

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2013

C O N T E N T S

	Page
Officers and professional advisers	1
Report of the Board of Directors	2 & 3
Independent Auditor's Report	4 & 5
Consolidated Income Statement and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the consolidated financial statements	10 - 56
Additional risk disclosures	57 - 59

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Board of Directors

Pavlos Mylonas, Non-Executive Member
(appointed on 9 December, 2013)

Nicolaos Th. Beis, Executive Member

Ioannis X. Agathos, Executive Member

Fotini Ioannou, Non-executive Member

Panayiotis Karandreas, Non-executive Member

Stavros Stavrou, Independent, Non executive Member
(appointed on 14 February, 2013)

Mark Klerides, Non-Executive Member
(appointed on 9 December, 2013)

Andri Antoniadis, Executive Member
(resigned on 3 January, 2013)

Demetris Bilinis, Executive Member
(resigned on 14 March, 2013)

Phidias Pilides, Independent, Non-executive Member
(resigned on 31 July, 2013)

Phanos Epiphaniou, Non-executive Member
(resigned on 10 December, 2013)

The Board of Directors is formatted as follows by 31.12.2013:

Pavlos Mylonas, Chairman, Non-Executive member

Nicolaos Th. Beis, Chief Executive Officer

Ioannis X. Agathos, General Manager

Fotini Ioannou, Non-executive Member

Panayiotis Karandreas, Non-executive Member

Stavros Stavrou, Independent, Non-Executive member

Mark Klerides, Independent, Non-Executive member

Secretary

Lucia Pagdati

Independent Auditors

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus

Legal Advisers

Chrysses Demetriades & Co
Velaris & Velaris LLC

Registered Office

15 Arch. Makarios III, 1065 Nicosia

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

REPORT OF THE BOARD OF DIRECTORS YEAR ENDED 31 DECEMBER 2013

The Board of Directors presents its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITY

The main activity of the Group is the provision of a wide range of banking and financial services. The Company is a wholly owned subsidiary of National Bank of Greece S.A. Group. The Company owns 100% of the shares of National Securities Cyprus Limited and 10,91% of the shares of National Insurance (Cyprus) Ltd.

RESULTS

As presented on page 6 of the consolidated financial statements, the loss of the Group after taxation amounted to €3.331.620 (2012: loss of €3.552.656).

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the end of the reporting period.

EXPECTED FUTURE DEVELOPMENTS OF THE GROUP

The Board of Directors does not expect any significant changes in the activities of the Group for the foreseeable future.

EXISTENCE OF ANY GROUP BRANCHES

The Bank operates in Cyprus through 15 Branches (9 Retail, 1 Exchange Unit, 2 IBUs, 2 Satellite branch and 1 Special Credit Unit). The Company has also established a Representative Office in Moscow, Russia.

Besides the above mentioned Network, National Bank of Greece S.A., maintains 1 Branch, in order to facilitate large Corporate Financing in the territory.

REVIEW OF THE DEVELOPMENT, FINANCIAL PERFORMANCE AND CURRENT POSITION OF THE GROUP AND DESCRIPTION OF ITS MAJOR RISKS AND UNCERTAINTIES

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory. Like any other financial institution, the Group is exposed to risks. The Group monitors and manages these risks through various control mechanisms. Details relating to Group risk management are presented in Note 34 of the consolidated financial statements.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the year ended 31 December 2013.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

REPORT OF THE BOARD OF DIRECTORS (Cont'd) YEAR ENDED 31 DECEMBER 2013

SHARE CAPITAL

There were no changes in the share capital of the Company.

BOARD OF DIRECTORS

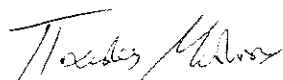
The members of the Board of Directors at 31 December 2013 and at the date of this report are shown on page 1. All the members of the Board of Directors will continue in office.

There were no significant changes in the assignment of responsibilities of the Board of Directors.

INDEPENDENT AUDITORS

The Board of Directors will place a resolution before the annual general meeting to reappoint Deloitte Limited as auditors for the ensuing year.

By order of the Board of Directors



Pavlos Mylonas
Chairman

Nicosia, 30 June 2014

Independent auditor's report

To the Members of National Bank of Greece (Cyprus) Limited

Report on the consolidated financial statements

Tel.: +357 25 86 86 86
Fax: +357 25 86 86 00
info@limassol.deloitte.com
www.deloitte.com/cy

We have audited the accompanying consolidated financial statements of National Bank of Greece (Cyprus) Limited (the "Company") and its subsidiary (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated 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 financial statements.

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

Opinion

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

Board Members: Christos M. Christoforou (Chief Executive Officer), Efstherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papskyriacou, Athos Chrysanthou, Costas Georgiannidis, Antonis Taliotis, Pencs Papadopoulos, Pieris M. Markou, Nicos Charalaimous, Nicos Soterioutis, Maria Pascheas, Alexis Agathocleous, Akos Christodouides, Christakis Ioannou, Yannis Ioannou, Panicos Papamichael, Christos Papamarkides, George Maritides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Bernette Papapanicolas, Andreas Andreou, Alecos Papalexandrou, George Pantelides, Panayiota Vayianou, Agis Agathocleous, Michael Christoforou (Chairman Emeritus).

Deloitte Limited is the Cyprus member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.com/cy/about for a detailed description of the legal structure of DTTL.

Deloitte Limited is a private company, registered in Cyprus (Reg. No. 162612). Offices: Nicosia, Limassol, Larnaca.

Member of Deloitte Touche Tohmatsu Limited

...5/

Independent auditor's report (Cont'd)

To the Members of National Bank of Greece (Cyprus) Limited

Emphasis of matter

We draw attention to notes 3 and 33 to the consolidated financial statements, which describe the existing significant uncertainties of the Cypriot economy and the developments that followed the political agreement reached between the Cyprus Government and the Eurogroup on 25 March 2013. In the light of the above uncertainties, the possible consequences of these developments and their impact on the Group cannot be determined and quantified at present. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

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

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

Other Matter

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



.....
Alexis Agathocleous
Certified Public Accountant and Registered Auditor
For and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus

Limassol, 30 June 2014

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

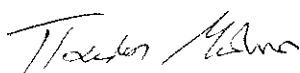
	Note	2013 €	2012 €
Interest income	5	81.405.034	95.608.743
Interest expense	6	(45.764.664)	(62.042.561)
Net interest income		<u>35.640.370</u>	<u>33.566.182</u>
Fee and commission income	7	5.392.889	6.450.134
Foreign exchange (loss)/income	8	(331.736)	29.182
Other operating income	9	920.244	728.850
		<u>41.621.767</u>	<u>40.774.348</u>
Staff costs	10	(19.031.248)	(20.767.607)
Depreciation of property, plant and equipment		(791.783)	(920.083)
Amortisation of intangible assets		(310.825)	(250.722)
Other operating expenses	11	(4.515.086)	(6.114.960)
Impairment charge of available-for-sale investment		(2.948.192)	(5.637.992)
		<u>(27.597.134)</u>	<u>(33.691.364)</u>
Profit before impairment of loans and advances		14.024.632	7.082.984
Provision for impairment of loans and advances	17	(15.968.474)	(9.733.904)
Loss before tax		(1.943.841)	(2.650.920)
Tax	12	(1.387.779)	(901.736)
LOSS FOR THE YEAR		<u>(3.331.620)</u>	<u>(3.552.656)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to consolidated income statement</i>			
Gain on revaluation of available-for-sale investments		269.217	178.536
<i>Items that will not be reclassified subsequently to consolidated income statement</i>			
Gain on revaluation of properties		-	22.500
Other comprehensive income for the year, net of tax		<u>269.217</u>	<u>201.036</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(3.062.403)</u>	<u>(3.351.620)</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

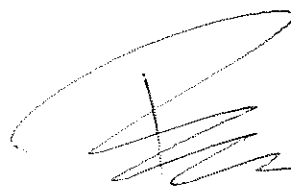
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Note	2013 €	2012 €
ASSETS			
Cash and balances with Central Bank of Cyprus	13	27.027.499	25.844.385
Deposits with other banks	14	9.896.683	10.944.386
Loans and other advances to customers	15	1.165.351.838	1.296.714.720
Deposits with related banks	16(a)	243.164.530	301.393.962
Available-for-sale investments	18(a)	3.392.213	6.071.523
Held-to-maturity investments	18(b)	109.610.541	144.278.725
Property, plant and equipment	19	16.426.943	17.199.380
Intangible assets	20	4.709.954	4.022.515
Other assets	21	2.169.612	2.682.740
Total assets		1.581.749.813	1.809.152.336
LIABILITIES			
Deposits from other banks	22	1.088.612	2.850.428
Deposits and other customer accounts	23	802.372.070	896.725.907
Deposits from related banks	16(b)	598.253.431	686.941.305
Other liabilities	24	9.899.309	46.435.902
		1.411.613.422	1.632.953.542
Subordinated loan from holding company	25	3.000.000	6.000.000
Total liabilities		1.414.613.422	1.638.953.542
EQUITY			
Share capital	26	51.300.000	51.300.000
Retained earnings		105.223.764	108.555.384
Revaluation reserve	27	10.612.627	10.343.410
Total equity		167.136.391	170.198.794
Total liabilities and equity		1.581.749.813	1.809.152.336



