest at floating rate reviewed at the beginning of each interest payment period and applicable to that period. The interest rate was equal to the base rate applicable at the beginning of each interest payment period plus 1,20%. For the period from 1 January 2013 to 18 April 2013 the interest rate was set at 6,95% annually. For the period from 18 April 2013 to 1 November 2013 the interest rate was set at 6,70% annually. If prior to any interest payment date, the Bank, at its discretion, found that the Capital Adequacy requirement as defined by the Central Bank was not met, or that the payment of interest would result in the Bank ceasing to meet the required Capital Adequacy, as defined by the Central Bank, then the Bank had the option to postpone the payment of the interest payments. In such case the interest payment would be made only at the date the Capital Securities were redeemed. In the deferred interest payments no interest would be paid.

The Capital Securities constituted direct, non secured subordinated liabilities of the Bank. The Capital Securities were listed on the Cyprus Stock Exchange.

Non Cumulative Perpetual Capital Securities (NCPCS)

The Capital Securities were perpetual securities with no maturity date. Under the terms of the issue (Prospectus dated 17 September 2010 and Supplementary Prospectus dated 8 December 2010), the Bank had the right, upon notice to the Holders, to redeem at par, together with any amounts payable, all but not part of the Non Cumulative Perpetual Capital Securities at 31 December 2015 or at any subsequent interest payment date. In addition, the Bank had the right, upon approval of the Central Bank of Cyprus, to temporarily reduce the nominal value of the securities, in case that the minimum capital requirements were not met as defined by the Central Bank of Cyprus. The nominal value of these securities could have been reset, after approval by the Central Bank of Cyprus, to its original value when the Bank would be able to meet the minimum capital adequacy ratios.

Furthermore, in accordance with the terms of issue, if before any interest payment date, the Bank, at its discretion, found that it failed to meet the relevant Capital Adequacy, as defined by the Central Bank of Cyprus and/or based on the creditworthiness and/or its financial position, or that the interest payment would lead to a failure of the Bank meeting the required Capital Adequacy, as defined by the Central Bank and/or adversely affected the reliability and/or its financial position in the foreseeable future, then the Bank had the option to cancel the payment of such interest. In such case, the Bank would give notice to the Trustee and the holders of not less than 10 working days before the reporting date. Cancellation of any interest payment could be made for an indefinite period in a non-cumulative basis. Cancellation of any interest payment could be made after the instructions from the Central Bank if the Central Bank believed that the Bank did not have sufficient capital adequacy and/or it affected the creditworthiness and/or the financial position of the Bank. Any cancellation of interest payment would be final and would no longer be payable.

The Non Cumulative Perpetual Capital Securities bore fixed interest rate of 6,25% for the whole period of issue and were listed on the Cyprus Stock Exchange.

Under the terms of issue, the holders could exercise their rights to convert into ordinary shares on 15-31 March, 15-30 June, 15-30 September and 15-31 December each year with the first conversion period being 15-31 December 2012 and last conversion period being 15-31 December 2020. In addition, according to the terms of the Prospectus dated 17 September 2010, if the shareholder decided to convert the Non Cumulative Capital Securities to ordinary shares, then the conversion price would be the average closing price of the share of the Bank at CSE during the closing of the last five (5) trading days prior to the share conversion period minus 20% with a minimum conversion price of €0,95. Note that the minimum conversion price had been adjusted under the provisions of A(7)(c) and (d) of the relevant Prospectus.

On 31 December 2012, the Bank collected applications for the conversion into ordinary shares of the Bank of 15.000.782 Non Cumulative Perpetual Capital Securities of nominal value €1,00. These shares are included in the issued share capital of the Bank and were listed for trading on 15 January 2013.

Pursuant to the Prospectus dated 30 September 2013 and based on the Restructuring and Capital Base Enhancement Plan (“Plan”) (see Note 43) it was decided amongst others:

- The issue of Convertible Capital Securities 1 (“CCS 1”) with total value of up to €126.382.231 to exchange all Non-Cumulative Capital Securities of Indefinite Duration (ISIN CY0141470118) issued by the Bank pursuant to the issue terms included in the Prospectus dated 17 September 2010 (“NCPCS”), based on the provisions of Article 5B.

- The issue of Convertible Capital Securities 2 (“CCS 2”) of a total value of €17.187.512 to exchange the Bonds due in 2016 (ISIN CY0140040110) issued under the issue terms of issuance of the Prospectus dated 11 May 2006, the Bonds due in 2018 issued on 1 September 2008, the Bonds due in 2019 (ISIN CY0140940111) issued on 11 March 2009 under the issuance terms of the Prospectus dated 18 May 2009, the Capital Securities (ISIN CY0048940114) issued on 18 April 2003 under the issuance terms of the Prospectus dated 7 November 2003 as well as to new investors for cash.

Both the issue of CCS 1 and CCS 2 was held alongside the voluntary proposal under the provisions of article 5B of Law 105(I)/2013 which amended the Restructuring of Financial Organizations Law (N.200(I)/2011).

On the 2nd of November 2013, all Non-Cumulative Convertible Capital Securities that were converted into CCS 1 and the Capital Securities that were converted into CCS 2 were automatically cancelled and the Bank ceased to have any obligations in respect of these.

For the purposes of calculation of the capital base, the following securities are considered as Tier 1 Capital.

Convertible Capital Securities 1 ("CCS 1")

The Convertible Capital Securities 1 are perpetual securities with no maturity date. Under the terms of their issue, they bear an annual fixed interest rate of 11% which is payable on a quarterly basis at the end of each Interest Payment period. Interest payment dates are set to be the 31st of March, 30th of June, 30th of September and 31st of December.

The Bank may, at its sole discretion, partially or fully cancel the interest payment on non-cumulative basis at any time considered necessary or desirable and for any reason, for an unlimited time period and without any restriction to the Bank.

The interest payment will be paid by the Available Distributable Items of the Bank.

Without this affecting the right of the Bank on cancelling the interest payment at its sole discretion, as mentioned above, the mandatory cancellation of the interest payment will apply in cases where:

(i) the Bank does not possess the necessary Available Distributable Items for such an interest payment on CCS 1, or
(ii) the Bank or the Group is in breach of applicable laws, regulations, requirements, guidelines and policies regarding the Bank's or the Group's capital requirements, or
(iii) there is a requirement by the Central Bank of Cyprus at its sole discretion, as the supervisory authority, to cancel all or part of an interest payment.

Interest cancellation will not constitute an event of default, will not impose any restrictions on the Bank and will not grant the right to CCS 1 holders to apply for the liquidation or resolution of the Bank. The Bank may use any cancelled interest payment without restrictions in order to fulfil its obligations, as they fall due.

The CCS 1 are unsecured and subordinated obligations of the Bank and at their issuance are classified as Tier I capital securities in accordance with the Directive of Capital Requirements and Large Exposures (as amended, revised or replaced) and any relevant European Union Directives and Regulations as applied in Cyprus or any other requirements that may apply.

The rights and claims of CCS 1 holders:
(i) are subordinated to the claims of the Bank's creditors, which are:
- depositors or other creditors whose claims are not subordinated to claims of the depositors,
- creditors whose claims are subordinated, except those whose claims rank pari passu with the claims of CCS 1 holders,
- bank bondholders that are classified as Capital Tier II (Tier 2), whose claims are subordinated,
- holders of securities that are issued or guaranteed by the Bank and ranked in higher priority than the CCS 1

(ii) Rank pari passu with the claims of other existing issues of the Bank (Capital Securities 2003 and NCPCS) and any other future bond and other securities issues of the Bank that are classified as Tier I, excluding ordinary shares.

(iii) They have priority only in respect of the Bank's shareholders.

Under the provisions of the Prospectus dated 30 September 2013 the Bank may, at its sole discretion, redeem, at par including accrued interest, excluding any cancelled interest, the total or part of the CCS 1, on 31 October 2018 or on any interest payment date after that date, provided that the financial situation and/or the solvency of the Bank and/or the Group are not adversely affected by such a redemption and after approval by the Central Bank of Cyprus or other competent supervisory authority. In case of redemption of part of the CCS 1, the redemption will apply for all holders of CCS 1 in proportion to the CCS 1 they hold.

The CCS 1 are also redeemable at the sole discretion of the Bank, during or after their issue (after approval of the Central Bank of Cyprus or other competent supervisory authority and given that events or conditions referred to in (i) or/and (ii) below, as applicable, could not reasonably be anticipated by the Bank at the time of the issue of CCS 1 and deemed by the Central Bank of Cyprus that such changes in (i) below are considered almost certain), in whole and not part of, at par including accrued interest not cancelled:

(i) where as a result of any change or proposed change in Laws or Regulations of the Republic of Cyprus, the relevant Directives, Regulations or Laws in relation to the Credit Institutions or change or proposed change in the application or official interpretation, the CCS 1 cease to be considered:

(a) Tier I Capital and/or

(b) appropriate funds for inclusion in the calculation of capital requirements as defined by Troika (as long as the Hellenic Bank or the Group is required to maintain Common Equity Tier I ratio equal to or greater than 9%).

(ii) if the Bank shall not be entitled to claim any deduction in the calculation of tax liabilities in Cyprus with respect to any interest payment on the next interest payment date or the amount of any deduction for the Bank would be greatly reduced.

All CCS 1 redeemed by the Bank will be cancelled and will not be reissued or resold. The Bank shall cease to have any obligations in regards to any CCS 1 that may be cancelled.

On 9 December 2013, in accordance with the above provisions, and at its sole discretion, the Bank announced the mandatory cancellation of the interest payment as a result of the inexistence of the required Available Distributable Items for such interest payment. The mandatory cancellation of interest payment will be valid unless the Bank informs the holders of the CCS 1 otherwise.

Any redemption of CCS 1 will be subject to prior approval from the Central Bank of Cyprus, as the supervisory authority and/or any other competent authority.

The CCS 1 will mandatorily and irrevocably be converted into ordinary shares, if any of the following occur:

(a) The Common Equity Tier 1 ratio of the Bank or the Group after 31st October 2013 or if this date is amended by the Central Bank of Cyprus, on this new date, decreases, or remains below 9% (as long as Hellenic Bank or the Group is required, by the Central Bank of Cyprus, to maintain its Common Equity Tier 1 ratio equal to or greater than 9%).

(b) The Common Equity Tier 1 ratio of the Bank or the Group at any time decreases or remains below the applicable percentage required, by the Central Bank of Cyprus, to be maintained by the Bank or the Group with maximum ratio of Common Equity Tier 1 of 9%.

(c) The Common Equity Tier 1 ratio of the Bank or the Group is decreased below 5,125%.

(d) If any Non Viability Event occurs for the Bank or the Group or the Bank may be subject to State Aid measures.

The conversion amount will be, as applicable, (i) the amount required to restore the Common Equity Tier 1 ratio of the Bank and/or the Group to 5,125% and/or to 9% (for the latter, as long as the Bank or the Group is required to maintain the Common Equity Tier 1 ratio equal to or greater than 9%) and/or the applicable ratio that is required, at any time, from the Central Bank of Cyprus with maximum ratio of Common Equity Tier 1 Capital of 9% or (ii) the amount required so that Hellenic Bank is considered viable by the Central Bank of Cyprus, in each case up to the entire nominal amount of CCS 1. Any conversion will apply pro rata to the outstanding balance of CCS 1.

The CCS 1 will be converted into new fully paid ordinary shares of Hellenic Bank at the "Mandatory Conversion Price", which will be equal to the higher of:

(i) the Mandatory Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,
(ii) the minimum conversion price of €0,10 and,
(iii) the nominal value of the Bank's ordinary shares.

The CCS 1 holders may voluntarily convert them into new fully paid ordinary shares of the Bank, at predetermined periods each year at the "Voluntary Conversion Price", which will be equal to the higher of:

(i) the Voluntary Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,
(ii) the minimum conversion price of €0,15 and,
(iii) the nominal value of the Bank's ordinary shares.

An amount of €1.624 thousand is eliminated on consolidation.

The CCS 1 are listed on Cyprus Stock Exchange.

Convertible Capital Securities 2 ("CCS 2")

The Convertible Capital Securities 2 are perpetual securities with no maturity date. Under the terms of their issue, they bear an annual fixed interest rate of 10% which is payable on a quarterly basis at the end of each Interest Payment period. Interest payment dates are set to be the 31st of March, 30th of June, 30th of September and 31st of December.

The Bank may, at its sole discretion, partially or fully cancel the interest payment on non-cumulative basis at any time considered necessary or desirable and for any reason, for an indefinite time period and without any restriction to the Bank.

The interest payment will be paid by the Available Distributable Items of the Bank.

Without this affecting the right of the Bank on cancelling the interest payment at its sole discretion, as mentioned above, the mandatory cancellation of the interest payment will apply in cases where:

(i) the Bank does not possess the necessary Available Distributable Items for such an interest payment on CCS 2, or
(ii) the Bank or the Group is in breach of applicable laws, regulations, requirements, guidelines and policies regarding the Bank's or the Group's capital requirements, or
(iii) there is a requirement by the Central Bank of Cyprus at its sole discretion, as the supervisory authority, to cancel all or part of an interest payment.

Interest cancellation will not constitute an event of default, will not impose any restrictions on the Bank and will not grant the right to CCS 2 holders to apply for the liquidation or resolution of the Bank. The Bank may use any cancelled interest payment without restrictions in order to fulfil its obligations, as they fall due.

CCS 2 were offered (the "CCS 2 Voluntary Conversion Proposal") to the holders of the following securities:
- Bonds due 2016 (ISIN CY0140040110), issued under the issuance terms of the Prospectus dated 11 May 2006,
- Bonds due 2018 issued on 1 September 2008,
- Bonds due 2019 (ISIN CY0140940111) issued on 11 March 2009 under the issuance terms included in the
- Prospectus dated 18 May 2009 and,
- Capital securities (ISIN CY0048940114) issued on 18 April 2003 under the issuance terms of the Prospectus dated 7 November 2003.

The CCS 2 are unsecured and subordinated obligations of the Bank and at their issuance are classified as Tier I capital securities in accordance with the Directive of Capital Requirements and Large Exposures (as amended, revised or replaced) and any relevant European Union Directives and Regulations as applied in Cyprus or any other requirements that may apply.

The rights and claims of CCS 2 holders:

(i) are subordinated to the claims of the Bank's creditors, which are:

- depositors or other creditors whose claims are not subordinated to claims of the depositors,
- creditors whose claims are subordinated, except those whose claims rank pari passu with the claims of CCS 2 holders,
- Bank bondholders that are classified as Capital Tier II (Tier 2), whose claims are subordinated,
- Holders of securities that are issued or guaranteed by the Bank and their rank is higher of the rank of CCS 2.

(ii) Rank pari passu with the claims of other existing issues of the Bank (Capital Securities 2003 and NCPCS) and any other future bond and other securities issues of the Bank that are classified as Tier I, with the exception of the ordinary shares.

(iii) They have priority only in respect of the Bank's shareholders.

Under the provisions of the Prospectus dated 30 September 2013 the Bank may, at its sole discretion, redeem, at par including accrued interest, excluding any cancelled interest, the total or part of the CCS 2, on 31 October 2018 or on any interest payment date after that date, provided that the financial situation and/or the solvency of the Bank and/or the Group are not adversely affected by such a redemption and after approval by the Central Bank or other competent supervisory authority. In case of redemption of part of the CCS 2, the redemption will apply for all holders of CCS 2 in proportion to the CCS 2 they hold.

The CCS 2 are also redeemable at the sole discretion of the Bank, during or after their issue (after approval of the Central Bank of Cyprus or other competent supervisory authority and given that events or conditions referred to in (i) or/and (ii) below, as applicable, could not reasonably be anticipated by the Bank at the time of the issue of CCS 2 and deemed by the Central Bank of Cyprus that such changes in (i) below are considered almost certain), in whole and not part of, at par including accrued interest not cancelled:

(i) where as a result of any change or proposed change in Laws or Regulations of the Republic of Cyprus, the relevant Directives, Regulations or Laws in relation to the Credit Institutions or change or proposed change in the application or official interpretation, the CCS 2 cease to be considered:

(a) Tier I capital and/or

(b) appropriate funds for inclusion in the calculation of capital requirements as defined by Troika (as long as the Hellenic Bank or the Group is required to maintain Common Equity Tier 1 ratio equal to or greater than 9%).

(ii) if the Bank shall not be entitled to claim any deduction in the calculation of tax liabilities in Cyprus with respect to any interest payment on the next interest payment date or the amount of any deduction for the Bank would be greatly reduced.

All CCS 2 redeemed by the Bank will be cancelled and will not be reissued or resold. The Bank shall cease to have any obligations in regards to any CCS 2 that may be cancelled.

On 9 December 2013, in accordance with the above provisions, and at its sole discretion, the Bank announced the cancellation of the interest payment as a result of inexistence of the required Available Distributable Items for such interest payment. The mandatory cancellation of interest payment will be valid unless the Bank informs the holders of the CCS 2 otherwise.

Any redemption of CCS 2 will be subject to prior approval from the Central Bank of Cyprus, as supervisory authority or/and any other competent authority.

The CCS 2 will mandatorily and irrevocably be converted into ordinary shares, if any of the following occur:

(a) The Common Equity Tier 1 ratio of the Bank or the Group after 31 October 2013 or if this date is amended by the Central Bank of Cyprus or other competent authority, after this new date, has decreased, or remained below 9% (as long as Hellenic Bank or the Group is required, by the Central Bank of Cyprus, to maintain its Common Equity Tier 1 ratio equal to or greater than 9%).

(b) the Common Equity Tier 1 ratio of the Bank or the Group at any time decreases or remains below the applicable percentage required, by the Central Bank of Cyprus, to be maintained by the Bank or the Group with maximum ratio of Common Equity Tier 1 of 9%.

(c) The Common Equity Tier 1 ratio of the Bank or the Group is decreased below 5,125%.

(d) If any Non Viability Event occurs for the Bank or the Bank may be subject to State Aid measures.

The conversion amount will be, as applicable, (i) the amount required to restore the Common Equity Tier 1 ratio of the Bank and/or the Group to 5,125% and/or to 9% (for the latter, as long as the Bank or the Group is required to maintain the Common Equity Tier 1 ratio equal to or greater than 9%) and/or the applicable ratio that is required, at any time, from the Central Bank of Cyprus with maximum ratio of Common Equity Tier 1 Capital of 9% or (ii) the amount required so that Hellenic Bank is considered viable by the Central Bank of Cyprus, in each case up to the entire nominal amount of CCS 2. Any conversion will apply pro rata to the outstanding balance of CCS 2.

The CCS 2 will be converted into new fully paid ordinary shares of Hellenic Bank at the “Mandatory Conversion Price”, which will be equal to the higher of:
(i) the Mandatory Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,
(ii) the minimum conversion price of €0,05 and,
(iii) the nominal value of the Bank’s ordinary shares.

