EUROBANK ERGASIAS S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

8 Othonos Street, Athens 105 57, Greece

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

General Commercial Registry No: 000223001000

Index to the Consolidated Financial Statements .... **Page**

Notes to the Consolidated Financial Statements

Independent Auditor's Report

To the Shareholders of "Eurobank Ergasias S.A."

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eurobank Ergasias S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2016 and the consolidated income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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 which have been transposed into Greek Law (GG/B'/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 present fairly, in all material respects, the financial position of the Group as of December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the disclosures made in note 2.1 to the consolidated financial statements, which refer to the material uncertainties associated with the current economic conditions in Greece and the ongoing developments that could adversely affect the going concern assumption.

Report on Other Legal and Regulatory Requirements

Taking into consideration, that management is responsible for the preparation of the Board of Directors' report and Corporate Governance Statement that is included to this report according to provisions of paragraph 5 article 2 of Law 4336/2015 (part B), we note the following:

a) In the Board of Directors' Report is included the Corporate Governance Statement that contains the information that is required by article 43bb of Codified Law 2190/1920.

b) In our opinion, the Board of Directors' report has been prepared in accordance with the legal requirements of articles 43a and 107A and paragraph 1 (c and d) of article 43bb of the Codified Law 2190/1920 and the content of the Board of Directors' report is consistent with the accompanying financial statements for the year ended 31/12/2016.

c) Based on the knowledge we obtained from our audit for the Group and its environment, we have not identified any material misstatement to the Board of Directors report.

pwc

Athens, 30 March 2017

The Certified Auditor

PricewaterhouseCoopers S.A.

Certified Auditors

268 Kifissias Avenue

152 32 Halandri

Soel Reg. No 113

Marios Psaltis

Soel Reg. No 38081

Consolidated Balance Sheet

	Note	31 December 2016 € million	2015 € million
ASSETS			
Cash and balances with central banks	19	**1,477**	1,798
Due from credit institutions	21	**2,759**	2,808
Financial instruments at fair value through profit or loss	22	**71**	100
Derivative financial instruments	23	**1,980**	1,884
Loans and advances to customers	24	**39,058**	39,893
Investment securities	26	**12,463**	16,291
Property, plant and equipment	29	**638**	666
Investment property	30	**905**	925
Intangible assets	31	**145**	127
Deferred tax assets	16	**4,945**	4,859
Other assets	32	**1,952**	2,151
Assets of disposal groups classified as held for sale	17	**-**	2,051
Total assets		**66,393**	73,553
LIABILITIES			
Due to central banks	33	**13,906**	25,267
Due to credit institutions	34	**7,780**	4,516
Derivative financial instruments	23	**2,441**	2,359
Due to customers	35	**34,031**	31,446
Debt securities in issue	36	**102**	150
Other liabilities	37	**778**	742
Liabilities of disposal groups classified as held for sale	17	**-**	1,941
Total liabilities		**59,038**	66,421
EQUITY			
Ordinary share capital	39	**655**	656
Share premium	39	**8,055**	8,055
Reserves and retained earnings		**(2,988)**	(3,241)
Preference shares	40	**950**	950
Total equity attributable to shareholders of the Bank		**6,672**	6,420
Preferred securities	41	**43**	43
Non controlling interests		**640**	669
Total equity		**7,355**	7,132
Total equity and liabilities		**66,393**	73,553

Notes on pages 8 to 126 form an integral part of these consolidated financial statements

Consolidated Income Statement

	Note	Year ended 31 December 2016 € million	2015 € million
Interest income		**2,377**	2,586
Interest expense		**(829)**	(1,123)
Net interest income	8	**1,548**	1,463
Banking fee and commission income		**381**	370
Banking fee and commission expense		**(137)**	(178)
Net banking fee and commission income	9	**244**	192
Income from non banking services	10	**53**	52
Dividend income		**2**	2
Net trading income	11	**17**	28
Gains less losses from investment securities	11	**135**	15
Net other operating income	24,47	**63**	10
Operating income		**2,062**	1,762
Operating expenses	12	**(992)**	(1,017)
Profit from operations before impairments, provisions and restructuring costs		**1,070**	745
Impairment losses on loans and advances	25	**(775)**	(2,665)
Other impairment losses and provisions	14	**(65)**	(87)
Restructuring costs	14	**(66)**	(79)
Share of results of associated undertakings and joint ventures		**(4)**	0
Profit/(loss) before tax		**160**	(2,086)
Income tax	15	**49**	604
Tax adjustments	15	**31**	432
Net profit/(loss) from continuing operations		**240**	(1,050)
Net profit/(loss) from discontinued operations	17	**9**	(105)
Net profit/(loss)		**249**	(1,155)
Net profit/(loss) attributable to non controlling interests		**19**	26
Net profit/(loss) attributable to shareholders		**230**	(1,181)
		€	€
Earnings/(losses) per share			
-Basic earnings/(losses) per share	18	**0.11**	(4.02)
Earnings/(losses) per share from continuing operations			
-Basic earnings/(losses) per share	18	**0.10**	(3.68)

Notes on pages 8 to 126 form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

	Year ended 31 December			
	2016		2015	
	€ million		€ million	
Net profit/(loss)		**249**		(1,155)
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss:				
Cash flow hedges				
- changes in fair value, net of tax	**11**		32	
- transfer to net profit, net of tax	**(1)**	**10**	6	38
Available for sale securities				
- changes in fair value, net of tax	**76**		98	
- transfer to net profit, net of tax (note 26)	**(112)**	**(36)**	(10)	88
Foreign currency translation				
- changes in fair value, net of tax	**(19)**		(13)	
- transfer to net profit, net of tax	**69**	**50**	-	(13)
Associated undertakings and joint ventures				
- changes in the share of other comprehensive income, net of tax	**2**	**2**	-	-
		26		113
Items that will not be reclassified to profit or loss:				
- Actuarial gains/(losses) on post employment benefit obligations, net of tax	**(4)**	**(4)**	0	0
Other comprehensive income		**22**		113
Total comprehensive income attributable to:				
Shareholders				
- from continuing operations	**254**		(979)	
- from discontinued operations	**(2)**	**252**	(89)	(1,068)
Non controlling interests				
- from continuing operations	**19**		26	
- from discontinued operations	**0**	**19**	(0)	26
		271		(1,042)

Notes on pages 8 to 126 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Preferred securities € million	Non controlling interests € million	Total € million
	Total equity attributable to shareholders of the Bank							
Balance at 1 January 2015	4,412	6,682	3,293	(9,778)	950	77	668	6,304
Net profit/(loss)	-	-	-	(1,181)	-	-	26	(1,155)
Other comprehensive income	-	-	113	-	-	-	0	113
Total comprehensive income for the year ended 31 December 2015	-	-	113	(1,181)	-	-	26	(1,042)
Share capital increase, net of expenses (note 39)	612	1,374	-	(0)	-	-	-	1,986
Share capital decrease (note 39)	(4,368)	-	4,368	-	-	-	-	-
Effect due to change of the income tax rate on share capital increase expenses	-	-	-	5	-	-	-	5
Acquisition/changes in participating interests in subsidiary undertakings	-	-	-	(0)	-	-	(2)	(2)
(Purchase)/sale of preferred securities, net of tax (note 41)	-	-	-	(61)	-	(34)	-	(95)
(Purchase)/sale of treasury shares (note 39)	0	(1)	-	(0)	-	-	-	(1)
Dividends distributed by subsidiaries attributable to non controlling interests	-	-	-	-	-	-	(24)	(24)
Share-based payment:								-
- Value of employee services	-	-	0	-	-	-	1	1
Transfers between reserves	-	-	12	(12)	-	-	-	-
	(3,756)	1,373	4,380	(68)	-	(34)	(25)	1,870
Balance at 31 December 2015	656	8,055	7,786	(11,027)	950	43	669	7,132
Balance at 1 January 2016	**656**	**8,055**	**7,786**	**(11,027)**	**950**	**43**	**669**	**7,132**
Net profit/(loss)	-	-	-	230	-	-	19	**249**
Other comprehensive income	-	-	22	-	-	-	(0)	**22**
Total comprehensive income for the year ended 31 December 2016	**-**	**-**	**22**	**230**	**-**	**-**	**19**	**271**
Acquisition/changes in participating interests in subsidiary undertakings	-	-	-	1	-	-	(25)	**(24)**
(Purchase)/sale of treasury shares (note 39)	(1)	0	-	(0)	-	-	-	**(1)**
Dividends distributed by subsidiaries attributable to non controlling interests	-	-	-	-	-	-	(24)	**(24)**
Share-based payment:								
- Value of employee services	-	-	0	-	-	-	1	**1**
Transfers between reserves	**-**	**-**	(93)	93	**-**	**-**	**-**	**-**
	(1)	**0**	**(93)**	**94**	**-**	**-**	**(48)**	**(48)**
Balance at 31 December 2016	**655**	**8,055**	**7,715**	**(10,703)**	**950**	**43**	**640**	**7,355**
	Note 39	Note 39	Note 42		Note 40	Note 41		

Notes on pages 8 to 126 form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2016 € million	2015 € million
Cash flows from continuing operating activities			
Profit/(loss) before income tax from continuing operations		**160**	(2,086)
Adjustments for :			
Impairment losses on loans and advances		**775**	2,665
Other impairment losses, provisions and restructuring costs		**124**	159
Depreciation and amortisation		**80**	82
Other (income)/losses on investment securities	20	**(182)**	(100)
(Income)/losses on debt securities in issue		**(0)**	87
Other adjustments	20	**(42)**	16
		915	823
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**118**	297
Net (increase)/decrease in financial instruments at fair value through profit or loss		**30**	(39)
Net (increase)/decrease in due from credit institutions		**(7)**	334
Net (increase)/decrease in loans and advances to customers		**317**	(404)
Net (increase)/decrease in derivative financial instruments		**(35)**	181
Net (increase)/decrease in other assets		**276**	(194)
Net increase/(decrease) in due to central banks and credit institutions		**(8,246)**	6,917
Net increase/(decrease) in due to customers		**2,084**	(8,956)
Net increase/(decrease) in other liabilities		**(43)**	(22)
		(5,506)	(1,886)
Income tax paid		**(37)**	(47)
Net cash from/(used in) continuing operating activities		**(4,628)**	(1,110)
Cash flows from continuing investing activities			
Purchases of fixed and intangible assets		**(99)**	(129)
Proceeds from sale of fixed and intangible assets		**39**	23
(Purchases)/sales and redemptions of investment securities		**4,090**	255
Acquisition of Alpha Bank's Branch in Bulgaria, net of cash acquired	47	**37**	-
Acquisition of holdings in associated undertakings and joint ventures and participations in capital increases		**(12)**	-
Disposal of subsidiaries, net of cash disposed		**289**	6
Disposal/liquidation of holdings in associated undertakings and joint ventures		**2**	-
Dividends from investment securities, associated undertakings and joint ventures		**3**	2
Net cash from/(used in) continuing investing activities		**4,349**	157
Cash flows from continuing financing activities			
(Repayments)/proceeds from debt securities in issue		**(153)**	(766)
Proceeds from share capital increase (SCI)		**-**	2,039
Expenses paid for SCI		**(6)**	(69)
Purchase of preferred securities		**-**	(17)
(Purchase)/sale of treasury shares		**(1)**	(1)
Net contribution by non-controlling interests (NCI)		**(33)**	(24)
Net cash from/(used in) continuing financing activities		**(193)**	1,162
Effect of exchange rate changes on cash and cash equivalents		**(4)**	(3)
Net increase/(decrease) in cash and cash equivalents from continuing operations		**(476)**	206
Net cash flows from discontinued operating activities		**(247)**	(64)
Net cash flows from discontinued investing activities		**219**	85
Net cash flows from discontinued financing activities		**(4)**	-
Net increase/(decrease) in cash and cash equivalents from discontinued operations		**(32)**	21
Cash and cash equivalents at beginning of year	20	**2,205**	1,978
Cash and cash equivalents at end of year	20	**1,697**	2,205

Notes on pages 8 to 126 form an integral part of these consolidated financial statements

1. General information

Eurobank Ergasias S.A. (the Bank) and its subsidiaries (the Group) are active in retail, corporate and private banking, asset management, insurance until early August 2016, treasury, capital markets and other services. The Bank is incorporated in Greece and its shares are listed on the Athens Stock Exchange. The Group operates mainly in Greece and in Central, Eastern and Southeastern Europe.