Pavlos Mylonas
Chairman



Nicolaos Th. Beis
Chief Executive Officer

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Share capital €	Property revaluation reserve €	Revaluation reserve of available-for- sale investments €	Retained earnings €	Total €
Balance at 1 January 2012	51.300.000	8.308.878	1.833.496	112.108.040	173.550.414
Loss for the year	-	-	-	(3.552.656)	(3.552.656)
Other comprehensive income for the year	-	22.500	178.536	-	201.036
Total comprehensive (loss)/income for the year	-	22.500	178.536	(3.552.656)	(3.351.620)
Balance at 31 December 2012	51.300.000	8.331.378	2.012.032	108.555.384	170.198.794
Loss for the year	-	-	-	(3.331.620)	(3.331.620)
Other comprehensive income for the year	-	-	269.217	-	269.217
Total comprehensive (loss)/income for the year	-	-	269.217	(3.331.620)	(3.062.403)
Balance at 31 December 2013	51.300.000	8.331.378	2.281.249	105.223.764	167.136.391

The notes on pages 10 to 56 form an integral part of the consolidated financial statements

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 €	2012 €
Net cash used in operating activities	29	<u>(58.983.479)</u>	<u>(2.437.389.720)</u>
Cash flows from investing activities			
Purchase of intangible assets		(998.264)	(1.693.479)
Purchase of property, plant and equipment		(19.940)	(428.786)
Proceeds from disposal of property, plant and equipment		-	73.742
Net disposal/maturity of Greek and Cyprus government bonds and treasury bills		34.742.925	2.460.193.088
Proceeds from dividends		2.814	74.126
Acquisition of Cyprus government bonds and treasury bills		-	(143.644.030)
Interest on debt securities		6.478.171	58.781.063
Net cash generated from investing activities		<u>40.205.706</u>	<u>2.373.355.724</u>
Cash flows from financing activities			
Repayment of subordinated loan		(3.000.000)	(3.000.000)
Interest on subordinated loan		(50.504)	(163.459)
Net cash used in financing activities		<u>(3.050.504)</u>	<u>(3.163.459)</u>
Net decrease in cash and cash equivalents		(21.828.277)	(67.197.455)
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		(200.170)	(223.014)
Cash and cash equivalents at beginning of the year	30	<u>237.130.170</u>	<u>304.550.639</u>
Cash and cash equivalents at end of the year	30	<u>215.101.723</u>	<u>237.130.170</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

1. GENERAL INFORMATION

National Bank of Greece (Cyprus) Limited (the "Bank") is a limited company incorporated in Cyprus. The principal activities of the Company and its subsidiary (the Group) are the provision of a wide range of banking and financial services.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2013. Except as mentioned below the adoption of these Standards did not have a material effect on the accounting policies of the Group.

- **IAS 1 "Presentation of Financial Statements" on the Presentation of items of Other Comprehensive Income (Amendment):**

In the current year, the Group has applied for the first time the amendments to IAS 1 that introduce new terminology for the Statement of Comprehensive Income. Under the amendments to IAS 1, the Statement of Comprehensive Income is renamed to Income Statement and Other Comprehensive Income. The amendments to IAS 1 retain the option to present the Income Statement and Other Comprehensive Income in either a single statement or in two separate but consecutive statements. The amendments to IAS 1 also require items of other comprehensive income to be grouped, along with the corresponding income tax, into two categories: (a) items that will not be reclassified subsequently to the Income Statement and (b) items that may be reclassified subsequently to the Income Statement when specific conditions are met.

The adoption of these amendments, which have been applied retrospectively, did not have any effect on the profit or loss of the Group, but has changed the presentation of the Income Statement and Other Comprehensive Income.

- **IFRS 13 "Fair Value Measurement":**

In the current year, the Group has applied IFRS 13 for the first time. This standard establishes a single source of guidance for fair value measurements that are required or permitted by other standards both for financial and non-financial instrument items, and analyses the disclosures that need to be made in the financial statements about fair value measurements.

IFRS 13 defines fair value as the price that an entity would receive to sell an asset or pay to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

IFRS 13 is applied from 1st of January 2013 onwards but the disclosures do not need to be applied for the comparative information provided for periods before the initial application of the standard. The adoption of IFRS 13 did not have any effect on the profit or loss of the Group but has led to significant additional disclosures in the consolidated financial statements of the Group.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

- **IFRS 7 “Financial Instruments: Disclosures” - Offsetting Financial Assets and Financial Liabilities (Amendment):**

The Group has applied the amendments to IFRS 7 Disclosures – Offsetting Assets and Financial Liabilities for the first time in the current year. The amendment to IFRS 7 require entities to disclosure information about rights of offset and related arrangement (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The adoption of these amendments, which have been applied retrospectively, did not have any effect on the profit or loss of the Group but has led to additional disclosures in the consolidated financial statements of the Group.

Up to the date of approval of the consolidated financial statements the following standards have been published by the International Accounting Standards Board but were not yet effective:

i) Adopted by the European Union

Standard/ Interpretation	Effective for annual periods beginning on or after:
IFRS 10 “Consolidated Financial Statements”	1 January 2014
IFRS 11 “Joint Arrangements”	1 January 2014
IFRS 12 “Disclosure of Interests in Other Entities”	1 January 2014
Amendment to IAS 27 “Consolidated and Separate Financial Statements”	1 January 2014
Amendment to IAS 28 “Investments in Associates and Joint Ventures”	1 January 2014
Transition guidance to IFRS 10, 11 and 12	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	1 January 2014
Amendment to IAS 36 “Recoverable amount disclosures for non-financial assets”	1 January 2014
Amendment to IAS 39 “Novation of derivatives and continuation of hedge accounting”	1 January 2014

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

ii) Not yet adopted by the European Union

Standard/ Interpretation	Effective for annual periods beginning on or after:
IFRS 9 "Financial Instruments" (and subsequent amendments to IFRS 9 and IFRS 7)	1 January 2018
Amendment to IFRS 7 "Financial Instruments: Disclosures" Disclosures on transition to IFRS 9	1 January 2018
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment to IAS 19 "Defined Benefit Plans"	1 July 2014
Improvements to IFRSs 2010-2012	1 July 2014
Improvements to IFRSs 2011-2013	1 July 2014
IFRIC Interpretation 21 "Levies"	1 January 2014

The Group is in the process of evaluating the effect that the adoption of the above standards will have on the consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Going concern principle

The consolidated financial statements have been prepared on a going concern basis. Despite recent developments in the economic environment in Cyprus as described in Note 33 to the consolidated financial statements, the management of the Group believes that the Group has the ability to continue its operations as a going concern.

Basis of preparation

The consolidated financial statements are prepared on a historical cost basis, except for land and buildings, available-for-sale investments and derivative financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of preparation (cont'd)

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of National Bank of Greece (Cyprus) Limited and its wholly-owned subsidiary, National Securities Cyprus Limited, until 31 December 2013. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

The consolidated financial statements are presented in Euro (€), which is the functional and presentation currency of the Company and its subsidiary. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the rate of exchange ruling at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling as at the dates of the initial transactions. All differences arising on translation are recognized in the consolidated income statement.

Revenue

Revenue is recognised when it is probable that economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income is recognised in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income is recognised on the recoverable portion of impaired loans using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Income from leasing activities recognised in the statement of comprehensive income 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.

Income from fees and commissions is recognised in the period of provision of the relevant services.

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

Interest payable

Interest payable on all interest bearing liabilities is recognised using the effective interest method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (cont'd)

Financial assets at FVTPL (cont'd)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Held-to-maturity investments are those financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value. Fair value of listed shares is based on market prices whereas, the fair value of unlisted shares is estimated using appropriate models and valuation methods and/or on the basis of the investee's financial results, condition and prospects. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (cont'd)

AFS financial assets (cont'd)

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances, where the carrying amount is reduced through the use of a provision account.

For loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for loans and advances that are individually significant. Furthermore, a collective impairment assessment is made for loans and advances that are not individually significant and for losses that have been incurred but are not yet identified relating to loans and advances that have been assessed individually and for which no provision has been made.

Provision for impairment of loans are determined using the "incurred loss" model as required by IFRS, which require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those events be.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at a) the loan's original effective interest rate, if the loan bears a fixed interest rate, or b) current effective interest rate, if the loan bears a variable interest rate. The collectability of individually significant loans and advances is evaluated based on the customer's overall financial condition, resources and payment record, the prospect of support from creditworthy guarantors and the realisable value of any collateral.

For the purposes of a collective evaluation of impairment, loans are grouped based on similar credit risk characteristics taking into account the type of the loan, geographic location, past-due days and other relevant factors.

Future cash flows for a group of loans and advances that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with similar credit risk characteristics to those of the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to remove the impact of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the estimated impairment loss decreases and the decrease is due to an event occurring after the impairment was recognised, when the creditworthiness of the customer has improved to such an extent that there is reasonable assurance that all or part of the principal and interest according to the original contract terms of the loan will be collected timely, the previously recognised impairment loss is reduced by adjusting the impairment provision account.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments issued by the Group (cont'd)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

The Group issues financial guarantees to its customers, consisting of letters of credit and letters of guarantee. Financial guarantees are initially recognised in the consolidated financial statements at fair value, on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation.