The CCS 2 holders may voluntarily convert them into new fully paid ordinary shares of the Bank, at predetermined periods each year at the “Voluntary Conversion Price”, which will be equal to the higher of:
(i) the Voluntary Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,
(ii) the minimum conversion price of €0,15 and,
(iii) the nominal value of the Bank’s ordinary shares.

The CCS 2 are listed on Cyprus Stock Exchange.

Tier 2 Capital

For the purposes of the calculation of the Bank’s capital base, the following bonds are considered as Tier 2 Capital.

Non Convertible Bonds 2016

The 2016 Bonds were issued in three different series and will mature on the 1st of July 2016, irrespective of the date of issue. Under the terms of issue, (Prospectus dated 11 May 2006, Supplementary Prospectus dated 7 June 2006, Second Supplementary Prospectus dated 1 November 2006, Third Supplementary Prospectus dated 12 December 2006 and Fourth Supplementary Prospectus dated 5 April 2007), the Bank has the right to redeem the Bonds 2016 on any interest payment date after the 1st of July 2011. The Bonds which resulted from all issues are listed on the Cyprus Stock Exchange.

Bonds 2016 are not secured and in the event of the Bank’s liquidation their repayment follows in priority the claims of depositors and other creditors. They have, however, priority over shareholders and Capital Securities holders.

Bonds 2016 bear interest at a floating rate reviewed at the beginning of each interest payment period and applicable to that specific period. According to the Bonds’ terms of issue, if the Bonds were not redeemed by the Bank, the current interest rate was the 3-month Euribor plus 0,80% until the 1st of July 2011 and the 3-month Euribor plus 1,50% after the 1st of July 2011. Interest is payable quarterly in cash at the end of each interest period. For the period from the 1st of January 2013 to 31st March 2013 the interest rate was set at 1,69% per annum, for the period from the 1st of April 2013 to 30th June 2013 the interest rate was set at 1,71% per annum, for the period from the 1st of July 2013 to 30th September 2013 the interest rate was set at 1,72% per annum, while for the period from the 1st of October 2013 to 31st December 2013 the interest rate was set at 1,72% per annum.

With the absorption of the operations of Athena Cyprus Company Ltd on 28 June 2010, an amount of €854 thousand, which related to an investment of Athena Cyprus Public Company Ltd in Bonds 2016, had been undertaken by the Bank and is eliminated on consolidation.

Pursuant to the Prospectus, dated 30 September 2013 and upon completion of the Plan (see Note 43), among others, CCS 2 of total value of €20.881.785 were issued to exchange the Non-Convertible Bonds 2016 (ISIN CY0140040110), to the holders who had accepted the CCS 2 Voluntary Exchange Proposal.

On the 2nd of November 2013, all Non-Convertible Bonds 2016 that were converted into CCS 2 were automatically cancelled and the Bank ceased to have any obligations in respect of these.

Non Convertible Bonds 2018

On the 1st of September 2008, the Bank proceeded with the issue of Bonds 2018 amounting to €10.000.000. The Bonds have a maturity date of 31st August 2018 and form part of the Bank's Tier 2 Capital.

Interest on Bonds 2018 is payable in cash every three months, at the end of each interest period. Bonds 2018 bear interest at a floating rate equal to the 3-month Euribor rate applicable at the beginning of each interest period, plus 1,75%. Under the terms of issuance of the bond if the bonds were not redeemed by the Bank after the 1st of September 2013, they would bear an additional interest of 1%. Consequently the interest rate applicable subsequent to the 1st of September 2013 is equal to the 3-month Euribor plus 2,75%.

Bonds 2018 are not secured and in the event of the Bank's liquidation their repayment follows in priority the claims of depositors and other creditors. They have, however, priority over shareholders and Capital Securities holders. Bonds 2018 are not listed on the Cyprus Stock Exchange.

Non Convertible Bonds 2019

On 11 March 2009, the Bank proceeded with the issue of Bonds 2019 amounting to €90.000.000 with a 10-year duration and a nominal value of €100 each. The issue was placed to investors with a minimum amount of investment of €50.000, in accordance with the relevant provisions of the legislation, regulations and directives of the competent authorities. Under the terms of issue, (Prospectus dated 18 May 2009), Bonds 2019 bear interest equal to 3-month Euribor rate plus 4,60% until 11 March 2014. Subsequent to 11 March 2014, the Bonds 2019, had these not been redeemed by the Bank, they would bear an additional interest rate of 2%. Consequently, the interest rate applicable subsequent to the 11th of March 2014 and in the event of non redemption of Bonds 2019 by the Bank, would equal the applicable 3-month Euribor plus 6,60%.

The Bank, following approval by the Central Bank of Cyprus and after giving notice to the Commissioner and the holders of Bonds 2019 of no less than 30 and no more than 60 days, could redeem Bonds 2019 on the first interest payment date subsequent to the 11th of March 2014 and on any other subsequent interest payment date.

Bonds 2019 were listed on the Cyprus Stock Exchange.

The interest on the Bonds was payable quarterly in cash at the end of each period. The Bonds bore interest at the fixed rate of 7,50% for the first year and floating rate for the remaining periods until the end of the fifth year, equal to the 3-month Euribor applicable at the beginning of each interest period, plus 4,60%. For the period from the 1st of January 2013 to 31 March 2013 the interest rate was set at 4,79% per annum, for the period from the 1st of April

2013 to 30 June 2013 the interest rate was set at 4,81% per annum, for the period from the 1st of July 2013 to 31 December 2013 the interest rate was set at 4,82% per annum.

Pursuant to the Prospectus, dated 30 September 2013 and upon completion of the Restructuring and Capital Base Enhancement Plan ("Plan") (see Note 43), among others, Convertible Capital Securities 2 ("CCS 2") were issued of total value of €90.000.000 to exchange all of the non Convertible Bonds 2019 (ISIN CY0140940111) under the provisions of Article 5B.

On the 2nd of November 2013, all Non-Convertible Bonds 2019 that were converted into CCS 2 were automatically cancelled and the Bank ceased to have any obligations in respect of these.

All the titles that have resulted from the Plan are listed and traded on the Cyprus Stock Exchange.

31. SHARE CAPITAL

	The Group and the Bank			
	31 December 2013		31 December 2012	
	€´000	**No. of shares (thousand)**	€´000	No. of shares (thousand)
Authorised				
51.600 million shares of €0,01 each	**516.000**	**51.600.000**	- -	- -
1.200 million shares of €0,43 each	**- -**	**- -**	516.000	1.200.000

	The Group and the Bank			
	31 December 2013		31 December 2012	
	€´000	**No. of shares (thousand)**	€´000	No. of shares (thousand)
Issued				
Fully paid shares				
1 January	**266.466**	**619.689**	132.448	308.020
Transfer to the reduction of share capital reserve	**(260.269)**	**- -**	- -	- -
Issue of shares from exercise of Rights	**- -**	**- -**	127.228	295.879
Issue of shares from conversion of Non Convertible Capital Securities	**- -**	**- -**	6.790	15.790
Issue of new shares	**20.691**	**2.069.064**	- -	- -
Total issued share capital	**26.888**	**2.688.753**	266.466	619.689

The Extraordinary General Meeting of Hellenic Bank Public Company Ltd held on 24 April 2012 decided, as part of the Capital Enhancement Plan ("Plan 2012"), that the authorized capital of the Company be increased from €258.000.000 divided into 600.000.000 ordinary shares of nominal value €0,43 each to €516.000.000 divided into 1.200.000.000 ordinary shares of nominal value €0,43 each with the creation of 600.000.000 new ordinary shares of nominal value €0,43 each, which will rank pari passu with the existing ordinary shares.

At the same time, within the same framework, the issue and allocation of Rights was decided.

The ratio of the issue was one Right for each fully paid ordinary share held by the shareholders on the record date. The Bank's shareholders who were registered in the Central Depository/Registry of Shares of the Stock Exchange on 31 May 2012 had the right to participate in the rights issue.

According to the Plan 2012, every 2 Rights that were exercised were converted into 1 new share with nominal value of €0,43 at the subscription price of €0,43 per new share while bonus shares were issued and granted as fully paid in the ratio of 3 bonus shares for every 2 new shares arising from the exercise of the Rights.

The payment of bonus shares was completed by allocating the amount which equates to the total nominal value of the bonus shares that were issued from the share premium account of the Bank. By the end of the exercise period of the Rights and the subscription process on 11 July 2012, the Bank announced an increase of its share capital by €46,8 million and the issue of 271.894.576 new shares as follows:

- 68.038.027 shares resulted from the exercise of the Rights of the Company. The bonus shares that were allocated to the shareholders amounted to 102.055.722. The total number of shares issued from the exercise of rights was 170.093.749 shares.

- 40.720.347 shares resulted from the subscription for new shares that have resulted from the unexercised Rights. The bonus shares that were allocated to shareholders in the same ratio as above amount to 61.080.480. The total shares that were issued to investors who have applied for subscription amounted to 101.800.827 shares.

The trading of the 271.894.576 shares in the Cyprus Stock Exchange commenced on 31 July 2012.

Within the framework of the Plan 2012 and the relevant Prospectus, the Board of Directors of the Bank was entitled at any time, within 120 days from the last date of the exercise of Rights to proceed, either entirely or partially, to the disposal of all or part of the Rights that were not exercised by their Beneficiaries and were not covered via the Subscription Right. Any disposal of Indisposed Rights could be carried out at the sole discretion of the Board of Directors at the same or higher price than the exercise price of the new shares. Those investors were also allocated bonus shares in the ratio of three (3) fully paid bonus shares for every two (2) new shares which resulted from the exercise of the Rights. As a result of the above provisions, a total of 9.593.886 new shares were issued on 3rd of October 2012 and 5th of November 2012. The ex gratia shares that were granted to shareholders amounted to 14.390.826. The total number of shares issued, amounting to 23.984.712 were listed on the Cyprus Stock Exchange.

On 31 December 2012, holders of 15.000.782 Non-cumulative Perpetual Capital Securities of nominal value of €1,00 exercised the conversion right of the Non-cumulative Perpetual Capital Securities into ordinary shares of the Bank and hence 15.790.297 new shares were issued.

At the Extraordinary General Meeting of the shareholders of Hellenic Bank Public Company Ltd held on Wednesday, 14th of August 2013, within the framework of the Capital Enhancement Plan of the Group ("Plan 2013"), the following resolutions relating to the share capital were unanimously approved:

- That the authorized share capital of the Bank, which amounted to €516.000.000 and was divided into 1.200.000.000 ordinary shares of nominal value €0,43 each, as well as the issued share capital of the Bank, which amounted to €266.466.364,60 divided into 619.689.220 ordinary and fully paid shares of nominal value €0,43 each, be reduced to €12.000.000 divided into 1.200.000.000 ordinary shares of nominal value €0,01 each (authorized) and to €6.196.892,20 divided into 619.689.220 ordinary and fully paid shares of nominal value €0,01 each (issued) and that this reduction is carried out with the reduction of the nominal value of every ordinary share from €0,43 each to €0,01 each and the transfer of the difference that will emerge from the reduction to a reserve under the name "reserve from reduction of capital" pursuant to the provisions of article 64(1)(e) of the Companies' Law (Chapter 113). Following the aforementioned reduction, the authorized capital of the Bank will increase to €516.000.000, which will be divided into 51.600.000.000 ordinary shares of nominal value €0,01 each.

- That, provided that the above resolution is approved by the Court, the Board of Directors of the Bank is authorized to issue and allocate such number of shares of nominal value €0,01 each from the authorized share capital that will be available to the Bank after the capital increase to achieve raising of capital of total of €168.000.000 and to dispose it as follows:

(i) Shares of nominal value €0,01 each on a pro rata basis to existing shareholders of the Bank with a sale price per share (the "Disposal Price to the Shareholders") at the sole discretion of the Board of Directors, which will not be lower of the nominal value and that the aforementioned offer is expanded to the holders of Non-Cumulative Convertible Capital Securities of Indefinite Duration issued by the Bank based on the issue terms included in the Prospectus dated 17 September 2010 and pursuant to Paragraph 7(c) of the issue terms included in Part II of the

Prospectus dated 17 September 2010 of the Non Cumulative Convertible Capital Securities for the absorbance of capital of up to €168.000.000.

(ii) Any shares that will not be undertaken by the existing shareholders and holders of the Non Cumulative Convertible Capital Securities within the framework of the disposal mentioned above may be disposed by the Board of Directors at its sole discretion at a disposal price per share not lower than the "Disposal Price to the Shareholders".

On the 14th August 2013, the Nicosia District Court approved the special resolution for the reduction of the nominal value of the share capital and the resolution for increase of the authorized share capital.

On the 1st of November 2013 the Bank's Board of Directors completed the evaluation of the applications received within the framework of the Plan 2013, pursuant to the Prospectus dated 30 September 2013 and the implementation of the provisions of Article 5B of the Restructuring of Financial Organizations Law (N.200(I)/2011, as amended), securing capital of €358 million.

Specifically, the Board of Directors, pursuant to the Prospectus dated 30 September 2013, decided to issue the following titles:

1. Issue of 66.578.740 new shares of nominal value €0,01 each at the price of €0,05 each to the existing shareholders and the holders of the Non Cumulative Perpetual Capital Securities, who have submitted an application.

2. Issue of 2.002.485.731 new shares of nominal value €0,01 each at the price of €0,05 each to other investors.

A total number of 2.069.064.471 shares arising from the Plan have been listed and are traded on the Cyprus Stock Exchange.

At 31 December 2013, 2.688.753.691 fully paid shares were in issue, with a nominal value of €0,01 each (2012: 619.689.220 shares with a nominal value €0,43 each).

32. REVALUATION RESERVES

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Property revaluation reserve				
1 January	**36.241**	39.772	**32.952**	36.377
Deficit on revaluation of land and buildings	**- -**	(5.127)	**- -**	(5.064)
Deferred taxation on property revaluation	**(102)**	1.689	**(98)**	1.693
Transfer to revenue reserve	**(346)**	(93)	**(271)**	(54)
	35.793	36.241	**32.583**	32.952
Revaluation reserve of available for sale securities				
1 January	**973**	(13.165)	**1.680**	(11.966)
Revaluation of equity securities	**(86)**	(1.927)	**(86)**	(2.212)
Revaluation of debt securities	**4.523**	10.381	**4.040**	10.174
Amortisation of revaluation of reclassified debt securities	**131**	3.060	**131**	3.060
Transfer to the income statement on impairment of debt securities	**- -**	2	**- -**	2
Transfer to the income statement on impairment of equity securities	**604**	2.622	**604**	2.622
	6.145	973	**6.369**	1.680
Total revaluation reserves 31 December	**41.938**	37.214	**38.952**	34.632

The revaluation reserve of available for sale securities at 31 December 2013 consists entirely of revaluation to fair value gains.

33. CONTINGENT LIABILITIES AND COMMITMENTS

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Contingent liabilities				
Acceptances and endorsements	**771**	531	**771**	531
Guarantees	**229.974**	302.278	**229.974**	302.278
	230.745	302.809	**230.745**	302.809
Commitments				
Undrawn formal standby facilities	**502.870**	623.430	**502.870**	623.430
Undisbursed loan amounts	**63.622**	111.840	**63.603**	111.840
Other commitments	**8.857**	17.931	**8.857**	17.931
	575.349	753.201	**575.330**	753.201
	806.094	1.056.010	**806.075**	1.056.010

Capital Commitments

At 31 December 2013, the Group's and the Bank's commitments for capital expenditure, not recognised in the consolidated financial statements, amounted to €5.103 thousand (2012: €6.586 thousand).

34. DERIVATIVES

The Group uses the following derivative instruments:

Foreign currency forwards: represent agreements for the purchase or sale of foreign currencies settled at a future date.

Options: represent contracts for future purchase or sale, at a predetermined value of a financial "product", offering the right, but not the obligation, to one of the two parties to request by the other party the fulfilment of the agreement during a certain period of time or on a specific date.

Interest rate swaps: represent agreements where one stream of future interest payments is exchanged for another based on a predetermined notional amount and time periods.

	The Group		
	Nominal value	Fair value	
		Other assets	Other liabilities
	€´000	€´000	€´000
At 31 December 2013			
Foreign currency forwards	259.732	1.803	2.665
Options	38.004	226	226
Interest rate swaps	190.513	5.139	13.212
	488.249	7.168	16.103

	The Group		
	Nominal value	Fair value	
		Other assets	Other liabilities
	€´000	€´000	€´000
At 31 December 2012			
Foreign currency forwards	431.111	5.978	4.954
Options	52.812	380	380
Interest rate swaps	221.421	7.412	20.066
	705.344	13.770	25.400

	The Bank		
	Nominal value	Fair value	
		Other assets	Other liabilities
	€´000	€´000	€´000
At 31 December 2013			
Foreign currency forwards	259.732	1.808	2.675
Options	38.004	226	226
Interest rate swaps	190.513	5.139	13.212
	488.249	7.173	16.113

	The Bank		
	Nominal value	Fair value	
		Other assets	Other liabilities
	€´000	€´000	€´000
At 31 December 2012			
Foreign currency forwards	440.867	5.988	5.185
Options	52.812	380	380
Interest rate swaps	221.421	7.412	20.066
	715.100	13.780	25.631

35. HEDGE ACCOUNTING

The Group's policy is to hedge the risks arising from its exposure to fluctuations of interest rates, credit ratings and foreign exchange rates.

Fair value hedging

Interest rate swaps, where the Group exchanges fixed rate with floating rate of interest, are used as fair value hedges for fixed interest rate debt securities classified as available for sale.

The fair value of hedging instruments used for hedging interest rate risk is shown below:

	The Group and the Bank		
	Nominal value	Fair value	
		Other assets	Other liabilities
	€´000	€´000	€´000
At 31 December 2013			
Interest rate swaps with fixed interest rate payments	7.251	- -	776
At 31 December 2012			
Interest rate swaps with fixed interest rate payments	17.579	- -	1.808

36. CASH AND CASH EQUIVALENTS

	The Group		The Bank	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000
Cash and balances with Central Banks	**965.030**	1.009.283	**962.779**	1.007.661
Placements with other banks	**850.711**	1.624.991	**828.884**	1.599.575
	1.815.741	2.634.274	**1.791.663**	2.607.236

37. DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE BANK

According to the Cyprus Securities and Stock Exchange Regulations and in accordance with the requirements of the Directive DI190/2007/04 para. 4 of the Cyprus Securities and Exchange Commission, the Bank is required to disclose the percentage shareholdings in the Bank's share capital owned by members of the Board of Directors, their spouses, or/and relatives by blood up to first degree and companies in which they control directly and indirectly at least 20% of the voting rights at 31 December 2013 and the respective percentages of five (5) days prior to the date of approval of the financial statements by the Board.