These consolidated financial statements, which include the Appendix, were approved by the Board of Directors on 28 March 2017.

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below:

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU), and in particular with those IFRSs and IFRS Interpretation Committee's (IC) interpretations, issued and effective or issued and early adopted as at the time of preparing these statements.

Going concern considerations

The annual financial statements have been prepared on a going concern basis, as the Board of the Directors considered as appropriate, taking into consideration the following:

Macroeconomic environment

In June 2016, Greece, after the completion of a number of key prior actions, has successfully concluded the first review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of € 10.3 bn from the second instalment of the European Stability Mechanism (ESM) loan in two sub-tranches. The first sub-tranche of € 7.5 bn was disbursed in late June 2016.The second sub-tranche of € 2.8 bn was disbursed in late October 2016 after a series of prerequisites was implemented. Both sub-tranches allowed the country to cover its debt servicing needs and clear a part of the state's arrears to the private sector. Accordingly, the European Central Bank (ECB), acknowledging the commitment of the Greek government to implementing the macroeconomic adjustment program, decided to reinstate the waiver for the instruments issued by the Hellenic Republic and the improvement of the advance rates for providing Eurosystem financing with Pillar II guarantees as collateral. Furthermore, the conclusion of the first review led to a positive ESM decision regarding the implementation of the short-term debt relief measures from 20 January 2017 onwards. The latter measures aim to reduce the interest rate risk for Greece, and to ease the country's repayment burden.

The next key milestone for Greece is the timely and successful completion of the second review of the TEAP, currently in progress, which would help reinstating depositors' confidence and thus accelerate the return of deposits, it would facilitate the faster relaxation of capital controls and would allow for the participation in ECB's Quantitative Easing (QE) program, conditional on the decisions of the Institutions regarding the plan for the implementation of the medium-term debt relief measures. Moreover, the reduction of the short term uncertainty along with, the decisive implementation of the reforms agreed in the context of the ESM program and the mobilization of European Union (EU) funding to support domestic investment and job creation, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a sustainable growth path.

The main risks and uncertainties stem from the current macroeconomic environment in Greece and the further delays in the conclusion of the second review of the TEAP. In particular risks include (a) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, which in turn would lead to the delayed disbursement of the third instalment of the ESM loan of € 6.1 bn, (b) the impact on the level of economic activity from the uncertainty associated with the timing of the conclusion of the second review of the TEAP, (c) the impact on the level of economic activity from additional fiscal measures agreed under the first review of the TEAP, (d) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (e) the possible acceleration of the deposits outflows observed in the first two months of 2017, and/or possible delays in the effective management of non-performing loans as a result of the continuing macroeconomic uncertainty, (f) a possible deterioration of the refugee crisis and its impact on the domestic economy and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

Liquidity risk

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the current ESM program permitted ECB to reinstate the waiver for the instruments issued by the Hellenic Republic and decrease the haircuts applied for Pillar II guarantees. These developments have enabled Greek banks to reduce their dependence on the expensive Emergency Liquidity Assistance (ELA) mechanism and increase their liquidity buffers. The stabilization of the macroeconomic environment and a recovery of the domestic economic sentiment would further facilitate the deposits inflows in the banking system and the re-access to the markets for liquidity (note 7.2.3).

During 2016, the Bank has managed to reduce its dependence on Eurosystem funding amounting to € 13.9 bn at the end of December 2016 (2015: € 25.3 bn), mainly through the increase in repo transactions in the interbank market, the selective assets deleveraging, the deposit inflows and the utilization of a part of foreign subsidiaries' surplus liquidity (note 33). In the same context, following the positive developments mentioned above, the Bank also managed to significantly reduce its participation in the second stream of the Hellenic Republic's liquidity support plan (bonds guaranteed by the Greek Government) from a face value of € 13 bn on 31 December 2015 to a face value of € 2.5 bn on 31 December 2016 (notes 4 and 36). On 28 February 2017 the Bank's Eurosystem funding stood at € 14.1 bn, while the deposits of the Group decreased by € 0.3 bn to € 33.7 bn.

Solvency risk

Notwithstanding the direct and indirect exposure of the banking system to sovereign risk, the successful completion of the Bank's and other Greek systemic banks' recapitalization process in 2015 constituted a key milestone for rebuilding trust in the banking system and in the economy in general.

The Group, following the successful completion of its recapitalization in November 2015, exclusively from private sources, is focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. One of the key areas of focus is the active management of non-performing exposures at an accelerated pace, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the external partnerships and the important legislative changes that have taken or are expected to take place. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.6% at 31 December 2016 and the net profit attributable to shareholders amounted to € 230 million for the year ended 31 December 2016 (note 6).

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the Group's capital position and its anticipated continued access to Eurosystem funding over the foreseeable future, and despite the existing uncertainties relating to the completion of the second review of the Greece's current economic adjustment program, has been satisfied that the financial statements of the Group can be prepared on a going concern basis.

The policies set out below have been consistently applied to the years 2016 and 2015, except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Amendments to standards adopted by the Group

The following amendments to standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply from 1 January 2016:

IAS 1, Amendment-Disclosure initiative

The amendment clarifies that an entity need not provide in the financial statements, including the notes, a specific disclosure required by an IFRS if the information resulting from that disclosure is not material and also clarifies that additional disclosures may be necessary if the information required by IFRSs is not sufficient for an understanding of the impact of particular transactions and events on the entity's financial position and performance.

The line items listed in IAS 1 for the balance sheet and the statement of profit or loss should be disaggregated if this is relevant to an understanding of the entity's financial position and additional guidance on the use of subtotals is provided. In the statement of comprehensive income the share of the other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss and when determining a systematic approach to presenting notes, the entity should consider the understandability and comparability of its financial statements.

The adoption of the amendment had no impact on the Group's consolidated financial statements.

IAS 16 and IAS 38, Amendments-Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify that the use of revenue-based methods to calculate the depreciation for property plant and equipment is not appropriate and they also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The adoption of the amendments had no impact on the Group's consolidated financial statements.

IAS 19, Amendment-Defined Benefit Plans: Employee Contributions

The amendment clarifies the accounting for post-employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from service cost in the year in which the related employee service is delivered, instead of attributing them to periods of employee service. Contributions which vary with the length of employee service, must be spread over the service period using the plan's contribution formula or on a straight line basis, consistent with the attribution method applied to the gross benefit in accordance with paragraph 70 of IAS 19.

The adoption of the amendment had no impact on the Group's consolidated financial statements.

IAS 27, Amendment-Equity Method in Separate Financial Statements

The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures which are required by IAS 28 'Investments in Associates and Joint Ventures' to be accounted for using the equity method.

The adoption of the amendment had no impact on the Group's consolidated financial statements.

IFRS 11, Amendment-Accounting for Acquisitions of Interests in Joint Operations

The amendment requires an investor to apply the principles of business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs, which do not conflict with IFRS 11, when it acquires an interest in a joint operation that constitutes a 'business' as defined in IFRS 3. The amendments, which also apply when an existing business is contributed to the joint operation on its formation, require the disclosure of information specified in IFRS 3 and other IFRSs for business combinations. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation while the joint operator retains joint control. However, a previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

The adoption of the amendment had no impact on the Group's consolidated financial statements.

IFRS 10, IFRS 12 and IAS 28, Amendments-Investment Entities: Applying the Consolidation Exception

The amendments clarify the application of the consolidation exception for the subsidiaries of investment entities.

The adoption of the amendments had no impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- IFRS 2 'Share-based Payment': The terms 'performance condition' and 'service condition' are separately defined;
- IFRS 3 'Business Combinations': It is clarified that contingent consideration in a business acquisition that is not classified as equity, whether or not it falls within the scope of IAS 39 (or IFRS 9 once adopted), is subsequently measured at fair value at each reporting date, with changes in fair value recognized in profit or loss;
- IFRS 8 'Operating Segment': Disclosure of the judgments made by management in aggregating operating segments is required, including a description of the segments aggregated and the economic indicators assessed in determining that the aggregated

segments share similar economic characteristics. Furthermore, a reconciliation of segment assets to the entity's total assets is required if the reconciliation is reported to the chief operating decision maker;

- IFRS 13 'Fair Value Measurement': It is clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial;
- IAS 16 'Property, Plant and Equipment': It is clarified how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model;
- IAS 24 'Related Party Disclosures': It is clarified that an entity that provides key management personnel services to the reporting entity or to its parent (the management entity) is a related party to the reporting entity and the amounts charged to it for services provided should be disclosed; and
- IAS 38 'Intangible Assets': It is clarified how the gross carrying amount and the accumulated amortization are treated where an entity uses the revaluation model.

The adoption of the amendments had no impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- IFRS 5 'Non-current assets held for sale and discontinued operations': It is clarified that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. Therefore the asset (or disposal group) does not need to be reinstated in the financial statements, as if it had never been classified as 'held for sale' or 'held for distribution', simply because the manner of disposal has changed;
- IFRS 7 'Financial instruments': Specific guidance is added to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It is also clarified that the additional disclosure required by the amendments to IFRS 7, 'Disclosure-Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34 'Interim financial reporting';
- IAS 19 'Employee benefits': When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise; and
- IAS 34 'Interim financial reporting': It is clarified that the reference in the standard to 'information disclosed elsewhere in the interim financial report' means some other statement (such as management commentary or risk report) that is available to users of the financial statements at the same time as the interim financial statements, requiring a cross-reference from the interim financial statements to the location of that information.