Subsequently, the Group's liability under each guarantee is measured at the higher of:

- (a) The amount initially recognised less, where appropriate, cumulative amortization recognised in accordance with the revenue recognition policies; and
- (b) The amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Subordinated loan

Subordinated loan is initially measured at cost, being the fair value of the consideration received net of any issue costs. It is subsequently measured at amortised cost using the effective interest method.

Interest on subordinated loan is recognized as interest expense in the consolidated income statement.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Repurchase agreements

Investments sold under agreements to repurchase at a specific future date ("repos") are not derecognised from the consolidated statement of financial position and are measured according to their classification. The proceeds from the sale of the investments are reported as liabilities to banks. The difference between the sale price and repurchase price is recognised as interest expense during the repurchase agreement period using the effective interest rate method.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Land and buildings held for supply of services and administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties' revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Furniture and equipment and motor vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation rates used are as follows:

	%
Buildings and installations	3 to 20
Furniture and equipment	10 to 20
Motor vehicles	20

No depreciation is charged on land.

Intangible assets

The Group classifies its computer software as intangible assets. These assets are stated at cost less accumulated amortisation. Amortisation is provided on a straight line basis over the assets' expected useful economic life which is 5 - 20 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Employee retirement benefits

The defined benefit plan operated by the Group until 31 December 2011 has been converted into a defined contribution plan in provident fund as per the agreement on 4 January 2012 between the Cyprus Bankers Employers' Association (KEST) and the Cyprus Union of Bank Employees (ETVK). Although the employees of National Bank of Greece (Cyprus) Ltd are not all members of ETKV, the same amendment was agreed between the Bank and the National Bank of Greece (Cyprus) Ltd's employees union (SYPETE) on 14 June 2012, with effective date remaining the same as the one applicable to ETKV members, i.e. 1 January 2012.

Under the agreement from 1 January 2012, the employer pays a monthly contribution to the provident fund of 14% on the gross salary. Moreover the Group paid to the provident fund for each eligible member of the staff, the accumulated rights to retirement gratuity based on retirement plan benefit which was agreed as at 31 December 2011. For the defined contribution plan, 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (cont'd)

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Special levy

In accordance to the "Special Levy on Credit Institutions Law of 2011", credit institutions are subject to a special levy for the years 2011 and 2012, 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. On 21 December 2012 amendments passed with regards to the above law, 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.

Based on new amendments the special levy tax increased to 0,15% as of 1 January 2013, and in order to take into account the significant decrease in bank deposits, specifically for the year 2013, the levy is imposed on deposits as at the end of the previous quarter at the rate of 0,0375% per quarter.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts. These instruments are initially recognised at cost and are subsequently remeasured at their fair value. Derivative financial instruments are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative assets and derivative liabilities are included in net profit or loss for the period.

Offsetting financial instruments

Financial assets and financial liabilities may be offset and the net amount reported in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provisions for pending litigation or claims

Provisions are recognized when the Group has: (a) a present obligation (legal or constructive) arising from past events, (b) it is probable that the obligation will result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, partly or fully, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement, consist balances with less than three months maturity, including cash, balances with central bank and amounts due from other banks.

Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where applicable, comparative figures have been adjusted to conform with changes in presentation in the current year.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the preparation of the consolidated financial statements the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and may cause a material adjustment to the carrying amounts of assets and liabilities.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are presented below:

Provisions for impairment of loans and advances

The Group reviews its loans and advances in order to assess whether a provision for impairment should be recorded in the consolidated income statement. Management is required to estimate the amount and timing of future cash flows in order to determine the amount of provision required. In addition to provisions for impairment on an individual basis, the Group also makes collective impairment provisions. This methodology is based on historical loss experience for assets with similar credit risk characteristics. In addition, the use of historical information is supplemented with significant 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.

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.

Fair value of financial instruments

The fair value of financial instruments that are not quoted in an active market is determined using valuation models. These models require management to make estimates and assumptions. Changes in these estimates and assumptions could affect the reported fair value of the relevant financial instruments.

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.

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 judgement 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.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of properties

The unprecedented economic conditions in Cyprus are also 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.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

Fair value of properties (cont'd)

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.

Provisions

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigations, claims or regulatory matters require a higher degree of judgements than other types of provisions.

5. INTEREST INCOME

	2013	2012
	€	€
Loans and other advances	70.474.129	66.272.216
Deposits with banks and central bank	4.377.993	9.832.425
Investments held-to-maturity	6.552.912	17.846.240
Investments classified as loans and receivables	-	1.478.624
Available-for-sale investments	-	179.238
	81.405.034	95.608.743

6. INTEREST EXPENSE

	2013	2012
	€	€
Deposits and other customer accounts	22.194.144	31.330.488
Deposits from banks	23.520.016	30.548.614
Subordinated loan	50.504	163.459
	45.764.664	62.042.561

7. FEE AND COMMISSION INCOME

	2013	2012
	€	€
Fees	1.621.478	2.530.819
Commissions	3.771.411	3.919.315
	5.392.889	6.450.134

8. FOREIGN EXCHANGE INCOME

Foreign exchange income comprises the translation of monetary assets in foreign currency at the end of the reporting period, realised exchange gains from transactions in foreign currency which have been settled during the year and the revaluation of foreign exchange derivatives.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

9. OTHER OPERATING INCOME

	2013	2012
	€	€
Dividend income	2.814	74.126
Other income	917.430	654.724
	920.244	728.850
	920.244	728.850

10. STAFF COSTS

	2013	2012
	€	€
Salaries and employer's contributions	16.850.353	16.247.386
Contribution to the provident fund for unrecognised actuarial losses as at 31 December 2011	-	3.872.057
Other staff expenses	2.180.895	648.164
	19.031.248	20.767.607
	19.031.248	20.767.607

The number of staff employed by the Group as of 31 December 2013 was 266 (2012: 298).

The defined benefit plan operated by the Group has been converted into a defined contribution plan in provident fund as per the agreement on 4 January 2012 between the Cyprus Bankers Employers' Association (KEST) and the Cyprus Union of Bank Employees (ETYK). Although the employees of National Bank of Greece (Cyprus) Ltd are not all members of ETYK, the same amendment was agreed between the Bank and the National Bank of Greece (Cyprus) Ltd's employees union (SYPETE) on 14 June 2012, with effective date remaining the same as the one applicable to ETYK members, i.e. 1 January 2012.

Under the agreement from 1 January 2012, the employer pays a monthly contribution to the provident fund of 14% on the gross salary. Moreover the Group paid to the provident fund for each eligible member of the staff, the accumulated rights to retirement gratuity based on retirement plan benefit which was agreed as at 31 December 2011.

11. OTHER OPERATING EXPENSES

	2013	2012
	€	€
Occupancy costs	853.498	956.633
Rentals	894.492	921.063
Advertising and marketing	319.083	325.568
Repairs and maintenance	957.375	718.032
Administrative expenses	898.366	1.288.848
Other operating expenses	592.272	1.904.816
	4.515.086	6.114.960
	4.515.086	6.114.960

Other operating expenses include fees of €75.750 (2012: €75.750) paid to the independent auditors of the Group, Deloitte Ltd, for the audit of the consolidated financial statements of the Group.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

12. TAX

Tax recognised in the income statement:

	2013	2012
	€	€
Corporation tax	-	240.184
Deferred tax	176.583	39.408
Prior years' taxes	(2.975)	(160.489)
Special levy tax	1.214.171	782.633
	1.387.779	901.736
	1.387.779	901.736

The Group is subject to corporation tax at the rate of 12,5% on its total taxable income (2012: 10%).

Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

In accordance with the "Special Levy on Credit Institutions Law of 2011" the Bank is subject to a special levy for the years 2011 and 2012 at the rate of 0,095% on qualifying deposits held at 31 December of the year preceding the year of taxation. Amendments passed on 21 December 2012 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.

The special tax levy on credit institutions was increased from 0,11% to 0,15% as of 1 January 2013. In order to take into account the significant decrease in bank deposits, specifically for the year 2013, the levy is imposed on deposits as at the end of the previous quarter at the rate of 0,0375% per quarter.

The charge for the year can be reconciled to the accounting profit as follows:

	2013	2012
	€	€
Loss before tax	(1.943.841)	(2.650.920)
Taxation based on applicable tax rates	(242.980)	(265.092)
Tax effect of:		
Disallowed expenses	535.220	610.375
Non taxable income	(292.240)	(105.099)
Deferred tax	176.583	39.408
Special levy tax	1.214.171	782.633
Prior years' taxes	(2.975)	(160.489)
Taxation charge	1.387.779	901.736
	1.387.779	901.736

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

13. CASH AND BALANCES WITH THE CENTRAL BANK OF CYPRUS

	2013	2012
	€	€
Cash	9.098.123	10.041.585
Balances with the Central Bank of Cyprus:		
- due within three months	17.929.376	15.802.800
	27.027.499	25.844.385

Balances with Central Bank include obligatory deposits for liquidity purposes of an amount of €12.910.490 (2012: €9.320.867).