	31 December 2013			21 March 2014		
	Direct participation	Indirect participation	**Total**	Direct participation	Indirect participation	**Total**
Dr A. P. Panayiotou	0,0095%	0,0002%	**0,0097%**	0,0108%	0,0004%	**0,0112%**
Dr A. G. Charitou	- -	- -	**- -**	- -	- -	**- -**
M. Keravnos	0,0035%	- -	**0,0035%**	0,0029%	- -	**0,0029%**
M. M. Michaelides	- -	- -	**- -**	- -	- -	**- -**
G. K. Pavlou	0,0056%	- -	**0,0056%**	0,0042%	- -	**0,0042%**
K. J. Koushos	- -	0,0016%	**0,0016%**	- -	0,0013%	**0,0013%**
Ch. P. Panayiotou	- -	- -	**- -**	- -	- -	**- -**
M. Pantelidou - Neophytou	0,0001%	- -	**0,0001%**	0,0001%	- -	**0,0001%**
I. Ch. Charilaou	0,0005%	- -	**0,0005%**	0,0005%	- -	**0,0005%**
I. A. Matsis	- -	- -	**- -**	- -	- -	**- -**
K. E. Georgiou	- -	0,0029%	**0,0029%**	- -	0,0156%	**0,0156%**
V. G. Komodromos	- -	- -	**- -**	- -	- -	**- -**
A. E. Yiangou	- -	- -	**- -**	- -	- -	**- -**

38. RELATED PARTY TRANSACTIONS

Members of the Board of Directors and connected persons

Connected persons include the spouse and minor children and companies in which directors hold, directly or indirectly, at least 20% of the voting rights at a general meeting.

	31 December 2013 €´000	31 December 2012 €´000
Loans and other advances to Members of the Board of Directors and their connected persons	**842**	21.139
Tangible securities	**1.326**	28.184
Deposits	**449**	2.341

Additionally, at 31 December 2013, there were contingent liabilities and commitments in respect of Members of the Board of Directors and their connected persons in the form of documentary credits, guarantees and unused limits amounting to €114 thousand which did not exceeded 1% of the Bank's net assets (December 2012: €14.826 thousand).

Interest income in respect of Members of the Board of Directors and their connected persons for the year ended 31 December 2013 amounted to €45 thousand (December 2012: €1.112 thousand), while interest expense in respect of Members of the Board of Directors and their connected persons amounted to €6 thousand (December 2012: €129 thousand).

Emoluments and fees of members of the Board of Directors

	31 December 2013 €´000	31 December 2012 €´000
Emoluments and fees of members of the Board of Directors:		
Emoluments and benefits in executive capacity	**486**	486
Employer's contributions for social insurance etc	**30**	33
Retirement benefits	**97**	86
Total emoluments for Executive Directors	**613**	605
Fees	**285**	301

Other transactions with members of the Board of Directors and related parties

On 2nd October 2013, Mr. Iacovos G. Iacovou submitted his resignation from the Board of Directors of the Bank.

Mr. Iacovos G. Iacovou, holds an indirect interest in the companies Iacovou Brothers (Constructions) Ltd and Iacovou Brothers Technical Constructions (Hellas) S.A.

On 13 July 2007 a sale contract was signed between the company Iacovou Brothers (Constructions) Ltd and Hellenic Bank Public Co Limited for the acquisition of a plot in Larnaca. The plot was transferred to Hellenic Bank Public Company Ltd on 19 December 2007 and on 11 January 2008 the amount of €769 thousand was paid to Iacovou Brothers (Constructions) Ltd in respect of the acquisition of the relevant plot. On the same date an agreement was signed with the same company for the construction of a five-floor building on the above-mentioned plot. The building includes a ground floor, a mezzanine and two underground parking spaces and is used for the operations of the Bank in Larnaca. The transaction was based on market values and the total amount in accordance to the agreement for the construction of the building and the agreement for additional work was €5.986 thousand including VAT and the cost of the plot. The construction of the building has been completed. During the period January – December 2013 €237 thousand (including VAT) was paid, being the amount of the final settlement between the Bank and the company Iacovou Brothers (Constructions) Ltd (January – December 2012: nil).

Key management personnel who are not Directors and their connected persons

Key management personnel are those persons who have the authority and the responsibility for the planning, management and control of the Banks' operations, directly or indirectly. The Group, according to the provisions of IAS 24 considers as key management personnel the General Managers of the Bank who were not Directors, the members of the Asset and Liability Committee (ALCO) as well as management personnel who refer directly to the Chief Executive Officer.

Connected persons include spouses, minor children and companies in which the key management personnel who were not Directors hold, directly or indirectly, at least 20% of the voting rights at a general meeting.

	31 December 2013 €΄000	31 December 2012 €΄000
Loans and other advances to Key management personnel who were not Directors and their connected persons	**523**	1.441
Tangible securities	**158**	948
Deposits	**6.210**	3.788

Emoluments of key management personnel of the Group
The emoluments of key management personnel are for the period they were not Directors

	31 December 2013 €΄000	31 December 2012 €΄000
Emoluments of key management personnel who were not Directors:		
Salaries and other short term benefits	**1.459**	1.411
Employer's contributions for social insurance etc	**158**	136
Retirement benefits	**198**	194
	1.815	1.741

In addition, on 31st December 2013, there were commitments to key management personnel who were not Directors and their connected persons amounting to €386 thousand (December 2012: €347 thousand).

Interest income in relation to key management personnel and their connected persons for the year ended 31st December 2013 amounted to €22 thousand (December 2012: €50 thousand), while interest expense in relation to key management personnel and their connected persons amounted to €141 thousand (December 2012: €151 thousand).

Shareholders and their connected persons

Pursuant to the provisions of IAS 24, related parties are considered, among others, the shareholders who have significant influence to the Bank or/and hold directly or indirectly more than twenty percent (20%) of the nominal value of the issued capital of the Bank.

Connected persons include the entities controlled by shareholders as they are defined above.

	31 December 2013 €΄000	31 December 2012 €΄000
Loans and other advances to Shareholders and their connected persons	**79.500**	81.552
Tangible securities	**88.870**	101.374
Deposits	**5.338**	16.261

In addition, on 31 December 2013, there were contingent liabilities and commitments in relation to Shareholders and related parties in the form of documentary credits, guarantees and unused limits amounting to €13.925 thousand (December 2012: €14.003 thousand).

Interest income in relation to Shareholders and connected persons for the year ended 31 December 2013 amounted to €5.657 thousand (December 2012: €5.096 thousand), while the corresponding interest expense amounted to €476 thousand (December 2012: €854 thousand).

Other transactions with Shareholders and related parties

During the year ended 31 December 2013, purchases of goods and services by shareholders as defined above, amounted to €0,4 million (December 2012: €0,5 million). In addition, the sales of insurance policies by the Group's subsidiary, Pancyprian Insurance Ltd, to shareholders as defined above, amounted to €0,5 million. A connected person of the Shareholders on 31 December 2013 had in its possession the Non-Convertible Bonds 2018 of the Bank amounting to €10 million. Bonds will expire on 31 August 2018 and are part of Tier 2 Capital of the Bank.

The 2018 Bonds are not secured and in case of dissolution of the Bank will follow in priority to claims of depositors and other creditors. However, they have priority over the rights of shareholders and holders of Capital Securities. The 2018 Bonds are not listed on the Cyprus Stock Exchange. The interest on the Bonds 2018 is payable every three months and will be paid in cash at the end of each period. The 2018 Bonds bear a floating interest rate equal to the Euribor 3-month rate applicable at the beginning of each interest period plus 2,75%.

On 31 December 2012 the Bank, owned equity securities in a connected person of the Shareholders of an amount €1.452 thousand. These securities were classified in the Available for sale category and were sold during 2013.

In addition, on 31 December 2013, a Shareholder and related persons held Convertible Capital Securities 1 ("CCS 1") amounting to €21,7 million as well as Convertible Capital Securities 2 ("CCS 2") amounting to €14,1 million. On 28 February 2014, Convertible Capital Securities 1 ("CCS 1") amounting to €14,7 million held by shareholders as defined above were mandatorily and irrevocably converted into shares, without any obligation to obtain the prior consent of the holders of the "CCS 1".

All transactions with members of the Board of Directors, key management personnel, Shareholders and their connected persons are at an arm's length basis. Regarding the key management personnel, facilities have been granted based on current terms as those applicable to the rest of the Group's personnel.

39. SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

According to the Cyprus Securities and Stock Exchange Regulations and pursuant to the requirements of the Directive DI190/2007/04 para. 4 of the Cyprus Securities and Exchange Commission, the following shareholders owned five percent or more of the nominal value of the Bank's issued share capital at 31 December 2013:

Wargaming Public Company Limited	29,75%
CPB FBO Third Point Hellenic Recovery Fund LP (CY)	29,75%
Demetra Investment Public Ltd	14,89%

Based on the requirements of the Directive DI190/2007/04 of the Cyprus Securities and Exchange Commission, the Bank is required to disclose the percentage of shareholder who held at least five percent of the nominal value of the issued capital, five (5) days prior to the date of approval of the financial statements by the Board.

Wargaming Public Company Limited	22,55%
CPB FBO Third Point Hellenic Recovery Fund LP (CY)	22,55%
Demetra Investment Public Ltd	11,64%
Holy Archbishopric and connected persons	7,15%

40. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the main factors that market participants would take into account in pricing a transaction.

Fair value of financial instruments

The table below presents the analysis of financial instruments measured at fair value on the basis of the three-level hierarchy by reference to the source of data used to derive the fair values. The levels of hierarchy of fair value are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Data other than quoted prices included within level 1 that is observable for the asset or liability, either directly or indirectly.
- Level 3: Data for the asset or liability that is not based on observable market data.

31 December 2013	Level 1	Level 2	Level 3	Total
	€´000	€´000	€´000	€´000
Financial assets				
Derivatives				
Foreign currency forwards	- -	1.803	- -	**1.803**
Options	- -	226	- -	**226**
Interest rate swaps	- -	5.139	- -	**5.139**
	- -	7.168	- -	**7.168**
Other financial assets held for trading				
Debt securities				
Government	- -	50	- -	**50**
Banks	47	268	- -	**315**
Other issuers	1.597	--	- -	**1.597**
Equity securities	527	--	- -	**527**
	2.171	318	- -	**2.489**
Investments available for sale				
Debt securities				
Government	57.983	2.304	--	**60.287**
Banks	100.271	--	8.860	**109.131**
Other issuers	22.338	--	2.021	**24.359**
Equity securities	942	--	6.874	**7.816**
	181.534	2.304	17.755	**201.593**
Total	**183.705**	**9.790**	**17.755**	**211.250**

31 December 2013	Level 1	Level 2	Level 3	Total
	€´000	€´000	€´000	€´000
Financial liabilities				
Derivatives				
Foreign currency forwards	- -	2.665	- -	**2.665**
Options	- -	226	- -	**226**
Interest rate swaps	- -	13.212	- -	**13.212**
	- -	16.103	- -	**16.103**
Total	- -	**16.103**	- -	**16.103**

31 December 2012	Level 1	Level 2	Level 3	Total
	€´000	€´000	€´000	€´000
Financial assets				
Derivatives				
Foreign currency forwards	- -	5.978	- -	**5.978**
Options	- -	380	- -	**380**
Interest rate swaps	- -	7.412	- -	**7.412**
	- -	13.770	- -	**13.770**
Other financial assets held for trading				
Debt securities				
Government	- -	39	- -	**39**
Banks	113	263	- -	**376**
Other issuers	1.497	- -	- -	**1.497**
Equity securities	557	- -	- -	**557**
	2.167	302	- -	**2.469**
Investments available for sale				
Debt securities				
Government	230.314	1.636	- -	**231.950**
Banks	134.519	- -	8.113	**142.632**
Other issuers	29.400	11.218	1.686	**42.304**
Equity securities	2.832	- -	6.923	**9.755**
	397.065	12.854	16.722	**426.641**
Total	**399.232**	**26.926**	**16.722**	**442.880**

31 December 2012	Level 1	Level 2	Level 3	Total
	€´000	€´000	€´000	€´000
Financial liabilities				
Derivatives				
Foreign currency forwards	- -	4.954	- -	**4.954**
Options	- -	380	- -	**380**
Interest rate swaps	- -	20.066	- -	**20.066**
	- -	25.400	- -	**25.400**
Total	**- -**	**25.400**	**- -**	**25.400**

The table below presents the analysis of financial instruments categorized at level 3 hierarchy:

	Level 3	
	2013	2012
	€΄000	€΄000
1 January	**16.722**	17.086
Losses recognised in consolidated income statement in the category ‘Net losses on disposal and revaluation of foreign currencies and financial instruments’	**347**	(618)
Repayments	**(718)**	(23)
Losses recognised in consolidated statement of comprehensive income	**1.404**	277
31 December	**17.755**	16.722

For the valuation at fair value of the investments in equity securities which are classified as Level 3, a valuation method based on the company's equity at which the investment in shares is held as well as estimates of the management of the Group have been used. Investments in debt securities, classified in Level 3, were valued using unobservable data that reflect however the assumptions that market participants would make to assess an asset or a liability, based on the best available information under current conditions.

41. SEGMENTAL ANALYSIS

For management purposes, during 2013, the Group was organized into four operating segments based on a combination of geographical areas and services, as follows:

- Cyprus banking and financial services - principally provided banking and financial services in Cyprus, including hire purchase, leasing, investment services, as well as trustee and factoring services.
- Cyprus insurance services - principally provided life and general insurance services in Cyprus.
- Greece - principally provided banking services through the Branch Network in Greece.
- Russia - principally provided banking services through the Branch Network in Russia.

Management monitors the operating results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss before taxation which is measured in the same manner as in the consolidated financial statements.

For each reportable segment, interest income is reported net of interest expense, since the majority of the segment’s revenues are from interest. Also, the chief operating decision-maker primarily relies on net interest revenue for assessing a segment’s performance and making decisions about resource allocation to segments.

Transfer prices between segments are on an arm's length basis in a manner similar to transactions with third parties.

Segmental reporting for Greece includes the results of the Branch Network in Greece whose operations were discontinued (see Note 13) as well as the results of the subsidiary Company of the Group in Greece Hellenic Insurance Agency Ltd.

The table below presents income, expenses, provisions, profit/(loss) and certain asset and liability information regarding the Group's operating segments.

41. SEGMENTAL ANALYSIS (continued)

	Cyprus				Greece		Russia		Intersegment transactions/balances		Total	
	Banking & Financial services		Insurance Services									
	2013 €΄000	2012 €΄000	**2013 €΄000**	2012 €΄000	**2013 €΄000**	2012 €΄000	**2013 €΄000**	2012 €΄000	**2013 €΄000**	2012 €΄000	**2013 €΄000**	2012 €΄000
Turnover	**397.985**	453.685	**21.209**	22.687	**10.266**	48.463	**2.879**	5.356	**(6.012)**	(16.737)	**426.327**	513.454
Net interest income	**186.363**	198.095	**1.620**	2.237	**3.163**	2.465	**922**	641	**- -**	- -	**192.068**	203.438
Net fees and commission income/(expense)	**58.547**	67.574	**(2.126)**	(2.687)	**693**	3.943	**86**	1.012	**(12)**	(5)	**57.188**	69.837
Net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments	**17.182**	11.249	**(278)**	(336)	**(137)**	297	**19**	1.710	**- -**	8.420	**16.786**	21.340
Other income	**1.857**	5.751	**16.972**	18.067	**754**	1.704	**(98)**	(87)	**(164)**	(1.649)	**19.321**	23.786
Staff costs	**(83.473)**	(86.045)	**(5.947)**	(6.179)	**(2.084)**	(14.886)	**(1.598)**	(1.836)	**- -**	- -	**(93.102)**	(108.946)
Depreciation of property, plant & equipment and amortisation of intangibles	**(5.229)**	(4.819)	**(154)**	(160)	**(113)**	(665)	**(534)**	(637)	**- -**	- -	**(6.030)**	(6.281)
Administrative and other expenses	**(46.860)**	(38.985)	**(2.540)**	(2.726)	**(2.290)**	(11.102)	**(2.021)**	(2.883)	**139**	1.656	**(53.572)**	(54.040)
Profit/(loss) from ordinary operations before provisions	**128.387**	152.820	**7.547**	8.216	**(14)**	(18.244)	**(3.224)**	(2.080)	**(37)**	8.422	**132.659**	149.134
Provisions for impairment of loans and advances	**(309.711)**	(102.435)	**(1.099)**	(1.139)	**6.260**	(58.782)	**- -**	- -	**- -**	- -	**(304.550)**	(162.356)
(Loss)/profit before taxation	**(181.324)**	50.385	**6.448**	7.077	**6.246**	(77.026)	**(3.224)**	(2.080)	**(37)**	8.422	**(171.891)**	(13.222)
Total assets	**6.670.684**	8.381.475	**86.976**	91.141	**8.360**	661.865	**43.677**	54.553	**(425.750)**	(433.333)	**6.383.947**	8.755.701
Total liabilities	**5.952.127**	7.646.045	**52.728**	62.665	**388.410**	973.107	**18.393**	22.387	**(426.532)**	(433.387)	**5.985.126**	8.270.817
Capital expenditure on property, plant & equipment and intangibles	**6.047**	43.797	**52**	62	**- -**	178	**73**	248	**- -**	- -	**6.172**	44.285

42. ECONOMIC ENVIRONMENT

Economic Environment and Group operations in Cyprus

The Cypriot economy has been adversely affected in recent years by the international financial crisis and the volatility in financial markets. During 2012 there was a significant reduction of the liquidity available for lending by the Cypriot financial institutions, mainly due to the financial instability which followed the crisis of Greece's public debt, including the impairment of Greek government bonds and the effects on the Cypriot economy. Moreover, the ability of the Republic of Cyprus to raise funding from the international financial markets was significantly limited after the downgrading of its credit ratings.

The Cyprus Government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund ("Troika"), for financial support. The negotiations resulted in an agreement to provide financial assistance to the Republic of Cyprus up to €10 billion at the Eurogroup on 25 March 2013 and established a macroeconomic adjustment program.

The economic adjustment program will address short-term and medium-term economic, fiscal and structural challenges faced by Cyprus. The main objectives of the program are:

1. to restore the soundness of the Cyprus banking sector and restore depositor and market confidence with a thorough restructuring and shrinking of financial institutions, by strengthening supervision and meeting the expected shortfall in funds, in accordance with the political agreement in the Eurogroup on 25 May 2013,

2. to continue the ongoing process of fiscal consolidation in order to correct the excessive deficit of the general government as soon as possible, particularly through measures to reduce current primary expenditure and by maintaining, in the medium term, fiscal consolidation, particularly through measures to increase the efficiency of public spending within a medium term fiscal framework, to enhance revenue collection and improve the functioning of the public sector, and

3. to implement structural reforms to support competitiveness and sustainable and balanced growth, allowing the correction of macroeconomic imbalances, particularly by reforming the system of automatic indexation and the removal of obstacles to the smooth functioning of services markets.