The adoption of the amendments had no impact on the Group's consolidated financial statements.

New standards, amendments to standards and interpretations not yet adopted by the Group

A number of new standards, amendments to existing standards and interpretations are effective after 2016, as they have not yet been endorsed by the European Union or have not been early applied by the Group. Those that may be relevant to the Group are set out below:

IAS 7, Amendment-Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU)

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities.

The adoption of the amendment is not expected to impact the Group's consolidated financial statements.

IAS 12, Amendment-Recognition of Deferred Tax Assets for Unrealized Losses (effective 1 January 2017, not yet endorsed by EU)

The amendment clarifies that (a) unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes may give rise to a deductible temporary difference irrespective of whether the entity expects to recover the carrying amount of the debt instrument by sale or use (b) estimates for future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences (c) the estimate of probable future taxable profits may include the recovery of an asset for more than its carrying amount, if there is sufficient evidence that it is probable that this will be realized by the entity, and (d) a deferred tax asset is assessed in combination with all of the other deferred tax assets where the tax law does not restrict the sources of taxable profits against which the entity may make deductions on the reversal of that deductible temporary difference. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type.

The adoption of the amendment is not expected to impact the Group's consolidated financial statements.

IAS 40, Amendment-Transfers of Investment Property (effective 1 January 2018, not yet endorsed by EU)

The amendment clarifies that a transfer of property, including property under construction or development, into or out of investment property should be made only when there has been a change in use of the property. Such a change in use occurs when the property meets, or ceases to meet, the definition of investment property and should be supported by evidence.

The adoption of the amendment is not expected to impact the Group's consolidated financial statements.

IFRS 2, Amendment-Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018, not yet endorsed by EU)

The amendment addresses (a) the measurement of cash-settled share-based payments, (b) the accounting for modifications of a share-based payment from cash-settled to equity-settled and c) the classification of share-based payments settled net of tax withholdings.

Specifically, the amendment clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments. It also clarifies that the liability of cash- settled share-based payment modified to equity-settled one is derecognized and the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted and any difference is recognized in profit or loss immediately.

Furthermore, a share-based payment net by withholding tax on the employee's behalf (a net settlement feature) is classified as equity settled in its entirety, provided it would have been classified as equity-settled had it not included the net settlement feature.

The adoption of the amendment is not expected to impact the Group's consolidated financial statements.

IFRS 4, Amendment-Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018, not yet endorsed by EU)

The amendment addresses the accounting consequences of the different effective dates of IFRS 9 'Financial Instruments' and the forthcoming new insurance contracts Standard. It introduces two options for entities that issue insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance, allowing them to continue to apply IAS 39 'Financial Instruments: Recognition and Measurement' while they defer the application of IFRS 9 until 1 January 2021 at the latest.

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets, effectively resulting in IAS 39 accounting for those designated financial assets. This approach can be used provided that the entity applies IFRS 9 in conjunction with IFRS 4 and classifies financial assets as fair value through profit or loss in accordance with IFRS 9, when those assets were previously classified at amortized cost or as available-for-sale in accordance with IAS 39.

The amendment is not relevant to the Group's activities, other than through its associated undertaking Eurolife ERB Insurance Group holdings S.A.

IFRS 9, Financial Instruments (effective 1 January 2018)

In July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised requirements on the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

IFRS 9 applies a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

Financial assets will be measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principle and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principle and interest. All other financial assets will be classified at FVTPL.

An entity may at initial recognition, designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognized in profit or loss unless this would create or enlarge an accounting mismatch.

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. Financial assets that are held for trading or that are managed on a fair value basis will be measured at FVTPL.

The Group's approach is to perform the business model assessment consistently with its operating model and the information provided to key management personnel. In making the above assessment the Group will consider a number of factors including:

- the stated policies and objectives for each portfolio;
- how the performance of each portfolio is evaluated and reported;
- the risks associated with the performance of the business model and how those risks are managed;
- how managers are compensated; and
- past experience on how the cash flows from those portfolios were collected, expectations about future sales activity and how the Group's stated objective for managing the financial assets is achieved.

SPPI assessment

In assessing whether the contractual cash flows are solely payments of principle and interest, the Group will consider whether the contractual terms of the instrument are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. This will include an assessment of whether a financial asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with the above condition. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset will be measured at FVTPL.

Preliminary assessment of changes to the classification and measurement

The Group conducted a preliminary high-level assessment of possible changes to the classification and measurement of its portfolios based on its existing business models as at 31 December 2016. The Group's current expectation is that:

- loans and advances to banks and customers that are classified as loans and receivables and measured at amortized cost under IAS 39 would also be measured at amortized cost under IFRS 9;
- held-to-maturity investment securities measured at amortized cost under IAS 39 would in general also be measured at amortized cost under IFRS 9;
- debt securities classified as available-for-sale under IAS 39, may under IFRS 9 be measured at amortized cost or FVOCI depending on the business model within which they are held;

- assets in the debt securities lending portfolio (see note 26) that are measured at amortized cost under IAS 39, may under IFRS 9 be measured at amortized cost or FVOCI depending on the business model within which they are held;
- debt securities that are measured at FVTPL under IAS 39 would in general continue to be measured at FVTPL under IFRS 9;
- trading assets and derivative assets that are measured at FVTPL under IAS 39 would also be measured at FVTPL under IFRS 9; and
- equity securities classified as available-for-sale under IAS 39 would generally be measured at FVTPL under IFRS 9.

The above classification and measurement assessment may not be fully representative of the impact on the Group's financial statements as at 1 January 2018 because IFRS 9 requires the business model assessment to be made based on the facts and circumstances that exist at the date of initial application. Moreover, the Group's preliminary assessment has not included a detailed review of the contractual terms of all the financial assets which is in progress.

The final impact will depend on the structure of the Group's portfolios on initial application, which may not be the same as at 31 December 2016.

Impairment of financial assets

IFRS 9 introduces an expected credit loss (ECL) model that replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognized and will apply to a broader population of financial instruments compared to IAS 39. The measurement of ECL will require the use of complex models and significant judgment about future economic conditions and credit behavior.

The new impairment model will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. No impairment loss will be recognized on equity investments.

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month ECL will be recognized for debt investment securities that are determined to have a low credit risk at the reporting date, and for all other financial assets for which there is no significant increase in credit risk since initial recognition. 12-month ECL are the portion of ECL that result from default events that are possible within the next 12 months after the reporting date. For financial assets that have experienced a significant increase in credit risk since initial recognition where no specific loss event has been identified, a loss allowance equal to lifetime expected credit losses will be recognized. The loss allowance for purchased or originated credit impaired financial assets will always be measured at an amount equal to lifetime ECL. Financial assets where 12-month ECL are recognized are considered to be in 'stage-1'; financial assets which have experienced a significant increase in credit risk are in 'stage-2' and financial assets that are credit impaired are in 'stage-3'.

The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions should be considered. The new impairment model is expected to result in a higher loss allowance for the Group compared to IAS 39.

Hedge accounting

IFRS 9 includes a new general hedge accounting model which aligns hedge accounting more closely with risk management. Under the new model, more hedging strategies may qualify for hedge accounting, new hedge effectiveness requirements apply and discontinuation of hedge accounting will be allowed only under specific circumstances. The IASB currently has a separate project for the accounting of macro hedging activities. Until the above project is completed, entities have an accounting policy choice to continue applying the hedge accounting requirements in IAS 39.

The Group intends to elect to continue applying IAS 39. However, the Group will provide the expanded disclosures required by the related amendments to IFRS 7 'Financial Instruments: Disclosures'.

IFRS 9 Implementation Program

A Group-wide IFRS 9 Program, led jointly by Group Risk and Group Finance, was initiated in 2015 to ensure a high quality implementation in compliance with the Standard and additional published regulatory guidance.

Overall governance is through a central Program Management Office (PMO) that coordinates the implementation of the Program among the various stakeholders and is responsible for the day-to-day management tasks, as well as two Management Committees, namely the Steering Committee and the Technical Committee. The Steering Committee, which comprises senior staff from all the main functions of the Group, is mandated to oversee the implementation in accordance with the Standard, monitors timelines and the quality of the Program's deliverables, and regularly informs the Executive Board, the Board Risk Committee, the Audit Committee and the Board of Directors of the Program's implementation progress. The Technical Committee is composed of Subject Matter Experts responsible for evaluating key technical issues and analyzing proposed changes in accounting policies and risk management methodologies for the Steering Committee before they are submitted and approved by the competent bodies of the Bank.

Reflecting the scale and complexity of the implementation plan, the Program is structured with various project teams (Group Finance, Group Risk Management, Information Systems, Lending Business Units, Troubled Assets Group, Operations and International General Division) dedicated to the various elements associated with the implementation of the Standard. These teams are supported by two external consultancy firms.

The implementation for the Group's foreign subsidiaries is managed locally with the establishment of local PMOs and Steering Committees. Progress is monitored by the central PMO with Head Office providing support and guidance to ensure consistent implementation within the Group.

Up to date, the Group has performed a gap analysis on data and processes and has completed the design phase of the Program. As part of the design phase of the implementation plan, program activities were focused on the definition of functional and technical requirements of the impairment model, setting out the business specifications for classification and measurement, and the designing of accounting policy changes. Educational workshops to the involved stakeholders across the Group are being continuously conducted on the impact of IFRS 9 in order to ensure that the new requirements are well understood.

The Program has now progressed to the build phase with its focus on the development of IFRS 9 methodologies and accounting policy decisions in key areas. On conclusion of the build phase, the Group intends to undertake a parallel run of IAS 39 and IFRS 9 in order to ensure a seamless transition to the new standard on the required effective date, while testing, model validation and refinement activities will continue up to the end of 2017.

The Group participates in the IFRS 9 thematic review conducted by the European Central Bank on the evaluation of the Group's preparedness, the impact of the new accounting rules on processes, infrastructure and regulatory capital. The Group has also carried out a preliminary impact assessment both for the classification and measurement and the impairment requirements within the context of the European Banking Authority's impact assessment on IFRS 9. The assessment was performed with reference date 31 December 2016 using information available as of that date as well as a number of assumptions on key policy choices that are yet to be determined since they are still being analyzed by Management and their formulation is in progress.

The most significant impact on the Group's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. However, management is not yet in a position to estimate reliably the expected impact, since the Group is in the process of building models, assembling data and calibrating the impairment stage transfer criteria. Furthermore, potential changes to the prudential treatment of accounting provisions due to IFRS 9 that may affect regulatory capital, are yet to be determined. The impact is also dependent on finalizing the classification assessment and the facts and circumstances from the date of initial application.

Management expects that this information will be disclosed no later than in the 2017 Annual Report.

Transition

The new requirements of IFRS 9 will be applied retrospectively by adjusting the Group's balance sheet on the date of transition on 1 January 2018. The Group intends to apply the exemption not to restate comparative figures for prior periods, therefore the Group's 2017 comparatives will be presented on an IAS 39 basis.