14. DEPOSITS WITH OTHER BANKS

	2013	2012
	€	€
Due within three months	9.896.683	10.944.386
	9.896.683	10.944.386

The fair value of the above balances approximates their carrying amount.

15. LOANS AND OTHER ADVANCES

	2013	2012
	€	€
Loans and advances to customers	1.381.034.149	1.476.532.531
Hire purchase and leasing debtors	6.896.167	6.903.149
	1.387.930.316	1.483.435.680
Provisions for impairment of loans and advances (Note 17)	(222.578.478)	(186.720.960)
	1.165.351.838	1.296.714.720

The distribution of advances based on the period they are demanded is presented below:

	2013	2012
	€	€
Due within three months	472.491.087	533.183.592
Between three months and one year	353.942.955	386.596.067
Between one and five years	377.857.921	368.947.617
Over five years	183.638.353	194.708.404
	1.387.930.316	1.483.435.680

The distribution of advances of the Group to the different sectors of the economy is presented below:

	2013	2012
	€	€
Commercial	737.970.220	865.872.254
Construction and manufacturing	326.910.047	343.853.660
Tourism	29.883.932	38.528.484
Personal, professional and housing	237.929.047	176.417.674
Other	55.237.070	58.763.608
	1.387.930.316	1.483.435.680

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

15. LOANS AND OTHER ADVANCES (Cont'd)

Analysis by geographical area:

	2013	2012
	€	€
Cyprus	738.137.590	726.991.776
Greece	584.523.160	684.752.700
Other countries	65.269.566	71.691.204
	1.387.930.316	1.483.435.680

The fair value of loans and other advances is approximately equal to the amount shown on the consolidated statement of financial position.

As at 31 December, 2013 the non performing loans in accordance with the new Directive of the Central Bank of Cyprus, which applied as of 1 July 2013, amounted to €527.616.258 (2012: €320.522.808).

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 18 March 2013 and 31 August 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 30 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.

16. BALANCES WITH RELATED BANKS

(a) Deposits with related banks

	2013	2012
	€	€
National Bank of Greece S.A.	191.952.177	286.393.545
Other related banks	51.212.353	15.000.417
	243.164.530	301.393.962

The maturity of the above balances is presented below:

	2013	2012
	€	€
Due within three months	189.856.154	220.953.036
Between three months and one year	53.308.376	80.440.926
	243.164.530	301.393.962

The fair value of the above balances approximates their carrying amount.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

16. BALANCES WITH RELATED BANKS (Cont'd)

(b) Deposits from related banks

	2013	2012
	€	€
National Bank of Greece S.A.	598.253.431	686.941.305
	<u>598.253.431</u>	<u>686.941.305</u>

The maturity of the above balances is presented below:

	2013	2012
	€	€
Due within three months	530.018.512	639.612.723
Due between three months and one year	68.234.919	2.318.183
Due between one and five years	-	45.010.399
	<u>598.253.431</u>	<u>686.941.305</u>

The fair value of the above balances approximates their carrying amount.

17. PROVISIONS FOR IMPAIRMENT OF LOANS AND ADVANCES

	Total
	€
Balance 1 January 2012	156.727.447
Provisions for the year	11.409.162
Provisions release	(1.675.259)
Write offs against provisions	(2.336.790)
Suspended income	22.596.399
	<u>186.720.960</u>
Balance 1 January 2013	186.720.960
Provisions for the year	15.968.474
Write offs against provisions	(565.252)
Suspended income	20.454.297
	<u>222.578.479</u>
Balance 31 December 2013	<u>222.578.479</u>

Amounts recognized in the income statement:

	2013	2012
	€	€
Provision for impairment	15.968.474	9.733.904
	<u>15.968.474</u>	<u>9.733.904</u>

18. INVESTMENTS

(a) Available-for-sale investments

	2013	2012
	€	€
Listed	1.366.407	3.823.006
Unlisted	2.025.806	2.248.517
	<u>3.392.213</u>	<u>6.071.523</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

18. INVESTMENTS (Cont'd)

(a) Available-for-sale investments (cont'd)

	2013	2012
	€	€
Equity securities	3.392.213	3.037.902
Debt securities	-	3.033.621
	3.392.213	6.071.523

Investments available for sale are as follows:

	2013	2012
	€	€
JCC Payment Systems Ltd	802.172	1.024.883
National Insurance (Cyprus) Limited	1.223.634	1.223.634
Master Card International Incorporated	1.280.977	789.385
Bank of Cyprus Public Company Ltd	85.430	3.033.621
	3.392.213	6.071.523

(b) Held-to-maturity investments

	2013	2012
	€	€
Cyprus government bonds and treasury bills	109.610.541	144.278.725
	109.610.541	144.278.725

The maturity of the above investments is presented below:

	2013	2012
	€	€
Within three months	109.610.541	144.278.725

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

19. PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings and Installations €	Motor vehicles €	Furniture and equipment €	Total €
Cost or valuation				
1 January 2012	19.096.205	327.761	6.262.199	25.686.165
Revaluation	22.500	-	-	22.500
Additions	134.265	1.790	292.731	428.786
Write offs/disposals	(805.599)	(2.566)	(42.186)	(850.351)
1 January 2013	18.447.371	326.985	6.512.744	25.287.100
Additions	3.901	-	16.041	19.942
Write offs/disposals	-	(63.047)	(1.007)	(64.054)
31 December 2013	<u>18.451.272</u>	<u>263.938</u>	<u>6.527.778</u>	<u>25.242.988</u>
Depreciation				
1 January 2012	2.158.937	271.051	5.348.027	7.778.015
Charge for the year	596.878	23.455	299.750	920.083
Write off/disposals	(590.771)	(2.566)	(17.041)	(610.378)
1 January 2013	2.165.044	291.940	5.630.736	8.087.720
Charge for the year	530.996	20.298	240.489	791.783
Write off/disposals	-	(63.046)	(412)	(63.458)
31 December 2013	<u>2.696.040</u>	<u>249.192</u>	<u>5.870.813</u>	<u>8.816.045</u>
Net book value				
31 December 2013	<u>15.755.232</u>	<u>14.746</u>	<u>656.965</u>	<u>16.426.943</u>
31 December 2012	<u>16.282.327</u>	<u>35.045</u>	<u>882.008</u>	<u>17.199.380</u>

At 31 December 2012, a valuation of the Group's property was performed by independent professional valuers. The fair value is based on market values. Increases in the carrying amount arising on revaluation were credited to property revaluation reserves. Decreases that offset previous increases of the same asset are charged against those reserves. All other decreases are charged to the consolidated income statement.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

20. INTANGIBLE ASSETS

	Computer software	
	2013	2012
	€	€
Cost		
1 January	9.961.367	8.267.888
Additions	998.264	1.693.479
31 December	10.959.631	9.961.367
Amortisation		
1 January	5.938.852	5.688.130
Charge for the year	310.825	250.722
31 December	6.249.677	5.938.852
Net book value		
31 December	4.709.954	4.022.515

21. OTHER ASSETS

	2013	2012
	€	€
Taxes refundable	710.018	636.228
Prepaid expenses	39.156	494.359
Other receivables	1.420.438	1.552.153
	2.169.612	2.682.740

22. DEPOSITS FROM OTHER BANKS

	2013	2012
	€	€
Interbank borrowing	1.088.612	2.850.428
	1.088.612	2.850.428

The maturity of the above balances is presented below:

	2013	2012
	€	€
Due within three months	1.088.612	2.850.428
	1.088.612	2.850.428

The fair value of the above balances approximates their carrying amount.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

23. DEPOSITS AND OTHER CUSTOMER ACCOUNTS

	2013	2012
	€	€
Time and Notice accounts	578.707.056	743.875.017
Demand and current accounts	152.237.521	122.706.687
Savings accounts	71.427.493	30.144.203
	<u>802.372.070</u>	<u>896.725.907</u>

Analysis by geographical area

	2013	2012
	€	€
Cyprus	665.083.140	690.837.308
Greece	64.769.960	99.142.942
Other countries	72.518.970	106.745.657
	<u>802.372.070</u>	<u>896.725.907</u>

The fair value of the above balances approximates their carrying amount.

The above mentioned balances maturity is presented below:

	2013	2012
	€	€
Due within three months	645.839.681	563.417.354
Between three months and one year	156.532.389	333.308.553
	<u>802.372.070</u>	<u>896.725.907</u>

The Cypriot authorities have introduced temporary restrictive measures, with respect to banking and cash transactions, as a result of the significant liquidity squeeze in the local market and the risk of an outflow of deposits. These measures include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provide for the compulsory partial renewal of maturing deposits. Since their introduction, these restrictive measures have been gradually relaxed and there is a roadmap for the gradual liberalisation of the restrictions taking into account investor confidence and financial stability indicators.