Then, the necessary procedures required for the formal approval by the Board of Directors of the European Stability Mechanism and the ratification by member states of the eurozone were completed. As a result of the completion of the above procedures, the release of the first instalment of the financing of the Republic of Cyprus followed under the provisions of the relevant Memorandum.

On 22 March 2013, the House of Representatives voted legislation imposing restrictive measures in respect of transactions carried out through banks operating in Cyprus which was set to force as of 28 March 2013. The extent and duration of restrictions is decided and revised by the Minister of Finance and the Governor of the Central Bank of Cyprus. The temporary restrictive measures on bank transactions and cash transactions included restrictions on cash withdrawals, cashing of cheques and restrictions on transferring money to other credit institutions in Cyprus and abroad. By a decree of the Minister of Finance on 28 February 2014, significant relaxations were made such as the removal of the maximum daily amount of cash withdrawal, the removal of the prohibition of termination of a fixed deposit before the specified maturity date and all exceptions in regards of this, the opening of a new account for a non existing customer under certain conditions as well a the increase of the current limit in respect to the transfer of money within the Republic, whatever the purpose, per private individual and legal entities.

On 29 March 2013, the Central Bank of Cyprus issued decrees concerning Laiki Bank and Bank of Cyprus, implementing measures for these two banks pursuant to the Resolution of Credit and Other Institutions Act of 2013.

Based on this decree, Laiki Bank was set under a resolution regime, based on a decision of the Resolution Authority. Mostly uninsured deposits and investments in subsidiaries outside Cyprus remained in Laiki Bank. The assets of Laiki Bank in Cyprus, the insured deposits and the funding from the Eurosystem have been transferred to Bank of Cyprus, with the compensation of shares issued by the Bank of Cyprus to Laiki Bank for the value of the net assets transferred. The percentage shareholding of Laiki Bank in Bank of Cyprus is 18% and in line with the updated Memorandum the voting rights should be allocated by the Administrator to an independent firm.

The process of recapitalization of Bank of Cyprus was completed in accordance with the relevant decrees of the Resolution Authority through "Rescue with Equity Instruments", i.e. partial conversion of uninsured deposits into shares. Also, holders of equity and debt instruments of the Bank of Cyprus on 29 March 2013 have contributed to the recapitalization of Bank of Cyprus by absorbing losses.

Following the positive results of the first and second quarterly assessment of the economic program of Cyprus by the Troika, during 2013, the Eurogroup approved the disbursement of the planned installment of financial assistance to Cyprus. The third assessment conducted early 2014 was also positive and the decision to release the next installment is directly connected with the process of privatization of semi-governmental organisations.

Within this framework, a new economic environment for Cyprus and for the banking industry in particular was formed. On 21 February 2014, under the twenty-seventh decree imposing restrictive measures on banking transactions in an emergency, there was a series of relaxations on the basis of the pre-agreed roadmap of relaxation of restrictive measures, as agreed between the Cyprus government and the Troika on 8 August 2013.

Based on the updated Memorandum of Understanding, which was announced on 6 November 2013, the minimum required regulatory Common Equity Tier 1 ratio increased from 8% to 9%. In addition, the Central Bank of Cyprus (CBC) after evaluating the current regulatory framework regarding the procedure for the granting of loans and advances, the process of asset impairment and provisions and the management of the collaterals of the provisions, started introducing a series of regulatory changes. A new directive on the granting of loans was issued in October 2013.

On 17 February 2014 a Directive covering loan impairment policy and procedures of recording provisions was issued by the CBC. This Directive is immediately applicable and disclosure requirements must be applied for the year 2013. At the same time, banks are required to submit by the end of March 2014 an action plan for the full implementation of the provisions of the Directive in the preparation of Financial Statements for the year 2014. In addition, until 30 June 2014 a gap analysis and an action plan for the implementation of the provisions of the International Financial Reporting Standard (IFRS) 9, which is under development and will replace IAS 39, must be submitted to the CBC.

Based on the updated Memorandum and after the successful recapitalization of the Bank by private funds (see note 43), Hellenic Bank must submit to the Central Bank of Cyprus, until the end of March 2014, a business plan covering a period up to the end of 2015.

On 29 November 2013, the international rating agency Standard & Poor’s upgraded the long-term credit rating of Cyprus by one notch, to B- from CCC+, maintaining stable prospects of the economy. In addition the rating agency has upgraded the short-term rating of Cyprus from C to B.

This is the first upgrade of the Cyprus economy from an international firm as of November 2010, when again the agency Standard & Poor’s downgraded for the first time the economy of Cyprus from A+ to A.

On 21 February 2014, the yields on ten-year Cyprus bonds, after the positive third assessment of the Cyprus program, retreated to a rate below 7%. It is the lowest point as of the 15^{th} of June 2011 when yields exceeded 7%, resulting in Cyprus exclusion from international markets.

As part of creating a European Banking Association and especially a Joint Supervisory Mechanism, stress tests are expected to be conducted to assess the resilience of financial institutions in the EU to adverse market developments. As a first phase for the conduct of these stress tests across Europe, an Asset Quality Review will be conducted. The tests to be conducted on banks, including Bank of Cyprus, the Cooperative Central Bank, Hellenic Bank and RCB, are aimed at ensuring consistency and comparability of results across all banks based on a common methodology and scenarios, and will be accompanied by a constant exercise of data presentation.

Regarding the minimum capital requirement, the baseline scenario would provide for a Common Equity Tier 1 ratio of 8% while the extreme scenario of 5,5%. At the same time, apart from the common set of risks, the competent authorities in each country are allowed to submit their banks to risks that have to do with the peculiarities of each country.

The methodology and scenarios are expected to be announced in April 2014 and the results of each bank at the end of October.

The European test is designed to provide supervisors, market participants and institutions with stable data to be tested and verified against the resilience of EU banks in adverse conditions.

Thus, the European Banking Authority will provide the competent authorities with stable and comparable methodology which will allow them to make a rigorous assessment of the resilience of banks under pressure.

The test was designed in coordination with the European Central Bank, which, in its preparation for the Single Supervisory Mechanism (SSM), conducts a comprehensive evaluation including risk assessment, assets quality control and stress testing.

The test will be conducted on a sample of 124 EU banks representing at least 50% of each national banking sector.

The resilience of EU banks will be evaluated for a three year period (2014 - 2016). Banks should set under pressure a common list of risks including credit risk, market risk and the risks of the state, securitization and financing costs.

The conduct of the test will involve close cooperation between the European Banking Authority and the competent authorities in each member state, including the ECB. Specifically, the European Authority will be responsible for coordinating the test in liaison with the ECB and for ensuring effective collaboration between internal and external supervisors.

Consequences of the recent developments

The changes made to the regulatory framework, the restrictions imposed on the movement of capital and in general the negative economic environment created have a negative impact on the Group's activities.

The uncertain economic situation in Cyprus, the limited liquidity for the granting of loans, the restructuring of the banking sector with consolidation measures in the case of Laiki Bank and Bank of Cyprus, and the imposition of restrictive measures in banking transactions combined with the current situation in the banking system and the ongoing economic recession, the inability of debtors of the Group to repay the amounts due to the Group, introduce additional uncertainty and subjectivity in the predictions of the Board of Directors and the Bank’s Management for the expected cash flows with respect to the assessment of the impairment of financial and non-financial assets.

The Board of Directors and the Bank’s Management have assessed whether any impairment is considered necessary for financial assets carried at amortized cost, by examining the economic situation and prospects of these assets at 31 December 2013. Allowances for impairment of trade receivables are determined using the model “loss events” required by the International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires the recognition of impairment losses on receivables arising from past events and does not allow the recognition of impairment losses that could result from future events, regardless of the likelihood of such future events.

Based on the assessment made, the Group recognized impairment losses as presented in these Financial Statements.

The Board of Directors and the Bank's Management are unable to predict all developments which could have an impact on the economy of Cyprus and the performance that the Group will have in the upcoming Asset Quality Review and stress test as mentioned above and consequently what effect, if any, these could have on future financial performance, cash flows, financial position of the Group and the Group's capital.

The Board of Directors and the Group's Management take measures to maintain the viability of the Group and the management of adverse effects on its operations which may result from the present business and economic environment.

43. RESTRUCTURING AND STRENGTHENING OF THE CAPITAL BASE PLAN

Following the completion of the due diligence test of loan portfolios of financial institutions operating in Cyprus, including Hellenic Bank, performed by the company Pacific Investment Management Company LLC (PIMCO), following the instructions of the Central Bank of Cyprus, the Central Bank of Cyprus has defined the capital needs of the financial institutions involved in the test and which, according to the Central Bank of Cyprus, should have been raised either from private sources or state aid with funds from Troika's Financial Sector Reform Program ("Program") that have already been committed.

According to the Central Bank of Cyprus and on the basis of the extreme scenario of PIMCO's due diligence and after the sale of the Branch Network in Greece, the capital need that the Bank was required to meet by 31 October 2013 was €294 million.

The Board of Directors of the Bank, at its meetings on 11 July 2013 and 18 July 2013, decided to enhance the capital base of the bank via a Restructuring and Capital Base Enhancement Plan ("Plan") with an aim of raising private funds to meet the amounts and structure set by the Plan to satisfy its capital needs.

The actions planned based on the Plan, included the increase of the authorized share capital of the Company, the reduction of the nominal value of the issued share capital, the transfer of the difference that emerged from the reduction to a special reserve account from the reduction of capital pursuant to the provisions of article 64(1)(e) of the Companies' Law (Chapter 113), the issue of new ordinary shares to the existing shareholders, to the holders of Non Cumulative Convertible Perpetual Capital Securities and to new investors, the issue of Convertible Capital Securities (CCS 1) which were offered for optional exchange to the holders of the Non Cumulative Convertible Perpetual Capital Securities and the issue of Convertible Capital Securities (CCS 2) which was offered for optional exchange to the holders of Capital Securities and to the bondholders of the Bank and to new investors.

For this purpose, at an Extraordinary General Meeting of the Shareholders of Hellenic Bank Public Company Limited held on Wednesday, 14th August 2013 which was attended, either by proxy or in person, by shareholders holding 51,77% of the issued share capital of the Bank, a series of resolutions was approved unanimously. These have been posted on the official website of the Bank (www.hellenicbank.com).

On the 1st of November 2013 the Bank's Board of Directors completed the evaluation of the applications received within the framework of the Restructuring and Capital Enhancement Plan, pursuant to the Prospectus dated 30 September 2013 and the implementation of the provisions of Article 5B of the Restructuring of Financial Organizations Law (N.200(I)/2011, as amended), securing capital of €358 million.

The capital raised by the Bank, despite the unfavourable conditions of the market and the prevailing uncertainty, exceeds by €64 million the imposed, by the extreme scenario of Pimco, capital shortfall of €294 million and form a Core Tier 1 Ratio of more than 9%, giving at the same time new boost and dynamic to the Group, securing its autonomous course.

Specifically, the Board of Directors, pursuant to the Prospectus dated 30 September 2013, decided to issue the following titles:

- Issue of 66.578.740 new shares of nominal value €0,01 each at the price of €0,05 per share to the existing shareholders and the holders of the Non Cumulative Convertible Perpetual Capital Securities (NCPCS), who have submitted an application.

- Issue of 2.002.485.731 new shares of nominal value €0,01 each at the price of €0,05 per share to other investors.

- Issue of Convertible Capital Securities 1 ("CCS 1") of total value of €126.382.231 to exchange all Non Cumulative Convertible Perpetual Capital Securities (ISIN CY0141470118) issued by the Bank pursuant to the issue terms included in the Prospectus dated 17 September 2010 (NCPCS), based on the provisions of Article 5B.

- Issue of Convertible Capital Securities 2 ("CCS 2") of total value of €90.000.000 to exchange all Bonds 2019 (ISIN CY0140940111) issued on 11 March 2009 and the terms of issue of which are included in the Prospectus dated 18 May 2009 based on the provisions of Article 5B.

- Issue of CCS 2 of total value of €17.187.512 to exchange all Capital Securities (ISIN CY0048940114) issued on 18 April 2003 and the terms of issue of which are included in the Prospectus dated 7 November 2003 based on the provisions of Article 5B.

- Issue of CCS 2 of total value of €20.881.785 to exchange Bonds 2016 (ISIN CY0140040110) issued pursuant to the terms of issue of the Prospectus dated 11 May 2006 based on the CCS 2 Voluntary Exchange Proposal.

- Issue of CCS 2 of total value of €750 to other investors.

On the 2nd of November 2013, all NCPCS were converted into CCS 1, the Bonds 2019, the Capital Securities and the Bonds 2016 whose holders participated in the voluntary conversion of CCS 2, were converted into CCS 2 and after the publication in two national newspapers they were automatically cancelled and the Bank ceased to have any obligations in respect of these.

All titles that have arisen from the Plan are listed and traded on the Cyprus Stock Exchange.

44. RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the management of Group´s capital.

Group Risk Management

The management and monitoring of all Group risks is centralised under a single division to which the following specialised risk management Departments report:

- Group Credit Risk Management
- Group Market and Liquidity Risks Management
- Group Operational Risks Management

These Departments report to the Group Risk Management Division, which is administratively independent from other units with executive authority and reports to the Board of Directors, through the Risk Management Committee, as well as to the Chief Executive Officer.

The Departments cover all risk aspects across the Group's operations and are intensively working towards the Bank fully conforming to the provisions of the Accord of Basel II as well as the Directives of the regulatory authorities. The basic aim of Management is the adoption of sophisticated methods and systems for the evaluation and management of risks undertaken by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer and/or other counterparty to a financial instrument fail to meet their contractual obligations. This risk principally arises from lending, trade finance activities and treasury operations. The management of credit risk is one of the most important chapters in the Group's operation and is essential for its long term soundness.

Group Credit Risk Management

Group Credit Risk Management is responsible for formulating the appropriate policies and procedures for detecting, evaluating and measuring credit risk, based on the strategic objectives of the Group as defined by the Board of Directors as well as the the economic and other developments in the local and international economy. During 2013, the Department actively participated in the crisis management after the March 2013 events with the active participation and coordination in the implementation/application of the new Directions of the Supervisory Authority under the provisions of the Memorandum of Understanding.

To ensure the effectiveness of credit risk management, there is a continuous assessment of the Group's credit policies and monitoring of the compliance of the relevant business lines with these policies. Group Credit Risk Management also issues directions to the various business lines based on the Group's risk appetite for specific market segments' operations, as well as specific banking products and, whenever considered necessary, restrictions/limits are set regarding the undertaking of additional credit risk.

To achieve continuous monitoring, detection and management/mitigation of credit risk, Group Credit Risk Management is responsible for assessing the composition, quality and performance of the credit portfolio of each business unit of the Group, in order to identify timely the problematic accounts and accounts that are possible to be problematic and to reduce the risk of potential losses. For high risk accounts, the Group Credit Risk Management provides suggestions for the provisioning for bad debts.

In order to protect the interests of the Group, the significant and/or sudden changes in the parameters that shape credit risks (world market developments, diversification of economic aggregates, credit ratings changes, reclassifications of countries etc) are identified and all necessary measures/implementation of actions within the framework of credit risk management are taken. Stress tests are conducted at regular time intervals, both in relation to the possible deterioration in asset quality as well as the possible impairment in the value of specific collaterals.

To achieve the above, sophisticated systems are employed to evaluate existing/potential borrowers' creditworthiness and to measure credit risk based on quantitative and qualitative criteria:

1. For the Retail sector, a credit risk assessment system is applied for the evaluation of the creditworthiness of customers and the measurement of credit risk (Credit Scoring). This system covers credit cards and other retail lending products.

2. For the Commercial and Corporate sectors, an internal credit rating system (Credit Rating) is applied which classifies companies into credit rating bands, thus assisting both in the assessment of the credit worthiness of a company and in the rationalisation of pricing requirements according to the risk undertaken, while taking into account each company's financial position and various qualitative criteria relating to the company as well as the market in which it operates.

3. For Treasury, there is a centralised management of exposures to countries, financial institutions and other counterparties. Limits are defined based on the Credit Limits Model, which is primarily based on the credit standing of the country and counterparty as determined by international credit assessment institutions while also taking into account their international classification regarding the assets and the country risk in which they are resident.

Exposure to credit risk

The comparative figures for the year ended 31 December 2012 include the results of the Branch Network in Greece:

	Loans and advances		**Placements with other banks**		**Debt securities**	
	2013 €´000	2012 €´000	**2013 €´000**	2012 €´000	**2013 €´000**	2012 €´000
Carrying amount	**3.563.949**	4.744.910	**921.719**	1.698.571	**645.465**	939.732
Individually impaired:						
Grade 2 (medium risk)	**- -**	- -	**- -**	- -	**- -**	10.291
Grade 3 (high risk)	**1.591.171**	1.219.417	**- -**	- -	**9.881**	- -
Provisions for impairment	**(763.829)**	(723.210)	**- -**	- -	**(1.277)**	(2.335)
Carrying amount	**827.342**	496.207	**- -**	- -	**8.604**	7.956
Of which term loans that were renegotiated	***398.539***	*150.006*	**- -**	- -	**- -**	- -
Past due but not impaired:						
Grade 1 (low risk)	**192.503**	593.427	**- -**	- -	**- -**	- -
Grade 2 (medium risk)	**409.130**	556.146	**- -**	- -	**- -**	- -
Grade 3 (high risk)	**41.539**	58.189	**- -**	- -	**- -**	- -
Carrying amount	**643.172**	1.207.762	**- -**	- -	**- -**	- -
Past due comprises:						
0-30 days	**127.391**	201.437	**- -**	- -	**- -**	- -
30-60 days	**116.026**	157.123	**- -**	- -	**- -**	- -
60-90 days	**95.307**	135.114	**- -**	- -	**- -**	- -
90 days+	**304.448**	714.088	**- -**	- -	**- -**	- -
Carrying amount	**643.172**	1.207.762	**- -**	- -	**- -**	- -
Of which term loans that were renegotiated	***247.259***	*437.396*	**- -**	- -	**- -**	- -
Neither past due nor impaired:						
Grade 1 (low risk)	**1.490.404**	2.400.243	**921.719**	1.698.571	**636.861**	931.776
Grade 2 (medium risk)	**647.666**	701.240	**- -**	- -	**- -**	- -
Grade 3 (high risk)	**21.753**	28.149	**- -**	- -	**- -**	- -
Carrying amount	**2.159.823**	3.129.632	**921.719**	1.698.571	**636.861**	931.776
Of which term loans that were renegotiated	***717.023***	*748.666*	**- -**	- -	**- -**	- -
Balances after individual impairment	**3.630.337**	4.833.601	**921.719**	1.698.571	**645.465**	939.732
Collective impairment	**(66.388)**	(88.691)	**- -**	- -	**- -**	- -
Total carrying amount	**3.563.949**	4.744.910	**921.719**	1.698.571	**645.465**	939.732

Impaired investment securities

Represent investments in debt securities for which there is objective evidence of impairment as a result of one or more events occurring subsequent to the initial recognition of the investment. These events include significant financial difficulty of the issuer, default in interest or principal payments and increase in the probability of bankruptcy or financial reorganisation of the borrower.