Moreover, the following assessments will have to be made on the basis of facts and circumstances that exist at the date of initial application:

- the determination of the business model within which a financial asset is held;
- the designation and revocation of previous designations of certain financial assets and liabilities as measured at FVTPL; and
- the designation of certain investments in equity instruments not held-for-trading as at FVOCI.

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018) and IFRS 15 Amendments (effective 1 January 2018, not yet endorsed by EU)

IFRS 15 establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'.

IFRS 15 applies to all contracts with customers, except those in the scope of other standards such as:

- Financial instruments and other contractual rights or obligations within the scope of IFRS 9 'Financial Instruments' or IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures';
- Lease contracts within the scope of IAS 17 'Leases' (or IFRS 16 'Leases'); and
- Insurance contracts within the scope of IFRS 4 'Insurance Contracts'.

Therefore, interest and fee income integral to financial instruments will continue to fall outside the scope of IFRS 15.

IFRS 15 specifies that revenue should be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services. It introduces the concept of recognizing revenue for performance obligations as they are satisfied and the control of a good or service (i.e. the ability to direct the use of and obtain the benefits from them), is obtained by the customer.
Extensive disclosures will be required in relation to revenue recognized and expected from existing contracts.

IFRS 15 was amended in April 2016 to provide several clarifications, including that in relation to the identification of the performance obligations within a contract.

The Group, is currently assessing the effect of IFRS 15, however the adoption of the standard is not expected to have a significant impact on the Group's consolidated financial statements.

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)

IFRS 16, which supersedes IAS 17 'Leases' and related interpretations, introduces a single, on-balance sheet lease accounting model for lessees, under which the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. The new standard provides for the recognition of a 'right-of-use-asset' and a 'lease liability' upon lease commencement in case that there is a contract, or part of a contract, that conveys to the lessee the right to use an asset for a period of time in exchange for a consideration.

The right-of-use-asset is, initially, measured at cost, consisting of the amount of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee and, subsequently, at cost less accumulated depreciation and impairment. The lease liability is initially recognized at an amount equal to the present value of the lease payments during the lease term that are not yet paid.

Accordingly, the typical straight line operating lease expense of operating leases under IAS 17 is replaced by the depreciation charge of the 'right-of-use-asset' and the interest expense on the 'lease liability'. The recognition of assets and liabilities by lessees, as described above, is not required for certain short term leases and leases of low value assets. Additionally, the accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

The Group is currently assessing the impact of IFRS 16 on its consolidated financial statements, which is impracticable to quantify as at the date of the publication of these consolidated financial statements. Operating lease commitments currently in place are set out in note 44.

Annual Improvements to IFRSs 2014-2016 Cycle (effective 1 January 2017 and 1 January 2018, not yet endorsed by EU)

The amendments introduce key changes to two IFRSs following the publication of the results of the IASB's 2014-16 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- IFRS 12 'Disclosure of Interests in Other Entities': It is clarified that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate classified as held for sale except for the requirement for summarized financial information. The amendment applies for annual periods beginning on or after 1 January 2017; and
- IAS 28 'Investments in Associates and Joint Ventures': It is clarified that venture capital organizations, mutual funds, unit trusts and similar entities are allowed to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The amendment applies for annual periods beginning on or after 1 January 2018.

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

IFRIC 22, Foreign Currency Transactions and Advance Consideration (effective 1 January 2018, not yet endorsed by EU)

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions that involve an advance payment or receipt. The interpretation clarifies that in this case, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the entity initially recognized the non-monetary asset (prepayment asset) or non-monetary liability (deferred income liability) arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine a date of transaction for each payment or receipt.

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

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The Group's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro has been rounded to the nearest million.

2.2 Consolidation

(i) Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. The Group consolidates an entity only when all the above three elements of control are present.

Power is considered to exist when the Group's existing rights give it the current ability to direct the relevant activities of the entity, i.e. the activities that significantly affect the entity's returns, and the Group has the practical ability to exercise those rights. Power over the entity may arise from voting rights granted by equity instruments such as shares or, in other cases, may result from contractual arrangements.

Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity, unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

The Group may have power, even when it holds less than a majority of the voting rights of the entity, through a contractual arrangement with other vote holders, rights arising from other contractual arrangements, substantive potential voting rights, ownership of the largest block of voting rights in a situation where the remaining rights are widely dispersed ('de facto power'), or a combination of the above. In assessing whether the Group has de facto power, it considers all relevant facts and circumstances including the relative size of the Group's holding of voting rights and dispersions of holdings of other vote holders to determine whether the Group has the practical ability to direct the relevant activities.

The Group is exposed or has rights to variable returns from its involvement with an entity when these returns have the potential to vary as a result of the entity's performance.

In assessing whether the Group has the ability to use its power to affect the amount of returns from its involvement with an entity, the Group determines whether in exercising its decision-making rights, it is acting as an agent or as a principal. The Group acts as an agent when it is engaged to act on behalf and for the benefit of another party, and as a result does not control an entity. Therefore, in such cases, the Group does not consolidate the entity. In making the above assessment, the Group considers the scope of its decision-making authority over the entity, the rights held by other parties, the remuneration to which the Group is entitled from its involvement, and its exposure to variability of returns from other interests in that entity.

The Group has interests in certain entities which are structured so that voting rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual rights. In determining whether the Group has control over such structured entities, it considers the following factors:

- The purpose and design of the entity;
- Whether the Group has certain rights that give it the ability to direct the relevant activities of the entity unilaterally;
- The existence of any special relationships with the entity; and
- The extent of the Group's exposure to variability of returns from its involvement with the entity and if the Group has the power to affect such variability.

Information about the Group's structured entities is set out in note 28.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more elements of control. This includes circumstances in which the rights held by the Group and intended to be protective in nature become substantive upon a breach of a covenant or default on payments in a borrowing arrangement, and lead to the Group having power over the investee.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are recorded as equity transactions. Any difference between the consideration and the share of the new net assets acquired is recorded directly in equity. Gains or losses arising from disposals of ownership interests that do not result in a loss of control by the Group are also recorded directly in equity. For disposals of ownership interests that result in a loss of control, the Group derecognizes the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity, and recognizes gains and losses in the income statement. When the Group ceases to have control, any retained interest in the former subsidiary is remeasured to its fair value, with any changes in the carrying amount recognized in the income statement.

Intercompany transactions, balances and intragroup gains on transactions between Group entities are eliminated; intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(ii) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for an acquisition is measured at the fair value of the assets given, equity instruments issued or exchanged and liabilities undertaken at the date of acquisition, including the fair value of assets or liabilities resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. Any previously held interest in the acquiree is remeasured to fair value at the acquisition date with any gain or loss recognized in the income statement. The Group recognizes on an acquisition-by-acquisition basis any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If this is less than the fair value of the net assets of the acquiree, the difference is recognized directly in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which it occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period to reflect the new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. The measurement period adjustments, as mentioned above, affect accordingly the amount of goodwill that was initially recognized, while the 'measurement period' cannot exceed one year from the acquisition date.

Commitments to purchase non-controlling interests through derivative financial instruments with the non-controlling interests, as part of a business combination are accounted for as a financial liability, with no non-controlling interest recognized for reporting purposes. The financial liability is measured at fair value, using valuation techniques based on best estimates available to management. Any difference between the fair value of the financial liability upon initial recognition and the nominal non-controlling interest's share of net assets is recognized as part of goodwill. Subsequent revisions to the valuation of the derivatives are recognized in the income statement.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the consideration to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies of the Group.

A listing of the Bank's subsidiaries is set out in note 27.

(iii) Business combinations involving entities under common control

Pursuant to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', since business combinations between entities under common control are excluded from the scope of IFRS 3 'Business Combinations', such transactions are accounted for in the Group's financial statements by using the pooling of interests method (also known as merger accounting), with reference to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework and comply with the IFRS general principles, as well as accepted industry practices.

Under the pooling of interests method, the Group incorporates the assets and liabilities of the acquiree at their pre-combination carrying amounts from the highest level of common control, without any fair value adjustments. Any difference between the cost of the transaction and the carrying amount of the net assets acquired is recorded in Group's equity.

The Group accounts for the cost of such business combinations at the fair value of the consideration given, being the amount of cash or shares issued or if that cannot be reliably measured, the consideration received.

Formation of a new Group entity to effect a business combination

Common control transactions that involve the formation of a new Group entity to effect a business combination by bringing together two or more previously uncombined businesses under the new Group entity are also accounted for by using the pooling of interests method.

Other common control transactions that involve the acquisition of a single existing Group entity or a single group of businesses by a new entity formed for this purpose are accounted for as capital reorganizations, on the basis that there is no business combination and no substantive economic change in the Group. Under a capital reorganization, the acquiring entity incorporates the assets and liabilities of the acquired entity at their carrying amounts, as presented in the books of that acquired entity, rather than those from the highest level of common control. Any difference between the cost of the transaction and the carrying amount of the net assets acquired is recognized in the equity of the new entity. Capital reorganization transactions do not have any impact on the Group's consolidated financial statements.

(iv) Associates

Investments in associated undertakings are accounted for using the equity method of accounting in the consolidated financial statements. These are undertakings over which the Group exercises significant influence but which are not controlled.

Equity accounting involves recognizing in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition net of any accumulated impairment losses. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses, unless it has incurred obligations or made payments on behalf of the associate. Where necessary the accounting policies used by the associates have been changed to ensure consistency with the policies of the Group.

When the Group obtains or ceases to have significant influence, any previously held or retained interest in the entity is remeasured to its fair value, with any change in the carrying amount recognized in the income statement, except in cases where an investment in associate becomes an investment in a joint venture where no remeasurement of the interest retained is performed and use of the equity method continues to apply.

(v) Joint arrangements

A joint arrangement is an arrangement under which the Group has joint control with one or more parties. Joint control is the contractually agreed sharing of control and exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint ventures whereby the parties who share control have rights to the net assets of the arrangement or joint operations where two or more parties have rights to the assets and obligations for the liabilities of the arrangement.

The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture. All joint arrangements in which the Group has an interest are joint ventures.

As investments in associates, the Group's interest in joint ventures is accounted for by using the equity method of accounting. Therefore, the accounting policy described in note 2.2(iv) applies also for joint ventures. Where necessary the accounting policies used by the joint ventures have been changed to ensure consistency with the policies of the Group.

When the Group ceases to have joint control over an entity, it discontinues the use of the equity method. Any retained interest in the entity is remeasured to its fair value, with any change in the carrying amount recognized in the income statement, except in cases where an investment in a joint venture becomes an investment in an associate, where no remeasurement of the interest retained is performed and use of the equity method continues to apply.

A listing of the Group's associated undertakings and joint ventures is set out in note 32.