24. OTHER LIABILITIES

	2013	2012
	€	€
Receipts on behalf of third parties	2.149.838	2.019.277
Provision for staff leaving indemnities	700.212	1.086.829
Payable to NBG provident fund	-	37.984.088
Cheques - drafts payable	973.989	1.864.148
Fair value of derivatives	208.814	5.613
Other liabilities	3.881.353	1.667.428
Deferred tax	1.985.103	1.808.519
	<u>9.899.309</u>	<u>46.435.902</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

24. OTHER LIABILITIES (Cont'd)

Under the new agreement signed on 12 January 2012 between the Cyprus Bankers Employers Association and the Cyprus Union of the Bank Employees with effect from 1st January 2012, and the subsequent agreement between the Bank and the National Bank of Greece (Cyprus) Ltd's employees union on 14 June 2012 as described in note 10 the Group paid to the provident fund for each eligible member of the staff, the accumulated right to retirement gratuity based on retirement plan benefit which was agreed as at 31 December 2011.

25. SUBORDINATED LOAN FROM HOLDING COMPANY

	2013	2012
	€	€
Balance 1 January	6.000.000	9.000.000
Repayments	(3.000.000)	(3.000.000)
Balance 31 December	3.000.000	6.000.000

The loan is repayable in five equal annual instalments starting from 31 December 2010. The interest on the loan is variable, is linked to the six-month Euribor and is payable on a six month basis.

The subordinated loan is not secured and follows in priority the claims of depositors and other creditors of the Bank.

The subordinated loan is classified as Tier 2 capital for capital adequacy purposes.

The fair value of subordinated loan at 31 December 2013 and 2012 is approximately equal to the amount shown on the consolidated statement of financial position.

26. SHARE CAPITAL

	2013		2012	
	Shares	€	Shares	€
Authorised:				
Ordinary shares of Euro 1,71 each	30.000.000	51.300.000	30.000.000	51.300.000
Issued and fully paid				
Ordinary shares of Euro 1,71 each	30.000.000	51.300.000	30.000.000	51.300.000

27. REVALUATION RESERVE

	Land and buildings €	Available- for-sale investments €	Total €
Balance 1 January 2012	8.308.878	1.833.496	10.142.374
Gain from change in fair value	22.500	178.536	201.036
Balance 31 December 2012	8.331.378	2.012.032	10.343.410
Gain from change in fair value	-	269.217	269.217
Balance 31 December 2013	8.331.378	2.281.249	10.612.627

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

28. CONTINGENT LIABILITIES AND COMMITMENTS

The nominal values of the contingencies and commitments as at 31 December are presented below:

	2013 €	2012 €
Letters of Guarantee	72.281.483	87.014.005
Letters of Credit	18.931.256	20.135.229
Customers' credit limits that have been approved but have not been used	253.589.887	207.846.182
	<u>344.802.626</u>	<u>314.995.416</u>

Letters of credit and guarantees are offset by corresponding obligations of third parties.

Pending litigations and claims

As at 31 December, 2013 there were pending litigations against the Group in connection with its activities. Based on legal advice the Board of Directors believes that there is adequate defence against all claims and it is not probable that the Group will suffer any significant damage.

29. NET CASH USED IN OPERATING ACTIVITIES

	2013 €	2012 €
Loss before taxation	(1.943.841)	(2.650.920)
Depreciation of property, plant and equipment	791.783	920.083
Loss on disposal of debt securities	-	147.591
Amortisation of intangible assets	310.825	250.722
Interest on subordinated loan	50.504	163.459
Provision for unused vacation	(386.617)	1.086.829
Provision for impairment of loans and advances	15.968.474	9.733.904
Net foreign exchange loss	203.477	223.014
Loss on disposal of property, plant and equipment	595	166.231
Loss/(profit) from derivative financial instruments	197.127	(207.368)
Dividend income	(2.814)	(74.126)
Interest on debt securities	(6.552.912)	(19.504.102)
Amortization of premiums/discounts of debt securities	-	(1.389.305)
Provision for impairment of debt securities	2.948.192	5.637.992
	<u>11.584.793</u>	<u>(5.495.996)</u>
Decrease/(increase) in loans and other advances	115.394.410	(141.648.254)
(Decrease)/increase in deposits and other customer accounts	(94.353.837)	65.993.351
Decrease/(increase) in deposits with other banks	(6.145)	-
Decrease in deposits from other banks	(1.761.815)	(42.710.952)
Decrease in deposits with related banks	36.071.718	89.147.469
Decrease in deposits from related banks	(88.687.874)	(2.407.574.810)
Decrease in other assets	519.202	565.585
(Decrease)/increase in other liabilities	(36.529.761)	5.196.215
	<u>(57.769.309)</u>	<u>(2.436.527.392)</u>
Net cash used in operations	(57.769.309)	(2.436.527.392)
Tax paid	(1.214.170)	(862.328)
	<u>(58.983.479)</u>	<u>(2.437.389.720)</u>
Net cash used in operating activities (Page 9)	(58.983.479)	(2.437.389.720)

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

30. CASH AND CASH EQUIVALENTS

Analysis of cash and cash equivalents

	2013	2012
	€	€
Cash (Note 13)	9.098.123	10.041.585
Balances with Central Bank of Cyprus - due within three months (Note 13)	17.929.376	15.802.800
Deposits with related banks - due within three months	178.183.686	200.341.399
Deposits with other banks - due within three months	9.890.538	10.944.386
	215.101.723	237.130.170

Analysis of flow of cash and cash equivalents

	2013	2012
	€	€
Balance 1 January	237.130.170	304.550.639
Net outflow of cash and cash equivalents	(28.644.492)	(67.420.469)
Balance 31 December	208.485.678	237.130.170

For the purpose of preparing the consolidated statement of cash flows, the maturities of cash equivalents relating to the balances with related and other banks and with the Central Bank of Cyprus, are based on their original contractual cash flows.

31. RELATED PARTY TRANSACTIONS

The parent company of the Group is National Bank of Greece S.A., a company registered in Greece.

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

During the year, the Group entered into the following trading transactions with related parties that are not members of the Group:

	Interest & other income		Interest & other expense	
	2013	2012	2013	2012
	€	€	€	€
National Bank of Greece S.A.	4.001.942	9.008.577	23.414.613	30.382.608
Subsidiaries of National Bank of Greece S.A.	20.805.275	18.767.743	1.621.480	1.645.791

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

31. RELATED PARTY TRANSACTIONS (Cont'd)

Balances with related companies

The following balances were outstanding at the end of the reporting period:

	2013	2012
	€	€
Deposits and other customer accounts		
National Securities S.A.	63.811	37.702
NBG Management Services Limited	1.951.213	2.260.506
National Insurance (Cyprus) Limited	10.634.589	11.680.640
National General Insurance (Cyprus) Ltd	9.705.295	8.744.814
	<u>22.354.908</u>	<u>22.723.662</u>
	2013	2012
	€	€
Loans and other advances		
Astir Palace Vouliagmenis S.A.	195.249	234.662
Ethniki Leasing S.A.	198.137.783	166.670.427
Ethniki Factors S.A.	207.021.471	328.537.513
Ethniki Hellenic General Insurance S.A.	45.020.980	45.010.399
NBG Leasing IFN S.A.	32.118.508	33.076.120
	<u>482.493.991</u>	<u>573.529.121</u>

Deposits with and from related banks are presented in note 16 to the consolidated financial statements.

Key management personnel

	2013	2012
	€	€
Loans and advances to members of the Board of Directors and connected persons	<u>626</u>	<u>3.823.639</u>
Interest income	<u>-</u>	<u>258.835</u>
Deposits of members of the Board of Directors and connected persons	<u>677.698</u>	<u>1.395.087</u>
Interest expense	<u>27.476</u>	<u>52.734</u>

Connected persons include spouses, minor children and companies in which Directors or key management personnel hold, directly or indirectly, at least 20% of the voting shares.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. All transactions with key management personnel are made on the same terms as those applicable to the rest of the Group's employees.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

31. RELATED PARTY TRANSACTIONS (Cont'd)

Key management personnel (cont'd)

The remuneration of Directors and other members of key management during the year was as follows:

	2013	2012
	€	€
Fees paid to Directors as members of the Board	10.660	13.293
Executive Directors emoluments		
Salaries and other short-term benefits	253.124	412.788
Employer's contributions	125.964	142.552
	379.088	555.340
Total compensation	389.748	568.633

32. SUBSIDIARY COMPANY

Details of the Company's subsidiary are as follows:

Name	Country of incorporation	% Participation	
		2013	2012
National Securities Cyprus Ltd	Cyprus	100	100

33. OPERATING ENVIRONMENT OF THE GROUP

The Cyprus economy has been adversely affected from the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. As a result, the Republic of Cyprus entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund (the Troika), for financial support, which resulted into an agreement and the Eurogroup decision of 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through bail in. During 2013 the Cyprus economy contracted further with a decrease in the Gross Domestic Product.

Following the positive outcome of the first and second quarterly reviews of Cyprus economic program by the European Commission, the European Central Bank and the International Monetary Fund during 2013, the Eurogroup endorsed the disbursement of the scheduled tranches of financial assistance to Cyprus.

The uncertain economic conditions in Cyprus, the unavailability of financing, the restructuring of the banking sector through bail in for Laiki Bank and Bank of Cyprus, and the imposition of capital controls together with the current situation of the banking system and the continuing overall economic recession, could affect the ability of the Group's trade and other receivables to repay the amounts due to the Group and the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non-financial assets.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

33. OPERATING ENVIRONMENT OF THE GROUP (Cont'd)

The Company's management has assessed:

- (1) Whether any impairment allowances are deemed necessary for the Group's financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are.
- (2) The ability of the Company to continue as a going concern.