Net loans in Cyprus, with terms that were renegotiated are analyzed below:

	2013	2012
	Cyprus €´000	Cyprus €´000
Trade	**135.676**	127.345
Construction and Real Estate	**564.255**	528.071
Manufacturing	**58.625**	53.999
Tourism	**92.607**	123.844
Other sectors	**304.840**	229.860
Retail	**206.818**	193.887
	1.362.821	1.257.006

The financial effects of collateral held relating to loans with terms that were renegotiated for the Group, at 31 December 2013 amounted to €1.298 million (2012: €1.173 million).

Concentration of credit risk

The Group monitors concentration of credit risk by sector and by geographic location.

The concentration by geographic location for loans and advances to customers is measured based on the geographical position of the debtor. The concentration by geographic location for investments and deposits with other banks is based on the geographical location of the risk country of the issuer of the security and counterparty respectively.

The analysis of concentration of credit risk at the reporting date is shown below:

	Advances to customers		Deposits with other banks		Investments in bonds	
Concentration by sector:	**2013 €´000**	2012 €´000	**2013 €´000**	2012 €´000	**2013 €´000**	2012 €´000
Carrying amount	**3.563.949**	4.744.910	**921.719**	1.698.571	**645.465**	939.732
Businesses	**3.078.881**	3.928.177	**--**	--	**--**	--
Individuals	**1.315.285**	1.628.634	**--**	--	**--**	--
Banks	**--**	--	**921.719**	1.698.571	**216.166**	293.578
Government	**--**	--	**--**	--	**394.649**	584.715
Other	**--**	--	**--**	--	**35.927**	63.774
	4.394.166	5.556.811	**921.719**	1.698.571	**646.742**	942.067
Provisions for impairment	**(830.217)**	(811.901)	**--**	--	**(1.277)**	(2.335)
	3.563.949	4.744.910	**921.719**	1.698.571	**645.465**	939.732

Businesses in the above table include manufacturing industries, trade, construction and property companies, manufacturing companies and other companies as disclosed in Note 17.

	Advances to customers		Deposits with other banks		Investments in bonds	
Concentration by geographical area:	**2013 €´000**	2012 €´000	**2013 €´000**	2012 €´000	**2013 €´000**	2012 €´000
Carrying amount	**3.563.949**	4.744.910	**921.719**	1.698.571	**645.465**	939.732
Eurozone	**4.213.241**	5.281.779	**280.558**	511.335	**476.332**	543.783
Other European countries	**170.002**	259.480	**558.641**	1.011.867	**82.248**	157.763
America	**701**	1.185	**76.154**	79.660	**82.881**	234.942
Oceania	**--**	1	**622**	844	**--**	--
Asia	**331**	722	**4.337**	93.734	**--**	--
Middle East	**3.762**	3.959	**1.387**	1.125	**5.281**	5.579
Africa	**6.129**	9.685	**20**	6	**--**	--
	4.394.166	5.556.811	**921.719**	1.698.571	**646.742**	942.067
Provisions for impairment	**(830.217)**	(811.901)	**--**	--	**(1.277)**	(2.335)
	3.563.949	4.744.910	**921.719**	1.698.571	**645.465**	939.732

At 31 December 2013 the analysis of debt securities by Moody's credit rating is as follows:

	Debt Securities	
	2013 €´000	2012 €´000
Aaa	**197.534**	416.720
Aa1	**17.266**	15.158
Aa2	**--**	10.314
Aa3	**10.045**	3.537
A1	**20.278**	45.621
A2	**--**	6.068
A3	**5.003**	19.244
Baa1 to B3	**64.523**	403.603
Ca	**45**	111
Caa1 & Caa2	**--**	18.972
Caa3	**330.519**	--
Unrated	**252**	384
	645.465	939.732

During 2013, the Cypriot Government Bonds were downgraded from a rating of B3 at 31 December 2012 to a rating of Caa3 at 31 December 2013.

Analysis of loan portfolio from banking services according to transaction performance status as at 31 December 2013

Table A

	Total credit facilities	Performing credit facilities: Non restructured credit facilities	Restructured credit facilities	Total	Non performing credit facilities
	€´000	€´000	€´000	€´000	€´000
1. Credit facilities to corporate legal entities	1.786.625	522.379	382.091	904.470	882.155
Construction	537.774	48.062	132.510	180.572	357.202
Wholesale and retail trade, repair of motor vehicles and motorcycles	311.664	163.285	43.730	207.015	104.649
Accommodation and food service activities	217.128	60.784	32.878	93.662	123.466
Real Estate Activities	213.605	62.463	43.814	106.277	107.328
Manufacturing	137.086	82.066	17.901	99.967	37.119
Other sectors	369.368	105.719	111.258	216.977	152.391
2. Credit facilities to retail legal entities	1.147.058	391.345	205.712	597.057	550.001
Wholesale and retail trade, repair of motor vehicles and motorcycles	381.135	155.522	39.428	194.950	186.185
Construction	279.430	38.109	57.281	95.390	184.040
Real Estate Activities	116.485	25.125	38.478	63.603	52.882
Manufacturing	114.377	48.375	27.388	75.763	38.614
Accommodation and food service activities	64.133	22.808	13.394	36.202	27.931
Other sectors	191.498	101.406	29.743	131.149	60.349
3. Credit facilities to private individuals	1.456.103	688.488	192.280	880.768	575.335
Credit facilities for the purchase/construction of immovable property:	729.297	413.766	81.445	495.211	234.086
(a) Owner occupied	644.823	370.025	74.392	444.417	200.406
(b) For other purposes	84.474	43.741	7.053	50.794	33.680
Consumer loans	444.473	149.945	68.263	218.208	226.265
Credit cards	39.308	28.520	- -	28.520	10.788
Current accounts	91.126	42.059	- -	42.059	49.067
Credit Facilities to sole traders	151.899	54.198	42.572	96.770	55.129
4. Total facilities (1+2+3)	4.389.786	1.602.212	780.083	2.382.295	2.007.491
Provisions	825.853	34.100	21.308	55.408	770.445

Analysis of loan portfolio from banking services on the basis of loan origination date as at 31 December 2013
Table B

	Total Loans			Credit facilities to legal entities			Credit facilities to private individuals for the purchase/ construction of immovable property			Credit facilities to private individuals – other loans		
	Total credit facilities	Non performing credit facilities	Provisions	Total credit facilities	Non performing credit facilities	Provisions	Total credit facilities	Non performing credit facilities	Provisions	Total credit facilities	Non performing credit facilities	Provisions
Loan origination date:	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**	**€´000**
Within 1 year	232.432	46.522	21.946	165.103	36.645	15.287	11.586	198	239	55.743	9.679	6.420
1 - 2 years	266.136	70.660	28.143	162.003	52.828	18.904	35.954	1.878	679	68.179	15.954	8.560
2 - 3 years	445.533	153.045	45.253	273.687	99.629	28.261	69.300	8.800	2.588	102.546	44.616	14.404
3 - 5 years	870.118	384.833	149.242	528.568	278.593	106.033	172.620	40.293	12.961	168.930	65.947	30.248
5 - 7 years	1.333.353	706.088	231.454	943.373	519.410	139.753	288.629	129.620	55.760	101.351	57.058	35.941
7 - 10 years	504.436	262.781	99.995	318.948	185.407	63.655	117.555	38.864	11.630	67.933	38.510	24.710
Over 10 years	737.778	383.562	249.820	542.001	259.644	158.049	33.653	14.433	5.243	162.124	109.485	86.527

Credit facilities to private individuals for the purchase/construction of immovable property include facilities for owner occupation or for other purposes.
Credit facilities to private individuals - other loans include all other credit facilities granted to private individuals.

Loan origination date is defined as the contractual loan origination date for each account, either new or restructured.

Group's exposure in countries of the Eurozone, the European Union and other countries with high credit risk

The Group closely monitors developments in the international markets so that any measures needed to reduce credit risk are promptly taken.

The monitoring of exposure in countries of high risk is centralized through systems that fully and on an ongoing basis cover all material exposures to these countries such as interbank placements, debt securities, other investments, etc. Also, maximum acceptable levels are specified according to the rankings of the countries and taking into account their credit ratings, political, economic and other factors.

For the classification of a country as "High Risk" country, the credit ratings of the countries, the bond implied ratings which incorporate information about credit spreads of government bonds as well as other available financial data of the countries, are primarily considered.

Some of the debt securities listed in the table below, based on the three level hierarchy depending on the significance of the inflows used to determine fair value, are classified in Level 2 and 3.

The analysis of concentration of credit risk in countries of the Eurozone, the European Union and other countries with high credit risk at the reporting date is shown below:

At 31 December 2013	Cyprus	Greece	Ireland	Italy	Spain	Hungary	Slovenia	Egypt	Ukraine	Total
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	**€´000**
Assets held for trading										
Government Bonds										
Book value (fair value)	50	- -	- -	- -	- -	- -	- -	- -	- -	**50**
Bank Bonds										
Book value (fair value)	- -	23	- -	- -	- -	- -	22	- -	- -	**45**
Derivatives										
Book value (fair value)	1.340	- -	- -	- -	- -	- -	- -	- -	- -	**1.340**
Assets classified as loans and receivables										
Government bonds										
Book value (amortised cost)	328.165	- -	- -	- -	- -	- -	- -	- -	- -	**328.165**
Fair value	275.024	- -	- -	- -	- -	- -	- -	- -	- -	**275.024**
Deposits in other banks										
Book value (amortised cost)	42.908	454	- -	328	936	445	- -	- -	- -	**45.071**
Fair value	42.908	454	- -	328	936	445	- -	- -	- -	**45.071**
Advances to customers										
Book value (amortised cost)	3.456.901	11.537	1.195	1.953	34	113	3	414	5.278	**3.477.428**
Accumulated impairment	(710.643)	(25.498)	(828)	(3)	- -	- -	- -	- -	(1.377)	**(738.349)**
Fair value	3.456.901	11.537	1.195	1.953	34	113	3	414	5.278	**3.477.428**
Assets held for sale										
Government Bonds										
Nominal value	2.545	- -	- -	- -	- -	- -	- -	- -	- -	**2.545**
Book value (fair value)	2.304	- -	- -	- -	- -	- -	- -	- -	- -	**2.304**
Accumulated amount of the fair value reserve	(300)	- -	- -	- -	- -	- -	- -	- -	- -	**(300)**
Bank bonds										
Nominal value	256	- -	10.000	4.000	- -	- -	- -	- -	- -	**14.256**
Book value (fair value)	256	- -	8.604	3.794	- -	- -	- -	- -	- -	**12.654**
Accumulated impairment	- -	- -	(1.277)	- -	- -	- -	- -	- -	- -	**(1.277)**
Accumulated amount of the fair value reserve	- -	- -	- -	(204)	- -	- -	- -	- -	- -	**(204)**
Other bonds										
Nominal value	- -	3.060	- -	- -	- -	- -	- -	- -	- -	**3.060**
Book value (amortised cost)	- -	2.021	- -	- -	- -	- -	- -	- -	- -	**2.021**
Accumulated amount of the fair value reserve	- -	(1.044)	- -	- -	- -	- -	- -	- -	- -	**(1.044)**
Total book value	3.831.924	14.035	9.799	6.075	970	558	25	414	5.278	**3.869.078**

At 31 December 2012	Cyprus	Greece	Ireland	Italy	Spain	Portugal	Hungary	Slovenia	Total
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	**€´000**
Assets held for trading									
Government Bonds									
Book value (fair value)	39	- -	- -	- -	- -	- -	- -	- -	**39**
Bank Bonds									
Book value (fair value)	- -	10	- -	- -	- -	- -	- -	103	**113**
Derivatives									
Book value (fair value)	2.029	- -	- -	- -	- -	- -	- -	- -	**2.029**
Assets held to maturity									
Government Bonds									
Nominal Value	15.000	- -	- -	- -	- -	- -	- -	- -	**15.000**
Book value (amortised cost)	15.320	- -	- -	- -	- -	- -	- -	- -	**15.320**
Fair value	13.075	- -	- -	- -	- -	- -	- -	- -	**13.075**
Other bonds									
Nominal value	- -	10.000	- -	- -	- -	- -	- -	- -	**10.000**
Book value (amortised cost)	- -	9.981	- -	- -	- -	- -	- -	- -	**9.981**
Fair value	- -	9.865	- -	- -	- -	- -	- -	- -	**9.865**
Assets classified as loans and receivables									
Government bonds									
Book value (amortised cost)	330.696	- -	- -	- -	- -	- -	- -	- -	**330.696**
Fair value	209.756	- -	- -	- -	- -	- -	- -	- -	**209.756**
Deposits in other banks									
Book value (amortised cost)	44.208	3.093	- -	418	555	- -	42	- -	**48.316**
Fair value	44.208	3.093	- -	418	555	- -	42	- -	**48.316**
Advances to customers									
Book value (amortised cost)	3.981.824	578.638	1.701	2.030	64	6	131	5	**4.564.399**
Accumulated impairment	(375.353)	(336.511)	(315)	- -	- -	- -	- -	- -	**(712.179)**
Fair value	3.981.824	578.638	1.701	2.030	64	6	131	5	**4.564.399**
Assets held for sale									
Bank bonds									
Nominal value	256	- -	10.000	4.000	- -	- -	- -	- -	**14.256**
Book value (fair value)	256	- -	7.856	3.578	- -	- -	- -	- -	**11.690**
Accumulated impairment losses	- -	- -	(1.985)	- -	- -	- -	- -	- -	**(1.985)**
Accumulated amount of the fair value reserve	- -	- -	- -	(419)	- -	- -	- -	- -	**(419)**
Other bonds									
Nominal value	- -	13.028	- -	- -	- -	- -	- -	- -	**13.028**
Book value (amortised cost)	- -	9.366	- -	- -	- -	- -	- -	- -	**9.366**
Accumulated amount of the fair value reserve	- -	(3.673)	- -	- -	- -	- -	- -	- -	**(3.673)**
Total book value	4.374.372	601.088	9.557	6.026	619	6	173	108	**4.991.949**

Market and Liquidity Risks

Group Market and Liquidity Risk Management

The Assets and Liabilities Management Committee (ALCO) is responsible for implementing the policy of the Bank's Board of Directors towards the risks and profitability arising from the Group's assets and liabilities. Group Market and Liquidity Risk Management is responsible for the monitoring and management of Group market and liquidity risks within the framework of risk policies and limits defined by ALCO.

The Group's approach towards market and liquidity risk management is to concentrate these risks for all Group business units under the Group Treasury Department. The Group Treasury Department manages risks using a framework of activities and limits approved by ALCO. Group Risk Management is responsible for developing policies and procedures for managing the risks and for the daily monitoring of their implementation. These policies and procedures are reviewed at regular time intervals and are approved by ALCO.

Liquidity Risk

Liquidity risk is the risk of decrease in profits or capital, arising from a weakness of the Bank to meet its immediate obligations, without incurring additional costs. The Group's approach in managing liquidity risk is to ensure, to the extent possible (considering that the main role of the Bank as an intermediary is to accept short term deposits and grant long term loans), that there is adequate liquidity in order to satisfy its obligations, when they arise, under "normal" circumstances as well as under stress conditions, without the Group incurring any additional costs.

The Group currently has operations mainly in Cyprus and in Russia. The management of the liquidity of the Group's banking units (including compliance with regulatory limits), is undertaken by the Group Treasury Department and is locally effected depending on the conditions prevailing in the various markets.

The Group places emphasis on the maintenance of stable customer deposits, as they represent one of its basic funding sources. This is mainly achieved through the maintenance of good and long standing relationships of trust with customers and through competitive and transparent pricing strategies.

Regular stress testing scenarios are performed to simulate extreme conditions and the appropriate measures are taken whenever necessary.

The liquidity risk of banking units is monitored daily by Group Market and Liquidity Risk Management. At Group level, the liquidity of the euro is being monitored separately, as well as the liquidity of all foreign currencies lumped together.

In managing liquidity risk for the euro, the Group calculates and monitors, among other ratios, the liquid assets ratio required by the Central Bank Directive on Prudential Liquidity in Euro. According to the Directive, the liquid assets ratio of the Bank should always be equal to or greater than 20%. Liquid assets comprise of cash, interbank deposits and bonds.

The liquid assets ratio for the euro was as follows:

	2013	2012
	%	%
At 31 December	**28,86**	23,06
Average for the year	**24,52**	22,61
Maximum percentage for the year	**28,92**	27,51
Minimum percentage for the year	**20,54**	18,60

At Group level, the liquidity of all foreign currencies is being monitored on an aggregate basis. According to the relevant Directive of the Central Bank of Cyprus on Prudential Liquidity in foreign currency, the Bank needs to maintain 70% of its total foreign currency deposits in highly liquid assets.

The liquid assets ratio in foreign currency was as follows:

	2013	2012
	%	%
At 31 December	**77,17**	80,54
Average for the year	**76,85**	77,28
Maximum percentage for the year	**80,90**	83,13
Minimum percentage for the year	**73,04**	70,21

The ratio is calculated based on items expressed in all foreign currencies other than euro.

The tables below present the undiscounted cash flows of the Group's liabilities based on their remaining contractual maturity dates.

Analysis of financial liabilities based on their remaining contractual maturity at 31 December 2013

	Carrying amount	Gross nominal (inflow)/ outflow	On demand	Within three months	Between three months and one year	Between one and five years	Over five years
	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Financial liabilities							
Deposits by banks	**47.362**	47.506	33.650	4.822	9.030	- -	4
Customer deposits and other customer accounts	**5.513.272**	5.534.157	2.701.593	1.670.687	1.018.079	143.798	- -
Derivatives	**16.103**						
- Cash inflows		(131.768)	- -	(131.768)	- -	- -	- -
- Cash outflows		134.409	- -	134.409	- -	- -	- -
Taxation payable	**5.265**	5.265	5.265	- -	- -	- -	- -
Deferred tax liability	**4.406**	4.406	- -	- -	- -	2.767	1.639
Other liabilities	**94.089**	94.079	71.842	11.974	6.238	2.769	1.256
Loan capital	**304.629**	307.916	- -	86.130	789	54.043	166.954
	5.985.126	5.995.970	2.812.350	1.776.254	1.034.136	203.377	169.853

Analysis of financial liabilities based on their remaining contractual maturity at 31 December 2012

	Carrying amount	Gross nominal (inflow)/ outflow	On demand	Within three months	Between three months and one year	Between one and five years	Over five years
	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Financial liabilities							
Deposits by banks	**46.706**	48.032	46.809	1.223	- -	- -	- -
Customer deposits and other customer accounts	**7.766.863**	7.816.118	3.577.069	2.353.212	1.549.058	336.779	- -
Derivatives	**25.400**						
- Cash inflows		(148.739)	(1.740)	(133.837)	(13.162)	- -	- -
- Cash outflows		153.658	1.745	138.499	13.414	- -	- -
Taxation payable	**6.495**	6.495	6.495	- -	- -	- -	- -
Deferred tax liability	**28.905**	28.905	- -	- -	- -	175	28.730
Other liabilities	**91.571**	91.571	59.418	17.171	6.370	4.554	4.058
Loan capital	**304.877**	390.837	- -	3.833	10.990	126.577	249.437
	8.270.817	8.386.877	3.689.796	2.380.101	1.566.670	468.085	282.225

The assets of the Group which are considered liquid according to the instructions of the Central Bank of Cyprus for the calculation of Prudential Liquidity in Euro and in Foreign Currency at 31 December are as follows:

	2013 €´000	2012 €´000
Cash and balances with Central Banks	**1.003.020**	1.078.257
Deposits with other banks	**805.461**	1.536.825
Investments in bonds	**448.746**	542.422
Investment in shares	**882**	2.034
	2.258.109	3.159.538

The comparative figures for the year ended 31 December 2012 do not include the results of the Branch Network in Greece.