2.3 Foreign currencies

(i) Translation of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into the Group’s presentation currency at the exchange rates prevailing at each reporting date whereas income and expenses are translated at the average exchange rates for the period reported. Exchange differences arising from the translation of the net investment in a foreign subsidiary, including exchange differences of monetary items receivable or payable to the foreign subsidiary for which settlement is neither planned nor likely to occur that form part of the net investment in the foreign subsidiaries, are recognized in other comprehensive income.

Exchange differences from the Group’s foreign subsidiaries are released to the income statement on the disposal of the foreign subsidiary while for monetary items that form part of the net investment in the foreign subsidiary, on repayment or when settlement is expected to occur.

(ii) Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at each reporting date and exchange differences are recognized in the income statement, except when deferred in equity as qualifying cash flow or net investment hedges.

Non-monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at initial recognition, except for non-monetary items denominated in foreign currencies that are measured at fair value which are translated at the rate of exchange at the date the fair value is determined. The exchange differences relating to these items are treated as part of the change in fair value and are recognized in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

2.4 Derivative financial instruments and hedging

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps, and other derivative financial instruments, are initially recognized in the balance sheet at fair value on the date on which a derivative contract is entered into and subsequently are re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

Fair values of derivatives are determined based on quoted market prices, including recent market transactions, or by using other valuation techniques, as appropriate. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 2.12 and 7.3. The Group designates certain derivatives as: (a) hedges of the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments (fair value hedge), (b) hedges of the exposure to variability in cash flows of recognized assets or liabilities or highly probable forecasted transactions (cash flow hedge) or, (c) hedges of the exposure to variability in the value of a net investment in a foreign operation which is associated with the translation of the investment's net assets in the Group's functional currency.

The Group applies hedge accounting for transactions that meet specified criteria. Accordingly, at the inception of the hedge accounting relationship, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group also documents its assessment, both at inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and whether the actual results of each hedge are within a range of 80-125%. If a relationship does not meet the abovementioned hedge effectiveness criteria, the Group discontinues hedge accounting prospectively. Similarly, if the hedging derivative expires or is sold, terminated or exercised, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

In addition, the Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are classified along with those held for trading purposes.

The method of recognizing the resulting fair value gain or loss depends on whether the derivatives are designated and qualify as hedging instruments, and if so, the nature of the item being hedged.

(i) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item, for which the effective interest method is applied, is amortized to profit or loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income whereas the ineffective portion is recognized in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction affects the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

Hedges of net investments in foreign operations, including hedges of monetary items that form part of the net investments, are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

(iv) Derivatives that are not designated as hedging instruments

Changes in the fair value of derivative financial instruments that are not designated as a hedging instrument or do not qualify for hedge accounting are recognized in the income statement.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 23.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.6 Income statement

(i) Interest income and expense

Interest income and expense is recognized in the income statement for all interest bearing financial instruments on an accrual basis, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commissions

Fees and commissions are generally recognized on an accruals basis. Commissions and fees relating to foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognized on the completion of the underlying transaction.

2.7 Property, plant and equipment and Investment property

(i) Property, plant and equipment

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

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

- Land: no depreciation;
- Freehold buildings: 40-50 years;
- Leasehold improvements: over the lease term or the useful life of the asset if shorter;
- Computer hardware and software: 4-10 years;
- Other furniture and equipment: 4-20 years; and
- Motor vehicles: 5-7 years.

(ii) Investment property

Property held for rental yields and/or capital appreciation that is not occupied by the Group's entities is classified as investment property. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses, therefore, the policy described above applies also to this category of assets.

Reclassifications between own used and investment properties may occur when there is a change in the use of such properties. Additionally, an investment property may be reclassified to 'non-current assets held for sale' category to the extent that the criteria described in note 2.25 are met.

2.8 Intangible assets

(i) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest and the acquisition date fair value of any previously held equity interest in the acquiree over the fair value of the Group's share of net identifiable assets and contingent liabilities acquired. Goodwill on acquisitions of subsidiaries is included in 'intangible assets' and is measured at cost less accumulated impairment losses.

Goodwill arising on acquisitions of associates and jointly controlled entities is neither disclosed nor tested separately impairment, but instead is included in 'investments in associates' and 'investments in jointly controlled entities'.

(ii) Computer software

Costs associated with the maintenance of existing computer software programs are expensed as incurred. Development costs associated with the production of identifiable assets controlled by the Group are recognized as intangible assets when they are expected to generate economic benefits and can be measured reliably. Internally generated computer software assets are amortized using the straight-line method over 4 years, except for core systems whose useful life may extend up to 15 years. See also note 31.

(iii) Other intangible assets

Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortized over their estimated useful lives. These include intangible assets acquired in business combinations.

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2.9 Impairment of non-financial assets

(i) Goodwill

Goodwill on the acquisition of subsidiaries is not amortized but tested for impairment annually or more frequently if there are any indications that impairment may have occurred. The Group's impairment test is performed each year end. The Group considers external information such as prevailing economic conditions, persistent slowdown in financial markets, volatility in markets and changes in levels of market and exchange risk, an unexpected decline in an asset's market value or market capitalization being below the book value of equity, together with a deterioration in internal performance indicators, in assessing whether there is any indication of impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each Cash Generating Unit (CGU) or groups of CGUs that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The Group monitors goodwill either at the separate legal entity level or group of legal entities consistent with the internal monitoring of operating segments.

The Group impairment model compares the carrying value of a CGU or group of CGUs with its recoverable amount. The carrying value of a CGU is based on the assets and liabilities of each CGU. The recoverable amount is determined on the basis of the value-in-use which is the present value of the future cash flows expected to be derived from the CGU or group of CGUs. 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 or CGU and the countries where the CGUs operate.

An impairment loss arises if the carrying amount of an asset or CGU exceeds its recoverable amount, and is recognized in the income statement. Impairment losses are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other non-financial assets

Other non- financial assets, including property, plant and equipment, investment property and other intangible assets, are assessed for indications of impairment at each reporting date. When events or changes in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, where applicable. Non-financial assets, other than goodwill, for which an impairment loss was recognized in prior reporting periods, are reviewed for possible reversal of such impairment at each reporting date.

Impairment losses arising from the Group's associated undertakings and joint ventures are determined in accordance with this accounting policy.

2.10 Financial assets

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective hedging instruments.

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

(a) it eliminates or significantly reduces measurement or recognition inconsistencies; or

(b) financial assets share the same risks with financial liabilities and those risks are managed and evaluated on a fair value basis; or

(c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group upon initial recognition designates at fair-value-through-profit-or-loss or as available-for-sale. Securities classified in this category are presented in Investment Securities under Debt Securities Lending portfolio.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Accounting treatment and calculation

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

Available-for-sale financial assets and financial assets at fair-value-through-profit-or-loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair-value-through-profit-or-loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. However, interest calculated using the effective interest rate method is recognized in the income statement.

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

De-recognition of financial assets

The Group derecognizes a financial asset when its contractual cash flows expire, or the rights to receive those cash flows are transferred in an outright sale in which substantially all risks and rewards of ownership have been transferred. In addition, a financial asset is derecognized even if rights to receive cash flows are retained but at the same time the Group assumes an obligation to pay the received cash flows without a material delay (pass through agreement) or when substantially all the risks and rewards are neither transferred nor retained but the Group has transferred control of the asset. The control is considered to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to unrelated third party.

2.11 Financial liabilities

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

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

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

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Group is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability and any difference arising is recognized in the income statement.

The Group considers the terms to be substantially different, if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Similarly, when the Group repurchases any debt instruments issued by the Group, it accounts for such transactions as an extinguishment of debt.

2.12 Fair value measurement of financial instruments

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses other valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received unless the Group determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognized in the income statement. On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price (day one gain or loss). Subsequently the deferred gain or loss is amortized on an appropriate basis over the life of the instrument or released earlier if a quoted price in an active market or observable market data become available or the financial instrument is closed out.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (note 7.3).

For assets and liabilities that are measured at fair value on a recurring basis, the Group recognizes transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets, not carried at fair value through profit or loss, is impaired. A financial asset or a group of financial assets is impaired and an impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment indicators

For the Group’s retail loan exposures, objective evidence that a loan or group of loans is impaired refers to observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the borrower, significant reduction of personal and/or family income or loss of job;
- a default or breach of contract;
- significant changes in the financial performance and behavior of the borrower (for example, a number of delayed contractual payments);
- measurable decrease in the estimated future cash flows of a group of loans through a negative payment pattern such as missed payments or a decrease in property prices;

- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider, such as a reduction of the borrower's monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
- it is becoming probable that the borrower will enter into bankruptcy status or other financial reorganization; and
- loss events that could affect the ability of the borrower to repay contractual obligations within the agreed time, such as serious illness, disability or death of the obligor or a family member.

For all other financial assets including wholesale loan exposures, the Group assesses on a case-by-case basis whether there is any objective evidence of impairment using the following criteria:

- significant financial difficulty of the issuer or borrower;
- a default of breach of contract;
- significant changes in the financial performance of the borrower that affect the borrower's ability to meet its debt obligations, such as:
  -operating losses;
  -working capital deficiencies; and
  -the borrower having a negative equity.
- other facts indicating a deterioration of the financial performance of the borrower, such as a breach of loan covenants or other terms, or a partial write-off of the borrower's obligations due to economic or legal reasons relating to his financial status;
- significant changes in the value of the collateral supporting the obligation;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider, such as a reduction of the obligors monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant adverse changes in the borrower's industry or geographical area that could affect his ability to meet its debt obligations;
- any material facility at the debtor level failing beyond 90 days past due;
- market related information including the status of the borrower's other debt obligations; and
- a significant downgrade in the internal or external credit rating of the borrower's financial instruments when considered with other information.

(i) Assets carried at amortized cost

Impairment assessment

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If there is no objective evidence of impairment for a financial asset, the Group includes it in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Impairment losses recognized for financial assets for which no objective evidence of impairment exists (incurred but not reported loss-IBNR), represent an interim step pending to the identification of impairment losses of individual assets in the group. As soon as information is available that specifically identifies losses on individually impaired assets in the group, those assets are removed from it.

Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

In determining whether a loan is individually significant for the purposes of assessing impairment, the Group considers a number of factors, including the importance of the individual loan relationship and how it is managed, the size of the loan, and the product line. Consequently, loans to wholesale customers and financial institutions, as well as investment securities are generally considered as individually significant. Retail lending portfolios are generally assessed for impairment on a collective basis as they consist of large homogenous portfolios; exposures that are managed on an individual basis are assessed individually for impairment.

The Group assesses at each reporting date whether there is objective evidence of impairment.