The management considers it difficult to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

On the basis of the evaluation performed, impairment has been recognized as disclosed in Note 17.

The management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

34. RISK MANAGEMENT

Like any other financial institution, the Group is exposed to risks. The nature of the risks and the ways they are dealt with are explained below:

a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The loan portfolio is assessed on the basis of customer creditworthiness, sector of the economy and country of operation and is regularly audited by the Internal Audit department. The Group's policy regarding the definition of impaired loans and advances and the determination of the level of provisions for impairment is described in the summary of significant accounting policies.

Maximum exposure to credit risk and collateral and other credit enhancements

The main types of collateral obtained by the Group for loans and advances to customers are mortgages of properties, blocked deposits, bank guarantees, pledges of equity securities of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies and personal and corporate guarantees.

Collateral held as security for other financial assets is determined by the nature of the instrument. Debt securities and other eligible bills are generally unsecured.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT

a) Credit risk (cont'd)

Maximum exposure to credit risk and collateral and other credit enhancements (cont'd)

The table below shows the maximum exposure to credit risk, the tangible and measurable collateral and other credit enhancements held and the net exposure to credit risk. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

2013	Maximum exposure to credit risk €	Fair value of collateral and credit enhancements held by the Company					Net collateral €	Net exposure to credit risk €
		Cash €	Securities €	Property €	Other €			
Balances with Central Bank of Cyprus	12.911.610	-	-	-	-	-	-	12.911.610
Deposits with banks	253.061.213	-	-	-	-	-	-	253.061.213
Loans and other advances	1.165.351.838	473.273.151	9.897.220	411.290.851	3.483.954	897.945.176	-	267.406.662
Debt securities classified as held-to-maturity	109.610.541	-	-	-	-	-	-	109.610.541
Available-for-sale investments	3.392.213	-	-	-	-	-	-	3.392.213
Other assets	2.169.612	-	-	-	-	-	-	2.169.612
On-balance sheet total	1.546.497.027	473.273.151	9.897.220	411.290.851	3.483.954	897.945.176		648.551.851
Contingent liabilities and commitments								
Letters of guarantee	72.281.483							
Letters of credit	18.931.256							
Undrawn credit lines and other commitments to lend	253.589.887							
Off-balance sheet total	344.802.626							
Total credit risk exposure	1.891.299.653							

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT

a) **Credit risk (cont'd)**

Maximum exposure to credit risk and collateral and other credit enhancements (cont'd)

2012	Maximum exposure to credit risk €	Fair value of collateral and credit enhancements held by the Company					Net exposure to credit risk €
		Cash €	Securities €	Property €	Other €	Net collateral €	
Balances with Central Bank of Cyprus	15.802.800	-	-	-	-	-	15.802.800
Deposits with banks	312.338.348	-	-	-	-	-	312.338.348
Loans and other advances	1.296.714.720	571.137.827	10.899.536	410.716.101	19.832.611	1.012.586.075	284.128.645
Debt securities classified as held-to-maturity	144.278.725	-	-	-	-	-	144.278.725
Available-for-sale investments	6.071.523	-	-	-	-	-	6.071.523
Other assets	2.682.740	-	-	-	-	-	2.682.740
On-balance sheet total	1.777.888.856	571.137.827	10.899.536	410.716.101	19.832.611	1.012.586.075	765.302.781
Contingent liabilities and commitments							
Letters of guarantee	87.014.005						
Letters of credit	20.135.229						
Undrawn credit lines and other commitments to lend	207.846.182						
Off-balance sheet total	314.995.416						
Total credit risk exposure	2.092.884.272						

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

a) Credit risk (cont'd)

Credit quality of loans and other advances to customers

	2013	2012
	€	€
Neither past due nor impaired	554.599.585	952.272.457
Past due but not impaired	401.516.479	231.031.199
Impaired	431.814.252	300.132.024
	<u>1.387.930.316</u>	<u>1.483.435.680</u>

A loan is not past due when the customer has not missed a contractual payment (interest or capital) when contractually due. Impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis.

Loans and other advances to customers that are neither past due nor impaired

The credit quality of loans and advances to customers that were neither past due nor impaired, is monitored by the Group using internal systems.

Loans and other advances to customers that are past due but not impaired

	2013	2012
	€	€
Past due up to 30 days	283.261.814	105.977.868
Past due 31 - 60 days	21.013.203	14.282.474
Past due 61 - 90 days	13.028.526	4.390.838
Past due over 90 days	84.212.936	106.380.019
	<u>401.516.479</u>	<u>231.031.199</u>

The collateral consists primarily of real estate, cash and letters of guarantee. More details are set out above in "Collateral and other credit enhancements".

The fair value of collateral that the Group holds for loans and other advances to customers that are past due but not impaired as at 31 December 2013 amounts to €198.967.050 (2012: €187.346.715).

The fair value of collateral is based on valuation techniques commonly used for the corresponding assets, which include reference to the market prices.

Impaired loans and other advances

The analysis of loans and other advances that are individually determined to be impaired is as follows:

	2013	2012
	€	€
Commercial	108.470.180	107.369.787
Construction and manufacturing	219.327.381	119.811.494
Tourism	10.042.766	9.431.540
Personal, professional and housing	62.469.294	5.165.235
Other	31.504.631	58.353.968
	<u>431.814.252</u>	<u>300.132.024</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

a) Credit risk (cont'd)

Impaired loans and other advances (cont'd)

Analysis by geographical area:

	2013	2012
	€	€
Cyprus	418.699.132	292.811.535
Greece	-	232.482
Other countries	13.115.120	7.088.007
	431.814.252	300.132.024

The fair value of collateral that the Group holds for individually impaired loans as at 31 December 2013 amounts to €231.906.396 (2012: €123.662.286).

The collateral consists primarily of real estate, cash and letters of guarantee. More details are set out above in "Collateral and other credit enhancements".

Rescheduled loans and other advances to customers

Rescheduled loans represent clients' facilities that have been restructured in accordance with the new Directive of the Central Bank of Cyprus which applied as of 1 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 instalments in relation to credit facilities with modifications in their amortization repayment schedule, while for credit facilities with gradual increase of the instalment amount, the facility remains non-performing for six months following the first month at which the highest instalment 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.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

a) Credit risk (cont'd)

Rescheduled loans and other advances to customers (cont'd)

2013	Maximum exposure to credit risk €	Fair value of collateral €	Net exposure to credit risk €
Neither past due nor impaired	11.500.379	299.281	11.201.098
Past due but not impaired	35.138.840	25.306.601	9.832.239
Impaired	46.436.691	33.801.936	12.634.755
	<u>93.075.910</u>	<u>59.407.818</u>	<u>33.668.092</u>

2012	Maximum exposure to credit risk €	Fair value of collateral €	Net exposure to credit risk €
Neither past due nor impaired	394.017	304.400	89.617
Past due but not impaired	65.522	65.522	-
Impaired	907.265	447.169	460.096
	<u>1.366.804</u>	<u>817.091</u>	<u>549.713</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

a) Credit risk (cont'd)

Credit quality of the Group's assets exposed to credit risk other than loans and other advances to customers - Analysis by rating agency

Balances with Central Bank of Cyprus and deposits with banks are analysed by Moody's rating as follows:

	2013	2012
	€	€
Aaa - Aa3	808.878	1.202.348
A1 - A3	6.813.263	7.513.406
Baa1 - Baa3	833.997	271.578
B1 - B3	-	9.324.532
Caa1 - Caa3	204.863.787	286.393.545
Unrated	52.652.898	23.435.739
	<u>265.972.823</u>	<u>328.141.148</u>

Investments in debt securities are analysed by Moody's rating as follows:

	2013	2012
	€	€
Caa3(2012: B3)	109.610.541	144.278.725
Caa1	-	3.033.621
	<u>109.610.541</u>	<u>147.312.346</u>

	2013	2012
	€	€
Issued by:		
Cyprus government	109.610.541	144.278.725
Banks	-	3.033.621
	<u>109.610.541</u>	<u>147.312.346</u>
Classified as:		
Held-to-maturity investments	109.610.541	144.278.725
Available-for-sale investments	-	3.033.621
	<u>109.610.541</u>	<u>147.312.346</u>

The Group's deposits and securities are neither past due nor impaired.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet current and future payments obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at higher cost or sell assets at a discount.

Group assets are mainly funded by deposits. The maturity of the deposits is actively monitored in order to avoid concentration of funding maturities at any point in time. The responsibility for the management of liquidity rests with the treasury department.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has build an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements, in order to also ensure compliance with the limits set by the Central Bank of Cyprus.

Analysis of financial assets and financial liabilities by remaining contractual maturity

The following liquidity tables analyse the financial assets and financial liabilities of the Group into relevant maturity groupings based on their remaining contractual maturity. The financial liabilities analysis disclosed in the tables represents the contractual undiscounted cash flows. However, the financial assets are presented on the same basis as the one provided to the management of the Group and to the Central Bank of Cyprus, as this presentation is considered to be the most appropriate presentation of the Group's liquidity. Accordingly, the analysis of the financial assets does not include any interest receivable cash flows.