Besides the amount of €61.843 thousand (2012: €58.126 thousand) which has been pledged as collateral on deposits with other banks, being common practice among financial institutions (see note 16), there are no other pledged assets.

In addition, the Group has the ability to raise liquidity through the mechanisms of the European Central Bank.

Market Risks

Market risks are derived from the change in the value of the Group's assets and liabilities and the uncertainty in the stream of future earnings, resulting from changes in market conditions (volatility in foreign exchange, interest rates and stock exchange prices).

The Group has defined its strategy and methods of continuous monitoring for the control of market risk undertaking and the prudential management of these risks. More specifically, this is achieved mainly through the implementation of open position and stop loss limits.

The table below presents the distribution of assets and liabilities that are subject to market risk between trading and non-trading portfolios:

	The Group			The Bank		
	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
	€´000	€´000	€´000	€´000	€´000	€´000
31 December 2013						
Assets subject to market risk						
Cash and cash equivalents	1.815.741	- -	1.815.741	1.791.663	- -	1.791.663
Derivatives	7.168	7.168	- -	7.173	7.173	- -
Derivatives held for risk management	- -	- -	- -	- -	- -	- -
Placements with other banks	921.719	- -	921.719	898.457	- -	898.457
Loans and advances to customers	3.563.949	- -	3.563.949	3.554.502	- -	3.554.502
Investment securities	653.808	2.489	651.319	657.096	2.489	654.607

	The Group			The Bank		
	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
	€´000	€´000	€´000	€´000	€´000	€´000
31 December 2013						
Liabilities subject to market risk						
Derivatives	15.327	15.327	- -	15.337	15.337	- -
Derivatives held for risk management	776	- -	776	776	- -	776
Deposits	5.560.634	- -	5.560.634	5.559.222	- -	5.559.222
Loan capital	51.801	- -	51.801	51.801	- -	51.801
Subordinated loan capital	252.828	- -	252.828	254.452	- -	254.452

	The Group			The Bank		
	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
	€´000	€´000	€´000	€´000	€´000	€´000
31 December 2012						
Assets subject to market risk						
Cash and cash equivalents	2.634.274	- -	2.634.274	2.607.236	- -	2.607.236
Derivatives	13.770	13.770	- -	13.780	13.780	- -
Derivatives held for risk management	- -	- -	- -	- -	- -	- -
Placements with other banks	1.698.571	- -	1.698.571	1.665.144	- -	1.665.144
Loans and advances to customers	4.744.910	- -	4.744.910	4.733.332	- -	4.733.332
Investment securities	950.044	2.469	947.575	959.106	2.469	956.637

	The Group			The Bank		
	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
	€´000	€´000	€´000	€´000	€´000	€´000
31 December 2012						
Liabilities subject to market risk						
Derivatives	23.592	23.592	- -	23.823	23.823	- -
Derivatives held for risk management	1.808	- -	1.808	1.808	- -	1.808
Deposits	7.813.569	- -	7.813.569	7.810.459	- -	7.810.459
Loan capital	162.683	- -	162.683	162.683	- -	162.683
Subordinated loan capital	142.194	- -	142.194	143.818	- -	143.818

Foreign Exchange Risk

It arises from the undertaking of an open position in one or more foreign currencies. Group Market and Liquidity Risk Management monitors foreign currency positions on an ongoing basis within the risk management framework and limits set by the Assets and Liabilities Management Committee (ALCO) and the regulatory authority. Within this framework, there are nominal limits (by currency, in total, during the day, end of day), gain/loss limits and Value at Risk (VaR) limits. The regulatory limits for open positions during working hours exceed the limits for open positions during non-working hours.

VaR methodology is an important tool for the monitoring of foreign exchange risk. With this methodology, the Group calculates the maximum possible loss that may be incurred as a result of changes in market conditions, with a confidence level of 99% and over a one day period, based on the historical data of foreign exchange rate parities over a period of one year.

The table below presents VaR figures for the Group's foreign exchange risk:

	2013 **€΄000**	2012 €΄000
At 31 December	**10**	6
Average for the year	**11**	4
Maximum amount for the year	**24**	90
Minimum amount for the year	**1**	2

The limitations of the VaR methodology are derived from the fact that the historical data used in the calculation may not be indicative of future events.

Analysis of assets and liabilities by currency at 31 December 2013

	Euro	US Dollar	British pound	Rouble	Other currencies	Total
	€´000	€´000	€´000	€´000	€´000	**€´000**
Assets						
Cash and balances with Central Banks	996.742	2.336	1.580	2.199	163	**1.003.020**
Placements with other banks	71.093	696.525	90.746	35.428	27.927	**921.719**
Loans and advances to customers	3.217.325	125.914	5.608	1.816	213.286	**3.563.949**
Debt securities	435.268	200.499	9.698	- -	- -	**645.465**
Equity securities	5.880	2.463	- -	- -	- -	**8.343**
Property, plant and equipment	113.669	- -	- -	9.993	- -	**123.662**
Intangible assets	18.251	- -	- -	614	- -	**18.865**
Tax receivable	40	- -	- -	35	- -	**75**
Deferred tax asset	23.967	- -	- -	730	- -	**24.697**
Other assets	66.184	7.525	14	190	239	**74.152**
Total assets	4.948.419	1.035.262	107.646	51.005	241.615	**6.383.947**
Liabilities						
Deposits by banks	43.713	3.440	72	4	133	**47.362**
Customer deposits and other customer accounts	4.175.768	1.143.736	107.546	51.042	35.180	**5.513.272**
Tax payable	5.265	- -	- -	- -	- -	**5.265**
Deferred tax liability	2.767	- -	- -	1.639	- -	**4.406**
Other liabilities	97.046	10.031	- -	211	2.904	**110.192**
	4.324.559	1.157.207	107.618	52.896	38.217	**5.680.497**
Loan capital	304.629	- -	- -	- -	- -	**304.629**
Equity						
Share capital	26.888	- -	- -	- -	- -	**26.888**
Reserves	367.600	- -	- -	- -	- -	**367.600**
Equity attributable to owners of the parent company	394.488	- -	- -	- -	- -	**394.488**
Non-controlling interest	4.333	- -	- -	- -	- -	**4.333**
	398.821	- -	- -	- -	- -	**398.821**
Total liabilities and equity	5.028.009	1.157.207	107.618	52.896	38.217	**6.383.947**
Total position	(79.590)	(121.945)	28	(1.891)	203.398	
Nominal value of currency derivatives	85.264	120.809	- -	(4.435)	(201.638)	
Net currency position	5.674	(1.136)	28	(6.326)	1.760	

Analysis of assets and liabilities by currency at 31 December 2012

	Euro	US Dollar	British pound	Rouble	Other currencies	**Total**
	€´000	€´000	€´000	€´000	€´000	**€´000**
Assets						
Cash and balances with Central Banks	1.089.143	2.319	1.240	1.730	188	**1.094.620**
Placements with other banks	67.810	1.349.175	112.754	101.731	67.101	**1.698.571**
Loans and advances to customers	4.168.959	214.542	4.566	27.599	329.244	**4.744.910**
Debt securities	517.470	384.000	38.262	- -	- -	**939.732**
Equity securities	7.563	2.749	- -	- -	- -	**10.312**
Property, plant and equipment	134.202	- -	- -	12.276	- -	**146.478**
Intangible assets	18.236	- -	- -	767	- -	**19.003**
Tax receivable	40	- -	- -	- -	- -	**40**
Deferred tax asset	15.956	- -	- -	1.274	- -	**17.230**
Other assets	70.285	11.983	5	1.694	838	**84.805**
Total assets	6.089.664	1.964.768	156.827	147.071	397.371	**8.755.701**
Liabilities						
Deposits by banks	19.869	22.941	3.896	- -	- -	**46.706**
Customer deposits and other customer accounts	5.169.790	2.244.987	152.801	134.203	65.082	**7.766.863**
Tax payable	6.495	- -	- -	- -	- -	**6.495**
Deferred tax liability	27.065	- -	- -	1.840	- -	**28.905**
Other liabilities	98.839	13.441	90	462	4.139	**116.971**
	5.322.058	2.281.369	156.787	136.505	69.221	**7.965.940**
Loan capital	304.877	- -	- -	- -	- -	**304.877**
Equity						
Share capital	266.466	- -	- -	- -	- -	**266.466**
Reserves	215.259	- -	- -	- -	- -	**215.259**
Equity attributable to owners of the parent company	481.725	- -	- -	- -	- -	**481.725**
Non-controlling interest	3.159	- -	- -	- -	- -	**3.159**
	484.884	- -	- -	- -	- -	**484.884**
Total liabilities and equity	6.111.819	2.281.369	156.787	136.505	69.221	**8.755.701**
Total position	(22.155)	(316.601)	40	10.566	328.150	
Nominal value of currency derivatives	23.305	313.568	(183)	(9.513)	(327.177)	
Net currency position	1.150	(3.033)	(143)	1.053	973	

Interest Rate Risk

It arises as a result of timing differences on the interest rate repricing of assets and liabilities.

Interest rate risk is initially managed through the monitoring of the interest rate gaps by currency, by time interval and in total (gap analysis).

Group Market and Liquidity Risk Management monitors interest rate positions on a continuous basis, within the risk management framework and limits set by the Assets and Liabilities Management Committee (ALCO).

Analysis of assets and liabilities based on their contractual repricing or maturity dates at 31 December 2013

	Non interest bearing	Within one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
	€´000	€´000	€´000	€´000	€´000	€´000	**€´000**
Assets							
Cash and balances with Central Banks	38.149	964.871	- -	- -	- -	- -	**1.003.020**
Placements with other banks	19.151	882.568	20.000	- -	- -	- -	**921.719**
Loans and advances to customers	- -	2.783.648	464.625	295.930	19.547	199	**3.563.949**
Debt securities	- -	54.966	98.421	78.503	242.024	171.551	**645.465**
Equity securities	8.343	- -	- -	- -	- -	- -	**8.343**
Property, plant and equipment	123.662	- -	- -	- -	- -	- -	**123.662**
Intangible assets	18.865	- -	- -	- -	- -	- -	**18.865**
Tax receivable	75	- -	- -	- -	- -	- -	**75**
Deferred tax asset	24.697	- -	- -	- -	- -	- -	**24.697**
Other assets	74.152	- -	- -	- -	- -	- -	**74.152**
Total assets	307.094	4.686.053	583.046	374.433	261.571	171.750	**6.383.947**
Liabilities							
Deposits by banks	- -	43.058	4.304	- -	- -	- -	**47.362**
Customer deposits and other customer accounts	- -	3.663.932	859.836	977.576	11.928	- -	**5.513.272**
Tax payable	5.265	- -	- -	- -	- -	- -	**5.265**
Deferred tax liability	4.406	- -	- -	- -	- -	- -	**4.406**
Other liabilities	110.192	- -	- -	- -	- -	- -	**110.192**
	119.863	3.706.990	864.140	977.576	11.928	- -	**5.680.497**
Loan capital	253.607	- -	51.022	- -	- -	- -	**304.629**
Total liabilities	373.470	3.706.990	915.162	977.576	11.928	- -	**5.985.126**
Total position	(66.376)	979.063	(332.116)	(603.143)	249.643	171.750	**398.821**
Nominal value of interest rate derivatives	- -	- -	67.082	4.000	(64.082)	(7.000)	**- -**
Net position	(66.376)	979.063	(265.034)	(599.143)	185.561	164.750	**398.821**

Analysis of assets and liabilities based on their contractual repricing or maturity dates at 31 December 2012

	Non interest bearing	Within one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
	€´000	€´000	€´000	€´000	€´000	€´000	**€´000**
Assets							
Cash and balances with Central Banks	37.063	1.057.557	- -	- -	- -	- -	**1.094.620**
Placements with other banks	38.339	1.618.882	34.311	7.039	- -	- -	**1.698.571**
Loans and advances to customers	- -	3.373.187	791.465	509.585	63.910	6.763	**4.744.910**
Debt securities	- -	113.522	195.442	118.553	501.576	10.639	**939.732**
Equity securities	10.312	- -	- -	- -	- -	- -	**10.312**
Property, plant and equipment	146.478	- -	- -	- -	- -	- -	**146.478**
Intangible assets	19.003	- -	- -	- -	- -	- -	**19.003**
Tax receivable	40	- -	- -	- -	- -	- -	**40**
Deferred tax asset	17.230	- -	- -	- -	- -	- -	**17.230**
Other assets	84.805	- -	- -	- -	- -	- -	**84.805**
Total assets	353.270	6.163.148	1.021.218	635.177	565.486	17.402	**8.755.701**
Liabilities							
Deposits by banks	- -	46.706	- -	- -	- -	- -	**46.706**
Customer deposits and other customer accounts	- -	4.767.346	1.383.095	1.457.665	158.757	- -	**7.766.863**
Tax payable	6.495	- -	- -	- -	- -	- -	**6.495**
Deferred tax liability	28.905	- -	- -	- -	- -	- -	**28.905**
Other liabilities	116.971	- -	- -	- -	- -	- -	**116.971**
	152.371	4.814.052	1.383.095	1.457.665	158.757	- -	**7.965.940**
Loan capital	- -	17.436	162.682	- -	- -	124.759	**304.877**
Total liabilities	152.371	4.831.488	1.545.777	1.457.665	158.757	124.759	**8.270.817**
Total position	200.899	1.331.660	(524.559)	(822.488)	406.729	(107.357)	**484.884**
Nominal value of interest rate derivatives	- -	73.420	24.885	22.255	(123.928)	3.368	**- -**
Net position	200.899	1.405.080	(499.674)	(800.233)	282.801	(103.989)	**484.884**

In addition to monitoring interest rate gaps, interest rate risk management is carried out mainly by monitoring the sensitivity of the Group's economic value (assets and liabilities) and net interest income under various interest rate change scenarios. The ALCO Committee is regularly informed about the magnitude of interest rate risk and makes decisions for the management of the risk based on this information. Scenario calculations for interest rate changes considering both parallel and non-parallel shifts of the yield curve. Additionally, analyses based on stress testing scenarios are also performed.

The table below presents the impact on net interest income and economic value from reasonably possible changes in interest rates:

	Net Interest Income	**Net Present Value**
2013	**€'000**	**€'000**
+100 basis points	**26.568**	**(10.601)**
-100 basis points[1]	**(26.568)**	**10.601**

	Net Interest Income	Net Present Value
2012	€'000	€'000
+100 basis points	36.200	3.937
-100 basis points[1]	(36.200)	(3.937)

(Note 1: Under the current circumstances, interest rate reduction by 100 basis points is theoretical since market interest rates in most currencies in which the Group holds a position are at very low levels.)

Price Risk

It is derived from the undertaking of an open position in equities, bonds or derivatives. The Group manages this risk through policies and procedures of setting and monitoring open position limits, stop loss limits on trading positions, as well as concentration limits by issuer.

The table below presents the impact on financial results and own funds (including the impact from changes in net profits) from reasonably possible changes in equity prices which are traded on stock exchanges:

	2013		2012	
	Net profits	**Own Funds**	Net profits	Own Funds
	€'000	**€'000**	€'000	€'000
+15% change in index	**79**	**141**	84	425
-15% change in index	**(79)**	**(141)**	(84)	(425)

Operational risk

Operational risks are the risks of direct or indirect losses arising from a wide range of factors associated with procedures, staff, technology and infrastructure as well as external factors, such as those arising from legal requirements and compliance with laws and regulations.

The Group has adopted the principles and provisions set out in the guidelines of the Directives of the Central Bank of Cyprus, the European Union, Basel II and the Committee for European Banking Supervisors (CEBS).

The Group has developed a strong framework for the management of operational risks, taking into account the risk appetite and tolerance for operational risk. The annual insurance coverage held by the Group, which is regarded as an effective tool for mitigating operational risks, is also being considered.

The Group Operational Risk Management, together with the business lines, is responsible for the identification, detection, measurement, assessment, monitoring, control, mitigation of risk exposures and potential risks, aiming for an effective management of risks. The Group Operational Risk Management informs on regular intervals the Management and Board of Directors of the risks the Group faces.

The «Risk Control Self Assessment» project is being implemented where departments, with the cooperation of the Group Operational Risk Management, identify and assess potential risks. Internal integrated controls and measures for monitoring risks are also assessed. After the assessment, collection of Basic Risk Indicators is agreed for the monitoring of the identified risks.

An internal system for the recording of operational risks and events related to operational risks has been developed and is implemented. Events recorded are related to losses, errors, near misses and system failures or interruptions.

Generally, risk management is done by the various business lines of the Group in their day to day activities.

Other means used include labs, control lists, internal and external audit reports, basic risk indicators and the risk record's register. Meetings and discussions with colleagues in various departments are held, as well as internal controls that are embedded in the daily operations of departments are also being carried out.

Great importance is also given on management of procedures, staff training, setting of limits, design of contingency plans and recovery of operations and in general in adapting a culture of managing of operational risks in the whole Group.

Capital management

The lead regulator that sets and monitors capital requirements for the Group is the Central Bank of Cyprus. The Central Bank of Cyprus adopt in its supervisory role the recommentations of the Basel Committee and the European Union directives on banking issues.

The Directive of the Central Bank of Cyprus to credit institutions for the purpose of harmonization with the European Union Directives on the Calculation of Capital Requirements and Large Exposures of 2007 to 2011 (Basel II) was in force until 31 December 2013. As of 1st January 2014, the provisions of the New Legislation/Directive of the European Central Bank concerning the minimum requirements for credit institutions (Capital Requirement Regulation (CRR)/Capital Requirement Directive (CRD IV)) dated 26 June 2013 have been put into effect. For certain provisions of the New Legislation/Directive, the Central Bank of Cyprus has the ability to determine the context of the requirements (Discretions) and has consulted with all credit institutions as well as with quantitative impact studies, where considered appropriate, in order to take the final decision on the exercise of these discretions. Up to the date of the Financial Statements for the year ended 31 December 2013 we have not been informed in respect of this by the Central Bank of Cyprus and the Bank is not able to accurately assess how the new legislation will diversify the capital requirements of the Bank and the Group.