Impairment measurement

If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through the use of an allowance account for loans and advances or directly for all other financial assets, and the amount of the loss is recognized in the income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

Future cash flows of a group of financial assets that is collectively assessed for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Estimates of changes in the future cash flows for a group of financial assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). Historical loss experience is adjusted on the basis of current observable data to reflect the effects of conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating the future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Reversals of impairment

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

Write-off of loans and advances

A loan and the associated impairment allowance are written off when there is no realistic prospect of recovery. The Group considers all relevant information including the occurrence of a significant change in the borrower's financial position to such extent that the borrower can no longer pay his obligation.

The timing of write-off is mainly dependent on whether there are any underlying collaterals, their foreclosure processes, as well as the Group's estimates of the collectible amounts. Especially for collateralized exposures, the timing of write-off is mainly dependent on local jurisdictions and consequently maybe delayed due to various legal impediments. The number of days past due is considered by the Group as an indicator, however it is not regarded as a determining factor.

Unpaid debt continues to be subject to enforcement activity even after it is written-off, except for cases where it is clearly stipulated in debt forgiveness programs.

Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses for loans and advances in the income statement.

Loan modifications

Modifications of loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors, as well as potential deterioration of the borrower's financial condition. Forbearance occurs in the cases where the contractual payment terms of a loan have been modified due to the deterioration of the borrower's financial position and the Group has granted a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties. Other renegotiations, more of a business nature, are not considered as forbearance measures.

Forbearance measures usually do not lead to de-recognition of the loan, unless, in accordance with accounting policy 2.10 'Financial assets', the contractual terms of the new loan contract are assessed to be substantially different from those under the original loan, representing the expiry of the rights to the cash flows of the original loan. In this case the initial loan is derecognized and a new loan is recognized at fair value with any difference between the carrying amount of the derecognized asset and the fair value of the new loan recognized in the Group's income statement.

Modifications that may not result in de-recognition include:

- reduced or interest-only payments;
- payment holidays, grace period;
- extended payment periods under which the original term of the loan is extended;
- capitalization of arrears whereby arrears are added to the principal balance; and
- reduction in interest rates.

If the assessment of the forborne loan's modified terms do not result in de-recognition, the loan is assessed for impairment as the forbearance measures represent a concession that the Group would not otherwise consider. The impairment loss is measured in accordance with the Group's impairment policy for forborne loans (note 7.2.1.2 (d)).

Modifications that may result in de-recognition include:

- when an uncollateralized loan becomes fully collateralized;
- debt consolidations, whereby existing loan balances of the borrower are combined in a single loan;
- the removal or addition of conversion features to the loan agreement;
- a change in currency of principal and/or interest denomination; and
- any other changes that cause the terms under the new contract to be considered substantially different from the original loan's terms.

In addition, the Group may occasionally enter, in the context of loans' modifications, into debt-for-equity transactions. Similarly, the modified loan is derecognized while the equity instruments received in exchange are recognized at their fair value, with any resulting gain or loss recognized in the Group's income statement.

(ii) Available-for-sale assets

The Group assesses at each reporting date whether there is objective evidence that an asset classified as available for sale is impaired. Particularly, in case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss-is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity investments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2.14 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) continue to be recorded in the Group's Balance Sheet as the Group retains substantially all risks and rewards of ownership, while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate. The difference between the sale and repurchase price in case of repos and the purchase and resale price in case of reverse repos is recognized as interest and accrued over the period of the repo or reverse repo agreements using the effective interest method.

(ii) Securities lending

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability.

2.15 Leases

(i) Accounting for leases as lessee

Finance leases:
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized, at the inception of the lease term, at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate of interest on the liability outstanding. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases:
Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases under which the leased asset is not recognized on balance sheet. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Accounting for leases as lessor

Finance leases:
When assets are leased out under finance leases, the present value of the lease payments is recognized under loans and receivables. The difference between the gross receivable (gross investment) and the present value of minimum lease payments (net investment) is recognized as unearned future finance income and is deducted from loans and advances. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance lease receivables are assessed for impairment losses in accordance with Group's impairment policy for financial assets as describe in note 2.13.

Operating leases:
Assets leased out under operating leases are included in property, plant and equipment or investment property, as appropriate, in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

2.16 Income tax

Income tax consists of current and deferred tax.

(i) Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognized as an expense in the period in which profits arise.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from loans' impairment, Private Sector Initiative (PSI+) tax related losses, depreciation of fixed assets, pension and other retirement benefit obligations, and revaluation of certain financial assets and liabilities, including derivative financial instruments.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting 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. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax related to changes in fair values of available-for-sale investments and cash flow hedges which are recognized to other comprehensive income is also recognized to other comprehensive income, and is subsequently recognized in the income statement together with the deferred gain or loss.

The deferred tax asset on income tax losses carried forward is recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

(iii) Uncertain tax positions

The Greek Group's sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, are required to obtain an 'Annual Tax Certificate' following a tax audit by the same statutory auditor or audit firm that audits the annual financial statements (see note 15).

The Group determines and assesses all material tax positions taken, including all, if any, significant uncertain positions, in all tax years that are still subject to assessment (or when the litigation is in progress) by relevant tax authorities. In evaluating tax positions in various states, local, and foreign jurisdictions, the Group examines all supporting evidence (Ministry of Finance circulars, individual rulings, case law, past administrative practices, ad hoc tax/legal opinions etc.) to the extent they are applicable to the facts and circumstances of the particular Group's case/ transaction.

In addition, judgments concerning the recognition of a provision against the possibility of losing some of the tax positions are highly dependent on advice received from internal/ external legal counselors. For uncertain tax positions with a high level of uncertainty, the Group recognizes, on a transaction by transaction basis using an expected value (probability-weighted average) (a) a provision against tax receivable which has been booked for the amount of income tax already paid but further pursued in courts or (b) a liability for the amount which is expected to be paid to the tax authorities.

2.17 Employee benefits

(i) Short term benefits

Short term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and are expensed as these services are provided.

(ii) Pension obligations

The Group provides a number of defined contribution pension plans where annual contributions are invested and allocated to specific asset categories. Eligible employees are entitled to the overall performance of the investment. The Group's contributions are recognized as employee benefit expense in the year in which they are paid.

(iii) Standard legal staff retirement indemnity obligations (SLSRI) and termination benefits

The Group operates unfunded defined benefit plans in Greece, Bulgaria, Serbia, and Romania under broadly similar regulatory frameworks. In accordance with the local labor legislation, the Group provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains and losses that arise in calculating the Group's SLSRI obligations are recognized directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

Interest on the staff retirement indemnity obligations and service cost, consisting of current service cost, past service cost and gains or losses on settlement are recognized in the income statement. In calculating the SLSRI obligation, the Group also considers potential separations before normal retirement based on the terms of previous voluntary exit schemes.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Termination benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Performance-based cash payments

The Group's Management awards high performing employees with bonuses in cash, from time to time, on a discretionary basis. Cash payments requiring only Management approval are recognized as employee benefit expenses on an accrual basis. Cash payments requiring General Meeting approval as distribution of profits to staff are recognized as employee benefit expense in the accounting period that they are approved by the Group's shareholders.

(v) Performance-based share-based payments

The Group's Management awards employees with bonuses in the form of shares and share options on a discretionary basis. Non-performance related shares vest in the period granted. Share based payments that are contingent upon the achievement of a performance and service condition, vest only if both conditions are satisfied.

The fair value of the shares granted is recognized as an employee benefit expense with a corresponding increase in share capital (par value) and share premium.

The fair value of the options granted is recognized as an employee benefit expense with a corresponding increase in a non-distributable reserve over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the options are exercised, with a transfer of the non distributable reserve to share premium.

2.18 Repossessed properties

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in 'Other Assets'. Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realizable value, which is the estimated selling price, in the ordinary course of business, less costs necessary to make the sale.

In cases where the Group makes use of repossessed properties as part of its operations, they may be reclassified to own occupied or investment properties, as appropriate.

Any gains or losses on liquidation are included in the income statement.

2.19 Related party transactions

Related parties of the Group include:

(a) an entity that has control over the Group and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
(b) members of key management personnel of the Group, their close family members and entities controlled or jointly controlled by the abovementioned persons;
(c) associates and joint ventures of the Group; and
(d) fellow subsidiaries.
Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

2.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimates of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the amount of such expenditure.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses within a particular economic environment. Operating segments are identified on the basis of internal reports, regarding operating results, of components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Strategic Planning Committee (which replaced the Executive Board during 2015) that is responsible for strategic decision making. Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at competitive prices in line with charges to unaffiliated customers for similar services.

2.22 Share capital

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on shares is recognized as a deduction in the Group's equity when approved by the General Meeting of shareholders. Interim dividends are recognized as a deduction in the Group's equity when approved by the Board of Directors.

Where any Group entity purchases the Bank's equity share capital (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.23 Preferred securities

Preferred securities issued by the Group are classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset.

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

Dividend distribution on preferred securities is recognized as a deduction in the Group's equity on the date it is due.

Where preferred securities, issued by the Group, are repurchased, the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity. Where such securities are subsequently called or sold, any consideration received is included in shareholders' equity.

2.24 Financial guarantees

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

Financial guarantees are initially recognized in the financial statements at fair value. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortization calculated to recognize in the income statement the fee income earned on a straight line basis over the life of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of losses, supplemented by management's judgment. Any increase in the liability relating to guarantees is taken to the income statement.

2.25 Non-current assets classified as held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For a non- current asset to be classified as held for sale, it is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets, and the sale is considered to be highly probable. In such cases, management is committed to the sale and actively markets the property for sale at a price that is reasonable in relation to the current fair value. The sale is also expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The Group presents discontinued operations in a separate line in the consolidated income statement if a Group entity or a component of a Group entity has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations includes the profit or loss before tax from discontinued operations, the gain or loss on disposal before tax or measurement to fair value less costs to sell and discontinued operations tax expense. Intercompany transactions between continuing and discontinued operations are presented on a gross basis in the income statement. Upon classification of a Group entity as a discontinued operation, the Group restates prior periods in the consolidated income statement.

2.26 Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than those that meet the definition of loans and receivables may be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables, out of the held-for-trading or available-for-sale categories, if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2.27 Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted deposits with central banks, due from credit institutions and other short-term highly liquid investments with original maturities of three months or less.

2.28 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties. This involves the Group making allocation, purchase and sale decisions in relation to a wide range of financial instruments. The Group receives fee income for providing these services. Those assets that are held in a fiduciary capacity are not assets of the Group and are not recognized in the financial statements. In addition, the Group does not guarantee these investments and as a result it is not exposed to any credit risk in relation to them.

3. Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Group's accounting policies, the Group's Management makes various judgments, estimates and assumptions that may affect the reported amounts of assets and liabilities, revenues and expenses recognized in the financial statements within the next financial year and the accompanying disclosures. Estimates and judgments are continually evaluated and are based on current conditions, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant areas in which the Group makes judgments, estimates and assumptions in applying its accounting policies are set out below:

3.1 Impairment losses on loans and advances

The Group reviews its loan portfolios to assess whether there is objective evidence of impairment on an ongoing basis. This assessment is performed individually for loans and advances that are individually significant and collectively (a) for loans and advances that are not individually significant and (b) for those that are individually significant but were found not to be impaired following the individual assessment. Management is required to exercise judgment in making assumptions and estimates when calculating the present value of the cash flows expected to be received on both individually and collectively assessed loans and advances.