2013	Less than 1 month €	Between 1-3 months €	Between 3 months to 1 year €	Between 1-5 years €	Over 5 years €	Total €
Financial assets						
Cash and balances with Central Bank of Cyprus	27.027.499	-	-	-	-	27.027.499
Deposits with banks	191.647.843	7.944.932	52.893.272	-	-	252.486.047
Loans and other advances	57.508.382	64.746.262	353.886.656	377.403.492	495.255.085	1.348.799.877
Available-for-sale investments	3.392.213	-	-	-	-	3.392.213
Held-to-maturity investments	109.610.541	-	-	-	-	109.610.541
Other assets	74.987	873.809	570.418	650.398	-	2.169.612
	<u>389.261.465</u>	<u>73.565.003</u>	<u>407.350.346</u>	<u>378.053.890</u>	<u>495.255.085</u>	<u>1.743.485.789</u>
Financial liabilities						
Deposits from banks	524.527.391	8.097.562	70.270.370	-	-	602.895.323
Deposits and other customer accounts	478.470.993	168.364.235	158.644.028	-	-	805.479.256
Subordinated loan	-	3.013.196	-	-	-	3.013.196
Other liabilities	3.755.726	2.169.184	700.966	3.273.433	-	9.899.309
	<u>1.006.754.110</u>	<u>181.644.177</u>	<u>229.615.364</u>	<u>3.273.433</u>	<u>-</u>	<u>1.421.287.084</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

b) Liquidity risk (cont'd)

Analysis of financial assets and financial liabilities by remaining contractual maturity(cont'd)

	Less than 1 month €	Between 1-3 months €	Between 3 months to 1 year €	Between 1-5 years €	Over 5 years €	Total €
2013						
Off-balance sheet items						
Letters of Guarantee	-	-	72.281.483	-	-	72.281.483
Letters of credit	-	-	18.931.256	-	-	18.931.256
Amount of unutilised credit facilities	253.589.887	-	-	-	-	253.589.887
	<u>253.589.887</u>	<u>-</u>	<u>91.212.739</u>	<u>-</u>	<u>-</u>	<u>344.802.626</u>
2012						
Financial assets						
Cash and balances with Central Bank of Cyprus	25.844.385	-	-	-	-	25.844.385
Deposits with banks	206.917.995	24.979.427	80.440.926	-	-	312.338.348
Loans and other advances	662.841.319	19.314.735	47.838.772	209.318.982	357.400.912	1.296.714.720
Available-for-sale investments	3.033.621	-	3.037.902	-	-	6.071.523
Held-to-maturity investments	49.852.070	94.426.655	-	-	-	144.278.725
Other assets	-	-	-	2.682.740	-	2.682.740
	<u>948.489.390</u>	<u>138.720.817</u>	<u>131.317.600</u>	<u>212.001.722</u>	<u>357.400.912</u>	<u>1.787.930.441</u>
Financial liabilities						
Deposits from banks	644.578.654	2.140.649	-	-	62.064.349	708.783.652
Deposits and other customer accounts	207.801.097	40.047.864	174.573.889	483.659.199	-	906.082.049
Subordinated loan	-	-	3.012.216	3.012.216	-	6.024.432
Other liabilities	3.839.508	1.864.148	1.672.660	-	-	7.376.316
	<u>856.219.259</u>	<u>44.052.661</u>	<u>179.258.765</u>	<u>486.671.415</u>	<u>62.064.349</u>	<u>1.628.266.449</u>
Off-balance sheet items						
Letters of Guarantee	-	-	87.014.005	-	-	87.014.005
Letters of credit	-	-	20.135.229	-	-	20.135.229
Amount of unutilised credit facilities	207.846.182	-	-	-	-	207.846.182
	<u>207.846.182</u>	<u>-</u>	<u>107.149.234</u>	<u>-</u>	<u>-</u>	<u>314.995.416</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

c) Market risk

Market risk is the risk of loss from adverse changes in market prices. The Group is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The ways that these risks are dealt with are analysed below:

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the interest rate repricing of assets and liabilities. The Group monitors on a continuous basis the interest rate movements and the repricing or maturity structure of its assets and liabilities.

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated, separately for each currency. The difference is then multiplied with the assumed change in interest rates for the period from the repricing date until twelve months from the date of the analysis, in order to find the annual impact on earnings of any changes in interest rates for the next twelve months for each currency.

Sensitivity analysis

The table below indicates the effect on the Group's net profit and equity, if interest rates of the main currencies have been 100 basis points higher. A positive number below indicates an increase in profit/equity. For a decrease of 100 basis points there would be an equal and opposite impact on the net profit and equity.

	Euro €'000	USD Dollars €'000	British Pound €'000	Other currencies €'000	Total €'000
2013					
+100 b.p. in all currencies	<u>14.507</u>	<u>187</u>	<u>57</u>	<u>147</u>	<u>14.898</u>
2012					
+100 b.p. in all currencies	<u>5.735</u>	<u>149</u>	<u>50</u>	<u>166</u>	<u>6.100</u>

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises from an open position in a foreign currency, creating an exposure to a change in the relevant exchange rate. This may arise from the holding of financial assets in one currency funded by liabilities in another currency.

In order to manage currency risk, the Group has approved open position limits for each currency. Adherence to the limits is monitored on a daily basis by the treasury department.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

c) Market risk (cont'd)

Currency risk (cont'd)

The table below sets out the Group's foreign exchange risk resulting from its open foreign exchange positions. A positive number below indicates an increase in profit/equity. For a corresponding decrease there would be an equal and opposite impact on profit/equity.

Currency	Open position €'000	Change in exchange rate %	Impact on net profit/ equity €'000
2013			
US Dollar	(1.356)	+5	(68)
British Pound	(4.583)	+5	(229)
Other currencies	3.422	+5	171
2012			
US Dollar	3.120	+5	156
British Pound	(4.123)	+5	(206)
Other currencies	4.085	+5	204

d) Operational risk

Operational risk is the risk of loss arising from fraud, error, omission, systems failure or other external events. The Group manages operational risk through its Risk Management Unit where processes are documented and transactions are monitored. Furthermore, this is supported by the reviews undertaken by the Internal Audit division.

e) Regulatory risk

The operations of the Group are supervised by the Central Bank of Cyprus. All Banks in Cyprus have to comply with the requirements of both the European Union and Cyprus legislation, as well as with the regulatory framework of the Central Bank of Cyprus. Legal or regulatory changes may be introduced in the future either by the European Union or by the Central Bank of Cyprus which may adversely affect the results and financial position of the Group.

f) Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or a liability settled, in an arm's length transaction.

With reference to the above, the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

f) Fair value of financial instruments (cont'd)

Fair value measurements recognised in the statement of financial position

The Group uses the following hierarchy for determining and disclosing fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques.

- The fair values of available-for-sale investments that are traded on active liquid markets are determined with reference to quoted market prices. The unquoted equity securities are valued using valuation techniques that include inputs from non-observable data. The non-observable inputs to the models for the valuation of unquoted equity include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry in which the investee operates.
- The fair values of derivative instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

2013	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets at FVTPL				
Derivative financial assets	-	26.442	-	26.442
Available-for-sale investments				
Equities	1.280.977	85.430	2.025.806	3.392.213
Total	<u>1.280.977</u>	<u>111.872</u>	<u>2.025.806</u>	<u>3.418.655</u>
Financial liabilities at FVTPL				
Derivative financial liabilities	-	208.814	-	208.814
Total	<u>-</u>	<u>208.814</u>	<u>-</u>	<u>208.814</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

34. RISK MANAGEMENT (Cont'd)

f) Fair value of financial instruments (cont'd)

2012	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets at FVTPL				
Derivative financial assets	-	20.368	-	20.368
Available-for-sale investments				
Equities	-	789.385	2.248.517	3.037.902
Debt securities	-	3.033.621	-	3.033.621
Total	- <u> </u>	3.843.374 <u> </u>	2.248.517 <u> </u>	6.091.891 <u> </u>
Financial liabilities at FVTPL				
Derivative financial liabilities	-	5.613	-	5.613
Total	- <u> </u>	5.613 <u> </u>	- <u> </u>	5.613 <u> </u>

Reconciliation of Level 3 fair value measurements

	Available-for-sale unlisted shares €
Balance of 1 January 2013	2.248.517
Total losses in other comprehensive income	(222.711)
Balance of 31 December 2013	<u>2.025.806</u>

There were no movement in Level 3 financial instruments which are measured at fair value during 2012.

During 2013 and 2012 there were no transfers from Level 1 and Level 2.

35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group complies with externally imposed capital requirements and that the Group maintains good capital ratios in order to support its business and to maximise shareholders' value.

The adequacy of the Group's capital is monitored based on the Directive for the Calculation of the Capital Requirements and Large Exposure of banks (the "Directive"), issued by the Central Bank of Cyprus.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

35. CAPITAL MANAGEMENT (Cont'd)

During 2013 and 2012 the Group had complied with the minimum capital requirements.