Basel II comprises of three Pillars:

- Pillar 1 – Minimum capital requirements
- Pillar 2 – Supervisory review process
- Pillar 3 – Market discipline

Pillar 1 – Minimum capital requirements

Pillar 1 sets forth the guidelines for calculating the minimum capital requirements to cover the credit risk, the market risk and the operational risk.

The Group has at first adopted the Standardised Approach for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighed using specific weights, depending on the class the exposures belong to and their credit rating. Also, Basel II suggests two methods for the recognition of collateral, the Simple Approach and the Comprehensive Approach. The Group has applied the Comprehensive Approach, as this enables the fairer recognition and more accurate estimation of the Group's collateral.

Regarding market risk, the Group has adopted the Standardised Approach, according to which the minimum capital requirement is estimated by adding together the interest rate, equity and debt securities position, foreign exchange and derivatives using predefined models.

The Group uses the Basic Indicator Approach for the calculation of the capital requirements for operational risk, according to which, the operational risk capital requirement is estimated using a specific percentage on the average sum of gross income on a three year basis.

Pillar 2 – Supervisory review process

Pillar 2 includes rules to ensure that adequate capital is in place to support any risk exposures of the Group and requires appropriate risk management, reporting and governance policies. Under Pillar 2, the Bank conducts stress tests, submitting different balance sheet positions to negative changes scenarios, in order to identify weaknesses that may, under the circumstances, expose the Bank at risk. The intensity and breadth of scenarios depends on idiosyncratic factors relevant to the mixture and the concentration of the assets of the Bank.

Banks are assessing internally their capital needs relative to their risks within the framework of Internal Capital Adequacy Assessment Process (ICAAP). This process is supervised and evaluated by the Central Bank of Cyprus.

Due to the conducting of stress test scenarios by PIMCO, no ICAAP has been performed.

Pillar 3 – Market discipline
Pillar 3 sets out required disclosures to allow market participants, having a full picture of the risk profile of the Group, to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Group.

Based on the Central Bank of Cyprus Directive, disclosures by banks include information relating to their objectives and risk management policies, the composition of own funds and original and supplementary funds, their compliance with minimum capital requirements and the internal capital adequacy assessment process.

The Group's policy is to maintain a strong capital base, in order to maintain investor, creditor and market confidence and support the future development of the Group's operations. The Central Bank of Cyprus requires the maintenance of specific capital ratios in relation to the risks undertaken by the Bank.

Under Pillar 1 of the Central Bank of Cyprus Directive for the Calculation of Capital Requirements and Large Exposures, the Capital Adequacy Ratio of the Group as at 31 December 2013 stands at 14,3% (December 2012: 13,6%) (Bank: 13,5%), the Tier 1 Ratio at 13,1% (December 2012: 10,9%) (Bank: 12,9%) and the Core Tier 1 Ratio at 7,3% (December 2012: 8,2%) (Bank: 7,0%).

In applying the provisions of the Prospectus dated 30 September 2013 ("Prospectus") of the Convertible Capital Securities 1 "CCS 1", and as a result of the formation of the Common Equity Tier 1 ratio of the Group and the Bank to below 9%, CCS 1 of a total value of €85,9 million were subject to mandatory and irrevocable conversion, without any obligation to obtain the consent of the holders of the CCS 1, to shares so that, the lower of the two, Common Equity Tier 1 ratio of the Group and the Bank is increased to 9%. As a result, the Core Tier 1 ratio is adjusted to 9,3% (Bank: 9,0%).

The Group's regulatory capital based on the Directive is analysed as follows:

- **Core Tier 1 capital,** which includes the share capital, share premium reserve, reduction of share capital reserve, revenue reserve and the translation reserve. The carrying amount of intangible assets is deducted in arriving at Core Tier 1 capital.
- **Original own funds,** which include Core Tier 1 capital, the Convertible Capital Securities 1 (CCS 1) and the Convertible Capital Securities 2 (CCS 2).
- **Supplementary own funds,** which include subordinated loan capital and revaluation reserves (revaluation reserve of investment in debt securities, revaluation reserve of investment in equity securities and property revaluation reserve).
- **Deductions from original own funds (50%) and supplementary own funds (50%),** include the carrying amount of investments which the bank holds in (subsidiaries) insurance companies within the concept of Article 2 of the Insurance Services and Other Related Issues Laws of 2002 to 2005 as well as Securitization exposures.

According to the Directive of the Central Bank of Cyprus and the termination of the transitional provision relating to the deduction of the participation in insurance companies and other regulatory adjustments from the total of the original and supplementary own funds, as of the 1st of January 2013, investments in the subsidiary companies which operate in the insurance sector, Pancyprian Insurance Ltd, Hellenic Alico Life Insurance Company Ltd, Hellenic Insurance Agency Ltd (Greece) and Hellenic Insurance Agency Ltd (Cyprus) as well as securitization exposures, amounting to €35.788 thousand (2012: €33.766 thousand), are deducted 50% from original own funds and 50% from supplementary own funds.

The table below presents the position of the Group's regulatory capital in accordance with the principles of Basel II, at 31 December:

	2013 €´000	2012 €´000
Own funds		
Core Tier 1 capital	**340.599**	435.267
Less: Participation in insurance companies and securitization exposures	**(17.894)**	- -
	322.705	435.267
Original own funds	**577.157**	578.837
Supplementary own funds	**68.989**	180.277
Less: Participation in insurance companies and securitization exposures	**(17.894)**	- -
	51.095	180.277
Total original and supplementary own funds	**628.252**	759.114
Less: Participation in insurance companies and other regulatory adjustments	**- -**	(34.131)
Total own funds	**628.252**	724.983
Risk weighted assets		
Credit risk	**3.849.575**	4.728.563
Market risk	**11.250**	29.725
Operational risk	**538.313**	556.200
	4.399.138	5.314.488
Core Tier 1 ratio	**7,3%**	8,2%
Tier 1 ratio	**13,1%**	10,9%
Tier 2 ratio	**1,2%**	3,4%
Capital adequacy ratio	**14,3%**	13,6%

45. EVENTS AFTER THE REPORTING PERIOD

In applying the provisions of the Prospectus dated 30 September 2013 of the Convertible Capital Securities 1 ("CCS 1"), and as a result of the formation of the Common Equity Tier 1 ratio of the Group and the Bank to below 9%, on 28 February 2014, CCS 1 of a total value of €85.873.871 were mandatorily and irrevocably converted, without any obligation to obtain the consent of the holders of the CCS 1, to shares.

The mandatory conversion was applied pro rata to the outstanding balance of CCS 1 for each investor on the conversion date and the Mandatory Conversion price of the CCS 1 to shares was at €0,10. All CCS 1 which have been converted into shares are automatically cancelled and any right or obligation under their Prospectus expires. A total of 858.738.710 common shares of the Bank resulted from the conversion, while the number of listed Convertible Capital Securities 1 decreased to 40.503.360 with a value of €1,00 each.

All shares arising from the mandatory conversion were listed for trading on the Cyprus Stock Exchange on 19 March 2014.

As a result of the mandatory conversion of the Convertible Capital Securities 1 ("CCS 1"), the percentages of the main shareholders were formed as follows:

Wargaming Public Company Limited	22,55%
CPB FBO Third Point Hellenic Recovery Fund LP (CY)	22,55%
Demetra Investment Public Ltd	11,64%
Holy Archbishopric and connected persons	7,15%

DECLARATION BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BANK'S OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE FINANCIAL STATEMENTS

In accordance with article 9(3)(c) and (7) of the 2007 Law on Transparency Requirements (Securities Listed for Trading on a Regulated Market), we the Members of the Board of Directors and the Bank officials responsible for the drafting of the financial statements of Hellenic Bank Public Company Ltd (the “Bank”) for the year ended 31 December 2013, confirm that to the best of our knowledge:

(a) the annual financial statements presented in pages 60 to 165:

(i) have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the provisions of article (9), paragraph (4) of the Law, and

(ii) give a true and fair view of the assets and liabilities, the financial position and the profits or losses of Hellenic Bank Public Company Ltd and of the entities included in the consolidated financial statements, as a whole and

(b) the report of the Board of Directors provides a fair review of the developments and performance of the business as well as the position of Hellenic Bank Public Company Ltd and of the entities included in the consolidated financial statements, as a whole, together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors

Dr Andreas P. Panayiotou	Non Executive Chairman
Kyriacos J. Koushos	Non Executive Vice Chairman
Adonis E. Yiangou	Non Executive Member of the Board
Marianna Pantelidou Neophytou	Non Executive Member of the Board
Ioannis A. Matsis	Non Executive Member of the Board
Ioannis Ch. Charilaou	Non Executive Member of the Board
Dr Andreas G. Charitou	Non Executive Member of the Board
Kyriakos E. Georgiou	Non Executive Member of the Board
Marios M. Michaelides	Non Executive Member of the Board
Vassos G. Komodromos	Non Executive Member of the Board
Georgios K. Pavlou	Non Executive Member of the Board
Makis Keravnos	Executive Member of the Board

Company official responsible for the drafting of the financial statements
Antonis Rouvas, Group Chief Financial Officer

Nicosia, 31 March 2014

BOARDS OF DIRECTORS OF THE GROUP'S MAIN SUBSIDIARY COMPANIES

HELLENIC BANK (INVESTMENTS) LTD
Charalambos P. Panayiotou, Chairman
(resigned on 14 January 2014)
George Chr. Mavroudis
Kyriakos E. Georgiou
Marinos Athanasiades
(appointed on 8 May 2013)
Kyriacos M. Papadopoulos
(resigned on 2 April 2013)
George C. Koutsos
Nicos S. Raftis
Eliodoros M. Eliodorou
Theognosia Apostolidou, Secretary

HELLENIC BANK TRUST & FINANCE CORPORATION LTD
Eliodoros M. Eliodorou
Marios P. Christoforides
Marinos Athanasiades
(appointed on 29 April 2013)
Kyriacos M. Papadopoulos
(resigned on 2 April 2013)
Christiana Konomou, Secretary

PANCYPRIAN INSURANCE LTD
Ioannis Ch. Charilaou, Chairman
Thanos Michael
Iacovos C. Constantinides
Andreas Panteli
Eliodoros M. Eliodorou
George Iacovou
Petros Arsalides, Secretary

HELLENIC ALICO LIFE INSURANCE COMPANY LTD
Makis Keravnos, Chairman
Michael Hatzidimitriou, Vice-Chairman
Antonis I. Karpasitis
Georgios K. Pavlou
Stavros Kremmos
(resigned on 26 February 2014)
Eliodoros M. Eliodorou
Maria H. Vovides, Secretary

LLC CB «HELLENIC BANK» (Russia)
Andreas P. Panayiotou, Chairman
Andreas M. Moushouttas
Kyriakos E. Georgiou
Georgios K. Pavlou
Antonis Rouvas
Petros Ioannides

OFFICES AND BRANCH NETWORK

HEAD OFFICE

Corner Limassol Avenue & 200
Athalassa Avenue 2025 Strovolos,
P.O.Box 24747, 1394 Nicosia
SWIFT/BIC: HEBA CV 2N
Tel: 22 500000, Fax: 22 500050

Website:
http://www.hellenicbank.com

E-mail:
hellenic@hellenicbank.com

Service Line: 8000 99 99
For calls from abroad:
++357 22 743 843

NICOSIA DISTRICT

PERSONAL BANKING DIVISION

ELEFTHERIA SQUARE BRANCH
1 Evagorou Ave., Mitsis Building
1, Eleftheria Sq., 1065 Nicosia
SWIFT/BIC: HEBACY2N NIC
Tel: 22 501 000, Fax: 22 501 088
eleftheriassquare@hellenicbank.com

KOKKINOTRIMITHIA BRANCH
8C Gr. Afxentiou,
2660 Kokkinotrimithia
Tel: 22 501 362, Fax: 22 835 428
kokkinotrimithia@hellenicbank.com

AGIOS DHOMETIOS BRANCH
79 Gregoris Afxentiou St.,
2368 Nicosia
Tel: 22 501 453, Fax: 22 771 354
agiosdhometios@hellenicbank.com

ANTHOUPOLI BRANCH
64A St. George, 2304 Nicosia
Tel: 22 501 381, Fax: 22 373 335
anthoupoli@hellenicbank.com

ATHALASSA BRANCH
173 Athalassa Ave., Strovolos,
2025 Nicosia
Tel: 22 501 800, Fax: 22 501 990
athalassa@hellenicbank.com

DEMOSTHENIS SEVERIS BRANCH
15 Demosthenis Severis Ave.,
1080 Nicosia
Tel: 22 501 332, Fax: 22 667 813
demostheniseveri@hellenicbank.com

KANTARA BRANCH
18 Kantara Ave., 1037 Nicosia
Tel: 22 501 392, Fax: 22 435 500
kantara@hellenicbank.com

AGLANTZIA BRANCH
Aglantzia Ave. & 3 Angelou
Vlachou, 2108 Nicosia
Tel: 22 501 622, Fax: 22 444 130
aglantzias@hellenicbank.com
112@hellenicbank.com

KENNEDY BRANCH
30 Kennedy Ave. & 25th March,
1087 Nicosia
Tel: 22 501 404, Fax: 22 875 307
kennedy@hellenicbank.com

LATSIA BRANCH
79A Arch. Makarios III Ave.,
2223 Latsia, Nicosia
Tel: 22 501 413, Fax: 22 488 345
latsia@hellenicbank.com

DIGHENIS AKRITAS MAIN BRANCH
92 Dighenis Akritas Ave. & Kritis,
1061 Nicosia
SWIFT/BIC: HEBACY2N NIC
Tel: 22 500 500, Fax: 22 500 560
dhigeniakrita@hellenicbank.com

ACROPOLI BRANCH
53 Acropoli Ave. &
Thermopylon St.
Strovolos, 2012 Nicosia
Tel: 22 501 425, Fax: 22 319 112
acropoli@hellenicbank.com

AGIOS ANTONIOS BRANCH
Corner 12A Evgenias &
Ant. Theodotou St.
& Klimentos, 1061 Nicosia
Tel: 22 501 442, Fax: 22 433 490
agiosantonios@hellenicbank.com

STROVOLOS AVE BRANCH
Strovolos Ave. & 56 Ayia Marina
St., 2018 Nicosia
Tel: 22 501 463, Fax: 22 316 153
strovolou@hellenicbank.com

KAKOPETRIA BRANCH
45 Arch. Makarios III Ave.,
2810 Kakopetria
Tel: 22 501 472, Fax: 22 923 461
kakopetria@hellenicbank.com

PRODROMOS BRANCH
25 Prodromos St., 1095 Nicosia
Tel: 22 501 487, Fax: 22 676 881
prodromou@hellenicbank.com

STAVROU BRANCH
71 Stavrou Ave.,
2035 Strovolos, Nicosia
Tel: 22 501 501, Fax: 22 491 057
stavrou@hellenicbank.com

PLATY BRANCH
100A Kyrenia Ave., Platy,
Aglantzia, 2114 Nicosia
Tel: 22 501 514, Fax: 22 331 504
platy@hellenicbank.com

TSERIOU BRANCH
Corner Tseriou Ave. & Naxou 1,
2043 Nicosia
Tel: 22 501 521, Fax: 22 327 299
tseriou@hellenicbank.com

DHALI BRANCH
1A Arch. Makarios III St.,
2540 Dhali, Nicosia
Tel: 22 501 532, Fax: 22 524 780
dhali@hellenicbank.com

LAKATAMIA BRANCH
28 Arch. Makarios III Ave.,
2324 Kato Lakatamia, Nicosia
Tel: 22 501 541, Fax: 22 320 986
katolakatamia@hellenicbank.com

ENGOMI BRANCH
3 Aheon & Agamemnonos,
2413 Engomi, Nicosia
Tel: 22 501 563, Fax: 22 358 029
forum@hellenicbank.com

AMPHIPOLEOS BRANCH
20 Amphipoleos St., 2025 Nicosia
Tel: 22 501 324, Fax: 22 311 433
athalassa@hellenicbank.com

BUSINESS SERVICES DIVISION

DIGHENIS AKRITAS BUSINESS CENTER
92 Dighenis Akritas Ave. & Kritis,
1061 Nicosia,
P.O. Box 24747, 1394 Nicosia
Tel: 22 500 500, Fax: 22 765 107
businessdhigeniakrita@hellenicbank.com

ATHALASSA AVE. BUSINESS CENTER
173 Athalassa Ave., 2025 Nicosia,
P.O.Box 24529, 1300 Nicosia
Tel: 22 501 813, Fax: 22 501 991
businessathalassa@hellenicbank.com

CORPORATE BANKING DIVISIONN

NICOSIA CORPORATE CENTER
173 Athalassa Ave., 2025 Nicosia
Tel: 22 501 886, Fax: 22 501 996
corporatenicosia@hellenicbank.com

INTERNATIONAL BUSINESS DIVISION

INTERNATIONAL BUSINESS CENTER ATHALASSA, NICOSIA
173 Athalassa Ave., 2025 Nicosia
Tel: 22 501 832/833/835
Fax: 22 501 993
ibcnicosia@hellenicbank.com

INTERNATIONAL BUSINESS CENTER ELEFTHERIA SQUARE NICOSIA
1 Evagorou Ave., Mitsis Building 1,
Eleftheria Sq., 1st floor,
1065 Nicosia
Tel: 8000 99 99, Fax 22 663 168
Ibc.dervi@hellenicbank.com

LIMASSOL DISTRICT

PERSONAL BANKING DIVISION

ARCH MAKARIOS III AVE. BRANCH
131 Arch Makarios III Ave.
& Ioannis Polemis St.,
3021 Limassol
Tel: 25 502 300, Fax: 25 731 031
makarioulimassol@hellenicbank.com

AKROTIRI BRANCH
RAF Station Shopping Centre,
Princess St., 3771 Akrotiri
Tel: 25 502 810, Fax: 25 952 588
akrotiri@hellenicbank.com

AGIOS GEORGIOS BRANCH
2 Promachon Eleftherias Ave.,
4103 Limassol
Tel: 25 502 801, Fax: 25 310 638
agiosgeorgios@hellenicbank.com

GLADSTONOS & PH. KOLAKIDES BRANCH
52 Gladstonos Ave. &
Ph. Kolakides St.
P.O.Box 56588, 3308 Limassol
Tel: 25 502 032, Fax: 25 502 097
gadstonos@hellenicbank.com