Individual impairment assessment

For loans assessed on an individual basis, mainly the Group's wholesale lending portfolio, management uses its best estimate to determine the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the borrower's financial position and the net realizable value of any underlying collaterals. Expected recoveries from real estate collaterals may be affected from the downward trend in the properties' market value. A 5% decline in the estimated recovery values of all types of real estates' collaterals used for the measurement of the impairment allowance of the Group's wholesale lending portfolio, would give rise to an additional impairment loss in 2016 of approximately € 116 million (2015: € 118 million).

Each individually assessed loan for impairment is assessed on a case-by-case basis (in cooperation between Credit Risk Management function and the business units) and subsequently it is independently approved by the Credit Risk Management function.

Collective impairment assessment

Collective impairment allowance is established for (a) groups of non-impaired or impaired retail homogenous loans that are not considered individually significant and (b) groups of corporate or retail loans that are individually significant but that were not found to be individually impaired.

In determining whether an impairment loss should be recorded in the income statement, management makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of a loan portfolio before the decrease can be identified on an individual loan basis in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

In assessing the need for collective impairment, management considers factors such as credit quality, portfolio size, concentrations and economic factors. Management's estimates are based on historical loss experience for assets with similar credit risk characteristics to those in the loan portfolio under assessment when scheduling its future cash flows. Management also applies significant judgment to assess whether current economic and credit conditions are such that the actual level of impairment loss is likely to be greater or lower than that suggested by historical experience. In normal circumstances, historical loss experience provides objective and relevant information in order to assess the loss within each loan portfolio. In other circumstances, historical loss experience provides less relevant information, for example when recent trends in risk factors are not fully reflected in the historical information. Where changes in economic, regulatory and behavioral conditions result in most recent trends in portfolio risk factors not being fully reflected in the impairment calculation model used, the Group adjusts the impairment allowance derived from historical loss experience accordingly.

The uncertainty inherent in the estimation of impairment loss is increased in the current macroeconomic environment, and is sensitive to factors such as the political uncertainty, level of economic activity, bankruptcy rates, geographical concentrations, changes in laws and regulations, property prices and level of interest rates.

For the Group's mortgage portfolios, the recovery rates, which are calculated based on statistical models, reflect the management's best estimate regarding the net realizable value of residential properties held as collateral as well as the timing foreclosure is expected to occur, which in turn is impacted by the local legal framework. Both the amount and timing of expected cash flows have been affected by the reduction in the level of activity in the real estate market and the changes in the local tax and legal environment in Greece. A 3% decline in the estimated recovery rates used for the measurement of the impairment allowance of the

Group's mortgage portfolio, would give rise to an additional impairment loss in 2016 of approximately € 125 million (2015: € 122 million).

For the rest of retail portfolios, statistical analysis of historical loss experience is the primary tool used in order to determine future customer behavior and payment patterns. Due to the stressed macroeconomic environment during the last years, depending on the portfolio under examination, there is a level of uncertainty in terms of the level of future cash flows as well as the time that these cash flows will come. With regards to unsecured consumer and small business exposures, management exercises judgment to determine the assumptions underlying to the applicable recovery rates, which are calculated based on statistical models and affected by the existing economic conditions. A 5% decrease in the estimated recovery rates used for the measurement of the impairment allowance of the Group's unsecured consumer portfolio would give rise to an additional impairment loss in 2016 of approximately € 36 million (2015: € 45 million). The same decrease in the small business lending portfolio's recovery rates would give rise to an additional impairment loss of approximately € 65 million (2015: € 40 million).

3.2 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value of financial instruments that are not quoted in an active market are determined by using other valuation techniques that include the use of valuation models. In addition, for financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using other valuation techniques.

The valuation models used include present value methods and other models based mainly on observable inputs and to a lesser extent to non-observable inputs, in order to maintain the reliability of the fair value measurement.

Valuation models are used mainly to value over-the-counter derivatives and securities measured at fair value.

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used, and are calibrated to ensure that outputs reflect actual data and comparative market prices. The main assumptions and estimates, considered by management when applying a valuation model include:

- the likelihood and expected timing of future cash flows;
- the selection of the appropriate discount rate, which is based on an assessment of what a market participant would regard as an appropriate spread of the rate over the risk-free rate; and
- judgment to determine what model to use in order to calculate fair value.

To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available. However, in most cases there will be some historical data on which to base a fair value measurement and consequently even when unobservable inputs are used, fair values will use some market observable inputs.

Information in respect of the fair valuation of the Group's financial assets and liabilities is provided in note 7.3.

3.3 Impairment of available-for-sale equity investments

For available-for-sale equity investments, a significant or prolonged decline in the fair value below cost is an objective evidence of impairment. In order to determine what is significant or prolonged, the Group's management exercises judgment. In this respect, the Group regards a decline to be 'significant' when the fair value of quoted equities is below cost by more than 30% to 40% depending on the equity's index and 'prolonged' when the market price is below the cost price for a twelve- month period. The Group also evaluates among other factors, the historic volatility in the share price, the financial health of the investee, the industry and sector performance, changes in technology, and operational and financing cash-flows.

3.4 Assess control over investees

The management exercises judgment in order to assess if the Group has control over another entity based on the control elements set out in note 2.2 (i).

(a) Subsidiaries
The Group holds more than half of the voting rights in all subsidiaries, except from Grivalia Properties R.E.I.C. and its subsidiaries as well as Hellenic Post Credit S.A. Further information in respect of the control assessment of the above named subsidiaries is provided in note 27.

(b) Structured entities
As part of its funding activity, the Group sponsors certain securitization vehicles, the relevant activities of which have been predetermined as part of their initial design by the Group. The Group is exposed to variability of returns from these vehicles through the holding of debt securities issued by them or by providing credit enhancements in accordance with the respective contractual terms. In assessing whether it has control, the Group considers whether it manages the substantive decisions that could affect these vehicles' returns. As a result, the Group has concluded that it controls these vehicles.

Furthermore, the Group is involved in the initial design of various mutual funds in order to provide customers with investment opportunities. The Group primarily acts as an agent in exercising its decision making authority as it is predefined by the applicable regulated framework. As a result, the Group has concluded that it does not control these funds.

Further information in respect of the structured entities the Group is involved, either consolidated or not, is provided in note 28.

3.5 Income taxes

The Group is subject to income taxes in various jurisdictions and estimates are required in determining the provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due or for anticipated tax disputes. 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.

In addition, the Group recognizes deferred tax assets to the extent that it is probable that sufficient taxable profit will be available against which unused tax losses and deductible temporary differences can be utilized. Recognition therefore involves judgment regarding the future financial performance of the particular Group legal entity in which the deferred tax asset has been recognized. Particularly, in order to determine the amount of deferred tax assets that can be recognized, significant management judgments are required regarding the likely timing and level of future taxable profits. In making this evaluation, the Group has considered all available evidence, including management's projections of future taxable income and the tax legislation in each jurisdiction.

The most significant judgment exercised by management relates to the recognition of deferred tax assets in respect of losses realized in Greece. In the event that, the Group assesses that it would not be able to recover any portion of the recognized deferred tax assets in the future, the unrecoverable portion would impact the deferred tax balances in the period in which such judgment is made.

As at 31 December 2016, the Group revisited its estimates regarding the level of future taxable profits against which the unused tax losses and the deductible temporary differences can be utilized and evaluated accordingly the recoverability of the recognized deferred tax assets based on its three- year Business Plan, which was approved by the Board of Directors in January 2017 and has been submitted to the Hellenic Financial Stability Fund (HFSF) and to the Single Supervisory Mechanism (SSM), providing outlook of its profitability and capital position for the period up to the end of 2019. The implementation of the abovementioned Business Plan largely depends on the macroeconomic environment in Greece and in the countries that the Group operates.

As at 31 December 2016, an amount of € 54 million has been recognized in respect to unused tax losses using the Group's best estimation and judgment as described above. Further information in respect of the recognized deferred tax assets and the Group's assessment for their recoverability is provided in note 16.

3.6 Retirement benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, such as the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate used to calculate the present value of the estimated retirement obligations, at the end of each year based on interest rates of high quality corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term to maturity of the retirement benefit obligations. The salary rate increase assumption is based on future inflation estimates reflecting also the Group's reward structure and expected market conditions.

Other assumptions for pension obligations, such as the inflation rate, are based in part on current market conditions.

For information in respect of the sensitivity analysis of the Group’s retirement benefit obligations to reasonably possible, at the time of preparation of these financial statements, changes in the abovementioned key actuarial assumptions, refer to note 38.

3.7 Investment properties and repossessed collateral

The Group reviews its investment properties portfolio to assess whether there is an indication of impairment, such as a decline in the market prices and level of activity for properties of different nature and location, at each reporting date. If such an indication exists, management is required to exercise judgment in estimating the fair value less cost to sell of the investment properties. The fair values are determined by independent certified valuators, and the Group’s subsidiary Eurobank Property Services S.A., which is specialized in the area of real estate valuations, utilizes internal or external independent qualified appraisers and is regulated by the Royal Institute of Chartered Surveyors. The main factors underlying the determination of fair value are related with the receipt of contractual rentals, future vacancy rates and periods, discount rates or rates of return, the terminal values as well as the level of future maintenance and other operating costs. Additionally, where the fair value less cost to sell is determined based on market prices of comparable transactions those prices are subject to appropriate adjustments, in order to reflect current economic conditions and the management’s best estimate regarding the future trend of properties market.

The processes and underlying assumptions applicable for the determination of repossessed properties net realizable value are similar to those described above for investment properties.

Further information in respect of the fair valuation of the Group’s investment properties is provided in note 30.

3.8 Provisions and contingent liabilities

The Group recognizes provisions when it has a present legal or constructive obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of its amount.

A provision is not recognized and a contingent liability is disclosed when it is not probable that an outflow of resources will be required to settle the obligation, when the amount of the obligation cannot be measured reliably or in case that the obligation is considered possible and is subject to the occurrence or non -occurrence of one or more uncertain future events.

Considering the subjectivity and uncertainty inherent in the determination of the probability and amount of the abovementioned outflows, the Group takes into account a number of factors such as legal advice, the stage of the matter and historical evidence from similar cases. In the case of an offer made within the context of the Group’s voluntary exit scheme, the number of employees expected to accept the abovementioned offer along with their age cluster is a significant factor affecting the measurement of the outflow for the termination benefits.

Further information in relation to the Group’s provisions and contingent liabilities is provided in note 37 and note 45.

3.9 Other significant accounting estimates and judgments

Information in respect of other estimates and judgments that are made by the Group is provided in notes 5, 15, 17, and 47.