	2013	2012
	€'000	€'000
Core original own funds	<u>151.817</u>	<u>155.835</u>
Original own funds	151.817	155.835
Supplementary own funds	13.612	16.343
Deductions	<u>(1.223)</u>	<u>(1.223)</u>
Total own funds	<u>164.206</u>	<u>170.955</u>
Risk weighted assets - credit risk	899.788	999.262
Risk weighted assets - market risk	5.938	7.200
Risk weighted assets - operational risk	96.913	119.298
	<u>1.002.639</u>	<u>1.125.760</u>
	2013	2012
	%	%
Core tier 1 ratio	<u>15,14</u>	<u>13,84</u>
Tier 1 ratio	<u>15,08</u>	<u>13,79</u>
Tier 2 ratio	<u>1,30</u>	<u>1,40</u>
Total capital ratio	<u>16,38</u>	<u>15,19</u>

Under the directive capital comprises of:

(i) Own funds consist mainly of paid up share capital, share premium, retained earnings less any proposed dividends and minority interest. The book value of goodwill and other intangible assets are deducted from own funds.

(ii) Supplementary own funds include mainly subordinated debt and revaluation reserves.

Risk-weighted assets for credit and market risk are calculated using the standardised approach. For operational risk the capital requirements are calculated in accordance with the Basic Indicator approach.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

36. CATEGORIES OF FINANCIAL INSTRUMENTS

The accounting policies for financial instruments have been applied to the line items below:

2013	Loans and receivables €	Assets at fair value through profit or loss €	Available- for-sale assets €	Held-to- maturity assets €	Total €
Financial assets as per consolidated statement of financial position					
Cash and balances with Central Bank of Cyprus	27.027.499	-	-	-	27.027.499
Deposits with banks	253.061.213	-	-	-	253.061.213
Loans and other advances	1.165.351.838	-	-	-	1.165.351.838
Available-for-sale investments	-	-	3.392.213	-	3.392.213
Held-to-maturity investments	-	-	-	109.610.541	109.610.541
Other assets	2.143.170	26.442	-	-	2.169.612
	<u>1.447.583.720</u>	<u>26.442</u>	<u>3.392.213</u>	<u>109.610.541</u>	<u>1.560.612.916</u>

2013	Derivative liabilities at fair value through profit or loss €	Other financial liabilities at amortised cost €	Total €
Financial liabilities as per consolidated statement of financial position			
Deposits from banks	-	599.342.043	599.342.043
Deposits and other customer accounts	-	802.372.070	802.372.070
Subordinated loan	-	3.000.000	3.000.000
Other liabilities	208.814	9.690.495	9.899.309
	<u>208.814</u>	<u>1.414.404.608</u>	<u>1.414.613.422</u>

2012	Loans and receivables €	Assets at fair value through profit or loss €	Available- for-sale assets €	Held-to- maturity assets €	Total €
Financial assets as per consolidated statement of financial position					
Cash and balances with Central Bank of Cyprus	25.844.385	-	-	-	25.844.385
Deposits with banks	312.338.348	-	-	-	312.338.348
Loans and other advances	1.296.714.720	-	-	-	1.296.714.720
Available-for-sale investments	-	-	6.071.523	-	6.071.523
Held-to-maturity investments	-	-	-	144.278.725	144.278.725
Other assets	2.662.372	20.368	-	-	2.682.740
	<u>1.637.559.825</u>	<u>20.368</u>	<u>6.071.523</u>	<u>144.278.725</u>	<u>1.787.930.441</u>

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

36. CATEGORIES OF FINANCIAL INSTRUMENTS (Cont'd)

2012	Derivative liabilities at fair value through profit or loss €	Other financial liabilities at amortised cost €	Total €
Financial liabilities as per consolidated statement of financial position	-	689.791.733	689.791.733
Deposits from banks	-	896.725.907	896.725.907
Deposits and other customer accounts	-	6.000.000	6.000.000
Subordinated loan	5.613	44.621.770	44.627.383
Other liabilities	5.613	1.637.139.410	1.637.145.023
	<u>5.613</u>	<u>1.637.139.410</u>	<u>1.637.145.023</u>

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 30 June 2014.

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

ADDITIONAL RISK DISCLOSURES

Year ended 31 December 2013

(Unaudited)

Credit risk

In February 2014, the Central Bank of Cyprus ('CBC') issued to credit institutions the Directive on Loan Impairment and Provisioning Procedures of 2014, which provides guidance to banks for loan impairment policy and procedures for provisions. The purpose of this Directive is to ensure that credit institutions have in place adequate provisioning policies and procedures for the identification of credit losses and prudent application of IFRS in the preparation of their financial statements.

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. The Directive is effective as from 2014, however the disclosure requirements should be published for the year ended 31 December 2013 together with the 2013 financial statements. The disclosures required by the Directive, in addition to those presented in Notes 3 and 34 of the consolidated financial statements, are set out in the following tables.

**CREDIT RISK
(Unaudited)**

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 performing credit facilities €
		Non restructured credit facilities €	Restructured credit facilities €	Total €	
1. Corporate					
Wholesale and retail trade, repaid of motor vehicles and motorcycles	172.833.607	79.790.428	8.316.552	88.106.980	84.726.627
Construction	147.449.315	15.669.725	10.015.809	25.685.534	121.763.781
Manufacturing	81.324.289	45.774.146	2.523.765	48.297.911	33.026.378
Real Estate activities	71.172.654	31.333.958	972.421	32.306.379	38.866.275
Accommodation and food service activities	25.028.800	15.692.088	2.032.565	17.724.653	7.304.147
Other	583.098.572	532.911.237	6.918.428	539.829.665	43.268.907
	1.080.907.237	721.171.582	30.779.540	751.951.122	328.956.115
2. Retail					
Wholesale and retail trade, repaid of motor vehicles and motorcycles	30.369.760	11.923.302	300.934	12.224.236	18.145.524
Manufacturing	10.949.397	3.797.842	134.136	3.931.978	7.017.419
Construction	10.526.145	2.282.926	1.158.525	3.441.451	7.084.694
Real Estate activities	5.488.247	2.750.893	89.014	2.839.907	2.648.340
Accommodation and food service activities	4.855.132	1.873.922	214.922	2.088.843	2.766.288
Other	6.905.351	3.172.063	224.166	3.396.229	3.509.122
	69.094.032	25.800.947	2.121.697	27.972.644	41.171.387
3. Individuals					
Credit facilities for the purchase/construction of immovable property	99.727.736	55.041.623	2.290.846	57.332.469	42.395.267
(a) Owner occupied	58.649.372	37.354.209	1.462.466	38.816.675	19.832.697
(b) For other purposes	41.078.364	17.687.414	828.380	18.515.794	22.562.570
Consumer loans	57.311.959	7.801.305	547.049	8.348.354	48.963.605
Credit cards	6.741.548	1.975.943	-	1.975.943	4.765.605
Current accounts	5.789.361	4.422.729	-	4.422.729	1.366.632
Credit Facilities to sole traders	68.358.443	8.360.796	-	8.360.796	59.997.647
	237.929.046	77.602.396	2.837.895	80.440.291	157.488.756
4. Total facilities (1+2+3)	1.387.930.316	824.574.925	35.739.132	860.314.057	527.616.258
Provisions	222.578.480	8.084.431	881.255	8.965.686	213.612.792

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

CREDIT RISK
(Unaudited)

Analysis of loan portfolio from banking services on the basis of loan origination date as at 31 December 2013

Table B

Loan origination date:	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 €
Within 1 year	719.863.144	77.053.529	13.781.819	684.332.349	67.253.503	10.923.530	16.226.613	5.813.080	455.450	19.304.182	3.986.946	2.402.839
1 - 2 years	43.565.738	9.887.314	2.329.883	31.511.235	7.499.999	1.126.773	6.860.484	1.055.965	122.054	5.194.019	1.331.350	1.081.056
2 - 3 years	95.535.996	15.840.916	1.932.206	80.363.189	13.016.508	1.074.917	12.692.906	1.716.789	341.008	2.479.901	1.107.619	516.281
3 - 5 years	147.502.588	73.786.774	12.771.891	117.086.977	57.710.452	8.608.928	24.624.559	11.262.313	2.709.533	5.791.052	4.814.009	1.453.430
5 - 7 years	97.919.128	79.325.445	22.422.874	68.477.172	61.767.636	19.066.518	26.410.886	15.259.417	2.252.678	3.031.070	2.298.392	1.103.678
7 - 10 years	52.335.441	42.688.362	17.957.024	23.361.396	18.223.923	8.232.669	8.344.716	4.339.171	1.571.321	20.629.329	20.125.268	8.153.034
Over 10 years	231.208.281	229.033.920	151.382.781	144.868.951	144.655.481	90.662.482	4.567.574	2.948.534	1.097.093	81.771.756	81.429.905	59.623.206
	1.387.930.316	527.616.258	222.578.478	1.150.001.269	370.127.502	139.695.817	99.727.738	42.395.267	8.549.137	138.201.309	115.093.489	74.333.524

Credit facilities to private individuals for the purchase/construction of immovable property include facilities for owner occupation or for other purposes. Credit facilities private individuals - other loans include all other credit facilities granted to private individuals.