PAPHOS ST. BRANCH
15 Paphos St., 3052 Limassol
Tel: 25 502 844, Fax: 25 570 974
paphosstreet@hellenicbank.com

COURT SQUARE BRANCH
Arch Makarios III Ave. & Grivas
Dhigenis, 3105 Limassol
Tel: 25 502 604, Fax: 25 376 288
courtslimassol@hellenicbank.com

YERMASOYIA BRANCH
54 George A' St.,
Old Rd. Limassol - Nicosia,
4047 Limassol
Tel: 25 502 863, Fax: 25 326 121
potamosyermasoyias@hellenicbank.com

MUNICIPAL MARKET BRANCH
Corner George Gennadios & 23
Hadjiloizi St., 3041 Limassol
Tel: 25 502 873, Fax: 25 373 121
market@hellenicbank.com

MESA YITONIA BRANCH
Arch. Makarios III Ave &
43E St. Lenas, 4003 Limassol
Tel: 25 502 881, Fax: 25 753 864
mesayitonia@hellenicbank.com

FRANKLIN ROUSVELT BRANCH
108 Franklin Rousvelt
3011 Limassol
Tel: 25 502 890, Fax: 25 573 696
franklinrousvelt@hellenicbank.com

AYIA PHYLA BRANCH
Corner 222 Ayia Phyla Ave &
Ag.Ilarionas St., 3116 Limassol
Tel: 25 502 511, Fax: 25 730 181
agiaphyla@hellenicbank.com

KATO POLEMIDIA BRANCH
105 Nicos Pattichis Ave.,
Kato Polemidia, 4155 Limassol
Tel: 25 502 523, Fax: 25 731 570
katopolemidia@hellenicbank.com

ACADEMIA BRANCH
17 Spyros Kyprianou St.,
Linopetra, 4043 Limassol
Tel: 25 502 837, Fax: 25 314 985
academialimassol@hellenicbank.com

BUSINESS SERVICES DIVISION

GLADSTONOS & PH. KOLAKIDES BUSINESS CENTER
Corner 52 Gladstonos &
Ph. Kolakides St.,
P.O.Box 56588, 3308 Limassol
Tel: 25 502 002, Fax: 25 502 081
businessgladstonos@hellenicbank.com

ARCH. MAKARIOS III BUSINESS CENTER
131 Arch. Makarios III Ave. &
Ioannis Polemis, 3021 Limassol
P.O.Box 51474, 3505 Limassol]
Tel: 25 502 718, Fax: 25 502 780
businessmakariou@hellenicbank.com

CORPORATE BANKING DIVISION

LIMASSOL- PAPHOS CORPORATE CENTER
131 Arch. Makarios III Ave. &
Ioannis Polemis, 3021 Limassol
Tel: 25 502 300, Fax 25 502478
corporatelimassol@hellenicbank.com

INTERNATIONAL BUSINESS DIVISION

LIMASSOL INTERNATIONAL BUSINESS CENTER
131 Arch. Makarios III Ave. &
Ioannis Polemis, 3021 Limassol
Tel: 25 502 400, Fax: 25 502 485
ibclimassol@hellenicbank.com

LARNACA DISTRICT

PERSONAL BANKING DIVISION

ZENONOS KITIEOS BRANCH
2 Zenonos Kitieos St.,
P.O.Box 40434, 6304 Larnaca
SWIFT/BIC: HEBACY2N LAR
Tel: 24 503 000, Fax: 24 654 366
zenonoskitieus@hellenicbank.com

DHEKELIA BRANCH
Amenities Village, 6370 Dhekelia
Tel: 24 503 351, Fax: 24 723 539
dhekelia@hellenicbank.com

ARCH. MAKARIOS III BRANCH
86 Arch. Makarios III Ave.,
6017 Larnaca
Tel: 24 503 310, Fax: 24 636 387
port@hellenicbank.com

NICOS PATTICHIS AVE. BRANCH
Corner Mystras & United Nations,
6042 Larnaca
Tel: 24 503 373, Fax: 24 655 141
drosia@hellenicbank.com

SPYROS KYPRIANOU AVE. BRANCH
Corner 92 Spyros Kyprianou Ave.
& Averof St., 6052 Larnaca
Tel: 24 503 413, Fax: 24 669 590
stratigoutimayia@hellenicbank.com

DIONYSOU AVE. BRANCH
Dionysou & 1 Socratous St.,
yla Tourist Area, 7081 Larnaca
Tel: 24 503 420, Fax: 24 644 323
dionysou@hellenicbank.com

LIVADIA BRANCH
43B Petrakis Kyprianou St., 7060
Livadia, Larnaca
Tel: 24 503 441, Fax: 24 662 744
livadhia@hellenicbank.com

DROMOLAXIA BRANCH
2 Eleftheria Ave., 7020 Dromolaxia
Tel: 24 503 452, Fax: 24 425 190
dromolaxia@hellenicbank.com

PHANEROMENI BRANCH
145A Phaneromeni Ave.,
6031 Larnaca
Tel: 24 503 461, Fax: 24 654 740
phaneromeni@hellenicbank.com

BUSINESS SERVICES DIVISION

LARNACA BUSINESS CENTER
Corner Mystras & United Nations
6042 Larnaca, P.O.Box 51474,
6304 Larnaca
Tel: 24 503 000, Fax: 24 650 040
314@hellenicbank.com

CORPORATE BANKING DIVISION

LARNACA & FAMAGUSTA
CORPORATE CENTER
Corner Mystras & United Nations
6042 Larnaca, P.O.Box 51474,
6304 Larnaca
Tel: 24 503 000, Fax: 24 656 919
corporatelarnaca@hellenicbank.com

INTERNATIONAL BUSINESS DIVISION

LARNACA INTERNATIONAL
BUSINESS CENTER
3-7 Arch. Makarios III Ave., 6016
Larnaca
P.O.Box 40434, 6304 Larnaca
Tel: 24 503 480
Fax: 24659101/24625187
ibclarnaca@hellenicbank.com

FAMAGUSTA DISTRICT

PERSONAL BANKING DIVISION

KAPPARIS BRANCH
2 Kapparis Ave.,
5290 Paralimni, Famagusta
Tel: 23 504 380, Fax: 23 740 228
kappari@hellenicbank.com

SOTIRA BRANCH
6 Heroon St., 5390 Sotira,
Famagusta
Tel: 23 504 391, Fax: 23 829 120
sotira@hellenicbank.com

VRYSOULLES BRANCH
1-4 Costas Elia Ave.,
Syn. Ay. Georgiou,
5522 Vrysoulles, Famagusta
Tel: 23 504 358, Fax: 23 962 878
vrysoulles@hellenicbank.com

PARALIMNI BRANCH
85, 1st April St.,
5280 Paralimni, Famagusta
Tel: 23 504 300
Fax: 23 827 045/820 780
paralimni@hellenicbank.com

TEFKROU ANTHIA BRANCH
7 Tefkrou Anthia St.,
P.O.Box 30091,
5330 Ayia Napa, Famagusta
Tel: 23 504 345, Fax: 23 722 636
tefkrouanthia@hellenicbank.com

DHERYNIA BRANCH
4 Demokratias St.,
5380 Dherynia, Famagusta
Tel: 23 504 355, Fax: 23 730 188
dherynia@hellenicbank.com

MONASTIRAKI AREA BRANCH
Arch. Makarios III Ave. &
Misiaouli & Kavazoglou
5330 Ayia Napa
Tel: 23 504 375, Fax: 23 723 406
monastiraki@hellenicbank.com

ORMIDHIA BRANCH
15 Demokratias St.,
7530 Ormidhia
Tel: 24 503 470, Fax: 24 722 782
ormidhia@hellenicbank.com

BUSINESS SERVICES DIVISION

FAMAGUSTA BUSINESS CENTER
85, 1st April Ave., 5280 Paralimni,
P.O.Box 33011, 5310 Paralimni,
Famagusta
Tel: 23 504 300, Fax: 23 827 045
businesspamlimni@hellenicbank.com

PAPHOS DISTRICT

PERSONAL BANKING DIVISION

ELLADOS AVE BRANCH
Ellados Ave. & Xinaridou Rd.,
8020 Paphos
Tel: 26 505103, Fax: 26 953 077
ellados@hellenicbank.com

TOMBS OF THE KINGS BRANCH
28 Tombs of the Kings Ave.,
Kato Paphos, 8046 Paphos
Tel: 26 505 122, Fax: 26 946 920
tombsofkings@hellenicbank.com

PEYIA BRANCH
Platia Vrysi ton Pegiotisson
8560 Peyia
Tel: 26 505 131, Fax: 26 621 786
peyia@hellenicbank.com

KYKKOS LYCEUM BRANCH
El. Venizeloς &
33 N. Nicolaides Ave.,
8021 Paphos
Tel: 26 505 151, Fax: 26 949 677
eleftheriosvenizelos@hellenicbank.com

DANAE AVE. BRANCH
6 Danae Ave., 8042 Paphos
Tel: 26 505 160, Fax: 26 964 262
danaeavenue@hellenicbank.com

APOSTOLOS PAVLOS AVE.
BRANCH
27 Apostolos Pavlos Ave.,
P.O.Box 60074, 8046 Paphos
Tel: 26 505 616, Fax: 26 945 483
apostoloupavlou@hellenicbank.com

NICODEMOS MYLONAS
BRANCH
6 Nicodemos Mylonas St.,
P.O.Box 60200, 8126 Paphos
Tel: 26 505 010, Fax: 26 941 484
nicodemoumylona@hellenicbank.com

POLIS CHRYSOCHOUS BRANCH
2 Arch. Makarios III Ave.,
8820 Polis Chrysochous
Tel: 26 505 191, Fax: 26 322 370
polischrisochous@hellenicbank.com

YEROSKIPOU BRANCH
Corner Arch. Makarios III Ave. &
Vasilis Michaelides St.
8201 Yeroskipou
Tel: 26 505 220, Fax: 26 964 622
yeroskipou@hellenicbank.com

COURT AREA BRANCH
31 N. Nicolaides Ave.,
8011 Paphos
Tel: 26 505 231, Fax: 26 931 878
courtspafos@hellenicbank.com

BUSINESS SERVICES DIVISION

PAPHOS BUSINESS CENTER
27 Apostolos Pavlos Ave.,
8046 Paphos
P.O.Box 60074, 8100 Paphos
Tel: 26 505 626, Fax: 26 942 228
businessapostoloupavlou@
hellenicbank.com

SUBSIDIARY COMPANIES MAIN OFFICES

HELLENIC BANK (INVESTMENTS) LTD

31 Kyriacos Matsis Ave., 2nd Floor,
1082 Nicosia,
P.O.Box 24747, 1394 Nicosia
Orders: 22 500 140/500 145
Tel: 22 500 100, Fax: 22 500 110
hbinv@hellenicbank.com
investments@hellenicbank.com

PANCYPRIAN INSURANCE CO. LTD

66 Grivas Dhigenis Ave.,
Pancyprian Bldg, 1080 Nicosia,
P.O.Box 24747, 1394 Nicosia
Tel: 22 743 743, Fax: 22 677 656
www.pancyprianinsurance.com
pancyprian@hellenicbank.com

HELLENIC ALICO LIFE INSURANCE COMPANY LTD

66 Grivas Dighenis Ave., 3rd Floor,
1080 Nicosia,
P.O.Box 20672, 1662 Nicosia
Tel: 22 501 581, Fax: 22 450 750
www.hellenicalico.com
life@hellenicbank.com

HELLENIC BANK TRUST & FINANCE CORPORATION LTD

Corner Limassol & 200 Athalassa
Avenue, 2025 Strovolos,
P.O.Box 24747, 1394 Nicosia
Tel: 22 500 611 / 500 823,
Fax: 22 500 084
trustfinance@hellenicbank.com

LLC CB «HELLENIC BANK» (Russia)

21 Rozhdestvenskiy Bulvard
Building 1, Moscow 107045,
Russian Federation
Tel: +74952870287
Fax: +74952870295
hbru@hbru.ru

REPRESENTATIVE OFFICES

SOUTH AFRICA - JOHANNESBURG

Sandton Square,
Corner Fifth & Maude Streets,
4th Floor, West Tower, Sandton
2146, South Africa
P.O.BOX 783392 Sandton, 1HB,
2146, South Africa
Tel: +27 11 7830155/6,
Fax: +27 11 7830157
hlbanksa@mweb.co.za

RUSSIA - MOSCOW

15 Savvinskaya Nab, Savvinskaya
Office Bldg - Japan House,
Moscow 119435, Russia
Tel: +7 (495) 7929958/88 / 89
Fax: +7 (495) 7929985
hellenicbank@sovintel.ru
moscowrep@hellenicbank.com

RUSSIA - ST. PETERSBURG

23 Professors Popova St.
Office 311, 197376 St. Petersburg,
Russia
Tel: +7 (812) 3130300
Fax: +7(812)3130400
spbrep@hellenicbank.com

UKRAINE - KIEV

8 Rybalska St. 1st Floor,
Kyiv 01011, Ukraine
Tel: +38 044 288 7210
Fax: +38 044 288 7209
kyivrep@hellenicbank.com

SHAREHOLDER INFORMATION

The shareholders may contact the Shares & Bonds Registry Department for matters relating to the Company's registered securities, certificates, interest on Bonds and Capital Securities.

SHARES & BONDS REGISTRY DEPARTMENT
Corner Limassol Avenue & 200 Athalassa Avenue
1st Floor
2025 Strovolos
P.O.Box 24747, 1394 Nicosia, Cyprus
Telephones: 22 500 649 - 50, Fax: 22 500 065
E-mail: shares@hellenicbank.com

INVESTOR RELATIONS

Institutional investors, brokers, investment houses and other investment analysts may direct their enquiries relating to the recent developments, the financial results and the strategy of the Group to the Investor Relations Department.

Corner Limassol Avenue & 200 Athalassa Avenue
5th Floor
2025 Strovolos
P.O. Box 24747, 1394 Nicosia, Cyprus
Telephone: 22 500 794, Fax: 22 500 077
E-mail: investorrelations@hellenicbank.com

HELLENIC BANK

HEAD OFFICE
Corner Limassol Avenue & 200 Athalassa Avenue,
2025 Strovolos
P.O. Box 24747, 1394 Nicosia, Cyprus
Telephone: 22 500 000, Fax: 22 500 050

Website:
www.hellenicbank.com

E-mail Address:
hellenic@hellenicbank.com

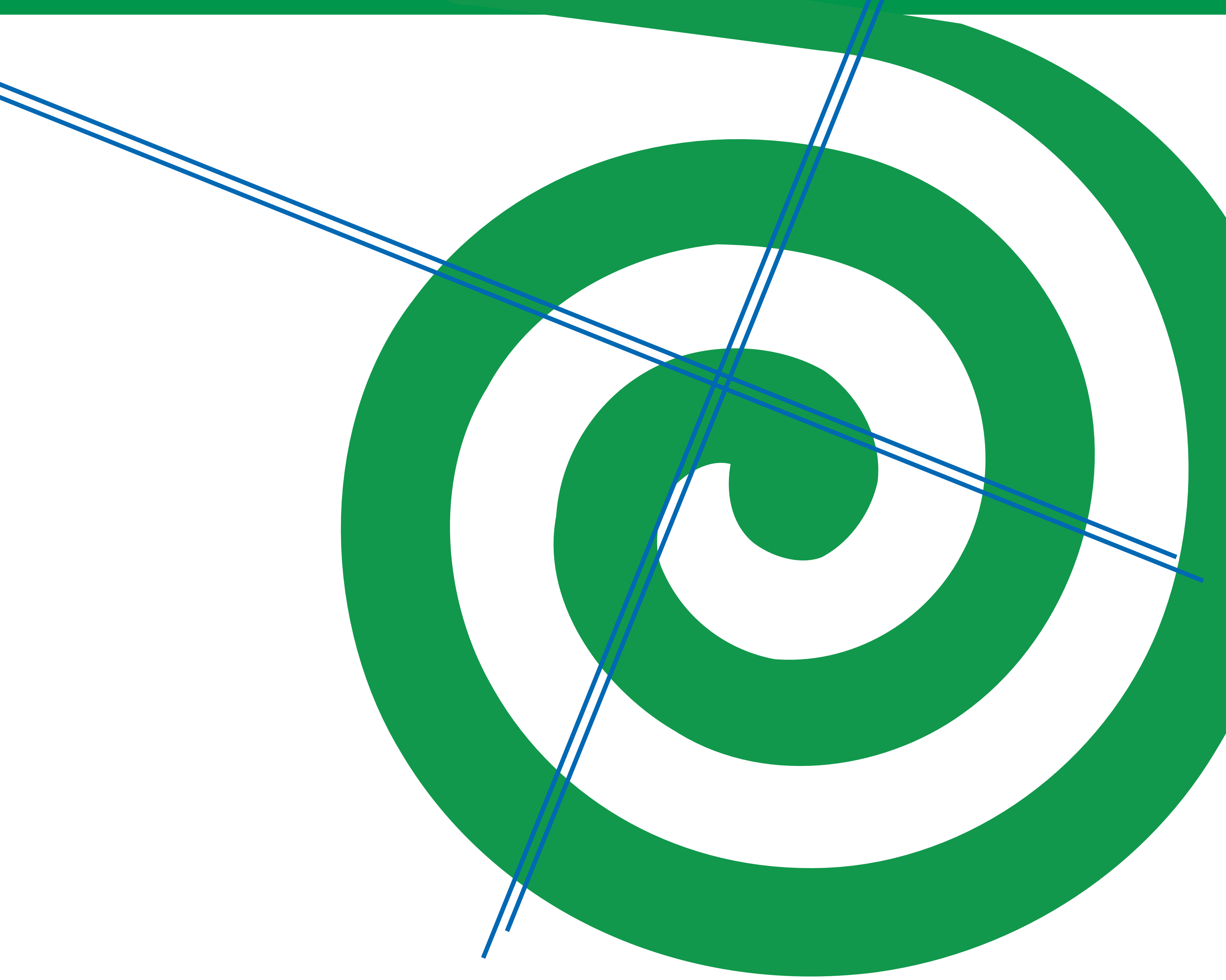
Service Line tel: **8000 99 99**

Green Key

Green Key is an international quality certification eco-label. The Hellenic Bank Head Office Building has been awarded this certification and is now included among environmentally-friendly conference centres. Certification requires implementation and maintenance of criteria related to energy consumption, water consumption, waste management, use of environmentally-friendly personal hygiene products and detergents, food and beverage quality, conversion of open spaces into green areas, and environmental training.

Green Offices

Green Offices is an innovative pilot programme for environmental certification and Hellenic Bank is the first bank worldwide to have been awarded this for eleven of its buildings and branches. Awarding of this eco-label requires implementation and maintenance of strict criteria related to energy and water consumption and general environmental consciousness. The Bank's human resources were the most important factor in this success as it is their awareness that made certification with the Green Offices eco-label possible.



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