4. Greek Economy Liquidity Support Program

The Bank participates in the Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008 as amended and supplemented, as follows:

(a) First stream-preference shares
345,500,000 non-voting, preference shares, with nominal value of € 950 million, were subscribed to by the Hellenic Republic on 21 May 2009 (note 40); and

(b) Second stream-bonds issued by the Bank and guaranteed by the Hellenic Republic
As at 31 December 2016, the government guaranteed bonds, of face value of € 2,500 million, were fully retained by the Bank. During the year ended 31 December 2016, the Bank proceeded with the redemption of government guaranteed bonds of face value of € 3,893 million, while bonds of face value of € 6,650 million matured, all of which were fully retained by the Bank (note 36).

Under Law 3723/2008, for the period the Bank participates in the program through the preference shares or the government guaranteed bonds (streams (a) and (b) above) the Hellenic Republic is entitled to appoint its representative to the Board of Directors. Information on the rights of the Hellenic Republic's representative is provided in the Directors' Report and Corporate Governance statement of the Annual Financial Report for the year ended 31 December 2016.

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

5. Credit exposure to Greek sovereign debt

As at 31 December 2016, the total carrying value of Greek sovereign major exposures is as follows:

	2016	2015
	€ million	€ million
Treasury bills	**1,289**	2,157
Greek government bonds	**1,970**	1,677
Derivatives with the Greek state	**1,070**	992
Exposure relating with Greek sovereign risk financial guarantee	**194**	208
Loans guaranteed by the Greek state	**140**	176
Loans to Greek local authorities and public organizations	**75**	86
Other receivables	**19**	17
Total	**4,757**	5,313

The adequacy of the impairment allowance for loans and receivables either guaranteed by the Greek state or granted to public related entities was evaluated in the context of the Group's impairment policy. The Group monitors the developments for the Greek debt crisis closely in order to adjust appropriately its estimates and judgments based on the latest available information (note 2).

Information on the fair values of the Greek sovereign exposures is provided in note 7.3.

6. Capital Management

On 23 July 2015, the Directive 2014/59/EU for the recovery and resolution of credit institutions and investment firms (BRRD) was transposed into Greek Law by virtue of Law 4335/2015, with the exception of its provisions for the obligation of loss absorption in the case of implementation of measures of public financial stability and the restructuring of liabilities (bail-in) in certain eligible liabilities which are in full force from 1 January 2016. The transposition of the said Directive into the national legislation of the EU countries and Serbia, where the Group has activities, has been completed within the first quarter of 2016.

Additionally, Law 4340/2015 (as amended by Law 4346/2015) updated the recapitalization framework of Greek credit institutions and the relevant provisions of Law 3864/2010 regarding the Hellenic Financial Stability Fund (HFSF). More specifically, it regulates, among others, the conditions and the procedure through which HFSF provides capital support to Greek credit institutions, enriches HFSF's rights towards Greek credit institutions to which HFSF has provided capital support and also introduces additional provisions concerning the composition and evaluation of the boards of directors and committees of credit institutions having signed a Relationship Framework Agreement with HFSF (note 49).

Capital position

	2016	2015
	€ million	€ million
Total equity attributable to shareholders of the Bank	**6,672**	6,420
Add: Regulatory non-controlling interests	**255**	401
Less: Other regulatory adjustments	**(156)**	(198)
Common Equity Tier I Capital	**6,771**	6,623
Add: Preferred securities	**26**	30
Less: Other regulatory adjustments	**(26)**	(30)
Total Tier I Capital	**6,771**	6,623
Tier II capital-subordinated debt	**4**	15
Add: Other regulatory adjustments	**119**	147
Total Regulatory Capital	**6,894**	6,785
Risk Weighted Assets	**38,511**	38,888
Ratios:	%	%
Common Equity Tier I	**17.6**	17.0
Tier I	**17.6**	17.0
Total Capital Adequacy Ratio	**17.9**	17.4

Note: The CET1 as at 31 December 2016, based on the full implementation of the Basel III rules in 2024, would have been 13.8% (2015: 13.1%).

The Group has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the European Union and the Bank of Greece in supervising the Bank. The capital adequacy calculation is based on Basel III (CRDIV) rules. Supplementary to that, in the context of Internal Capital Adequacy Assessment Process (ICAAP), the Group considers a broader range of risk types and the Group’s risk management capabilities. ICAAP aims ultimately to ensure that the Group has sufficient capital to cover all material risks that it is exposed to, over a three-year horizon.

To this direction, the Group is focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, the active management of non-performing exposures supported by the fully operational internal bad bank as well as by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets.

Supervisory Review and Evaluation Process (SREP)

Based on Council Regulation 1024/2013, the European Central Bank (ECB) conducts annually a Supervisory Review and Evaluation Process (SREP), in order to define the prudential requirements of the institutions under its supervision, by defining a total SREP capital requirement.

The key purpose of SREP is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks, to which they are or might be exposed, including those revealed by stress testing and risks the institution may pose to the financial system.

According to the decision of the 2016 Supervisory Review and Evaluation Process performed by the ECB, starting from 1 January 2017 the Bank is required to meet on a consolidated basis a Common Equity Tier 1 ratio of at least 8.75% and a Total Capital Adequacy Ratio of at least 12.25%.

Restructuring plan

On 29 April 2014, the European Commission (EC) approved the Bank's restructuring plan, as it was submitted through the Greek Ministry of Finance on 16 April 2014. In addition, on 26 November 2015, the EC approved the Bank's revised restructuring plan in the context of the recapitalization process in 2015. The principal commitments of the Hellenic Republic for the Bank's revised restructuring plan to be implemented by 31 December 2018 (or otherwise indicated below) as well as their status as at 31 December 2016 are disclosed below:

(a) the reduction of the total costs (excluding any contribution to a deposit guarantee or resolution fund) to a maximum amount of € 750 million and the number of branches for the Group's Greek activities to a maximum of 510 on 31 December 2017 (note 12);

(b) the decrease of the cost of deposits collected in Greece, according to the Bank's own projections incorporated into the plan;

(c) the sale of a minimum 80% shareholding in the Group's insurance activities by 31 December 2016; the disposal of the 80% of the shareholding in its insurance subsidiaries was completed in August 2016 (note 17);

(d) the deleveraging of the portfolio of equity investments exceeding € 5 million (subject to certain exceptions), subordinated and hybrid bonds to less than € 35 million by 30 June 2016;

(e) for the Group's Greek activities, the reduction of the number of employees to a maximum of 9,800 by 31 December 2017; significant progress has been made through the implementation of the Voluntary Exit Scheme (VES) that commenced in the second quarter of 2016 (note 38);

(f) the reduction of the net loans to deposits ratio for the Group's Greek banking activities to less than 115%; the deleveraging of loans and the increase in deposits during 2016 have improved the loans to deposits ratio (notes 24 and 35);

(g) the reduction of the portfolio of the Group's foreign assets (non-related to Greek clients) to a maximum amount of € 8.77 bn by 30 June 2018; in 2016 the Group completed the sale of Public J.S.C. Universal Bank, its banking subsidiary in Ukraine (note 17) and the selective sale of foreign loan portfolios and properties (notes 24 and 27). As at 31 December 2016, the portfolio of the Group's foreign assets, which are not related with Greek clients, amounted to € 9.9 bn;

(h) the sale of the 20% shareholding in its non-banking subsidiary Grivalia Properties REIC; and

(i) restrictions on the capital injection to the Group's foreign subsidiaries unless the regulatory framework of each relevant jurisdiction requires otherwise, the purchase of non-investment grade securities (subject to certain exceptions), the staff remuneration, the payment of dividends, the credit policy to be adopted and other strategic decisions.

As at 31 December 2016, the Group has already met/ respected the commitments referring to items 'a' to 'd' and 'i', while it has almost reached the target for item 'e', one year earlier than set by the plan. In respect of the commitments referring to items 'f' to 'h', which should be implemented within 2018, the Group proceeds to all actions and initiatives required to meet them within the prescribed deadlines. Such actions have been reflected in the three-year Business Plan approved by the Board of Directors in January 2017.

The implementation of the restructuring plan streamlines the Group's operations and reduces the Group's costs thereby reaching the goal of returning to profitability. However, the implementation of the commitments may have an adverse effect on Group's business, operating results and financial position.

In case that a bank is unable to comply with the terms of the restructuring plan and any potential revisions thereto, it may cause the EC to initiate a procedure to investigate the misuse of aid. This procedure may result in the partial or entire recovery of state aid and/or the imposition of additional conditions, including limiting a bank's ability to support its foreign subsidiaries or introducing additional limitations on its ability to hold and manage its securities portfolio. Moreover, the assumptions underlying the restructuring plan, as may be revised, may prove inaccurate, making the objectives of the restructuring plan and any potential revisions thereto more difficult to achieve.

Monitoring Trustee

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

Grant Thornton S.A. was appointed as the Bank's Monitoring Trustee (MT) on 22 February 2013, with the mandate of the MT been subsequently amended and extended on 29 May 2014. The MT monitors the compliance with the commitments on corporate governance and commercial operational practices and the implementation of the restructuring plan and reports to the European Commission.

7. Financial risk management and fair value

7.1 Use of financial instruments

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

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

The Group also trades in financial instruments where it takes positions in traded and over the counter financial instruments, including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates.

7.2 Financial risk factors

Due to its activities, the Group is exposed to a number of financial risks, such as credit risk, market risk (including currency and interest rate risk), liquidity and operational risks. The Group's overall risk management strategy seeks to minimize any potential adverse effects on its financial performance, financial position and cash flows.

Risk Management

The Group acknowledges that taking risks is an integral part of its operations in order to achieve its business objectives. Therefore, the Group’s management sets adequate mechanisms to identify those risks at an early stage and assesses their potential impact on the achievement of these objectives.

Due to the fact that economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms are set (and evolve) in a manner that enables the Group to identify and deal with the risks associated with those changes. The Bank’s structure, internal procedures and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision.

The Group's Management considers effective risk management as a top priority, as well as a major competitive advantage, for the organization. As such, the Group has allocated significant resources for upgrading its policies, methods and infrastructure, in order to ensure compliance with the requirements of the European Central Bank (ECB), the guidelines of the European Banking Authority (EBA) and of the Basel Committee for Banking Supervision and the best international banking practices. The Group implements a well-structured credit approval process, independent credit reviews and effective risk management policies for credit, market, liquidity and operational risk, both in Greece and in each country of its international operations. The risk management policies implemented by the Bank and its subsidiaries are reviewed annually.

The Board Risk Committee (BRC) ensures that the Group has a well-defined risk and capital strategy and risk appetite.

The Group Risk and Capital Strategy, which has been formally documented, outlines the Group’s overall direction regarding risk and capital management issues, the risk management mission and objectives, risk definitions, risk management principles, risk appetite, risk governance framework, strategic objectives and key initiatives for the improvement of the risk management framework in place.

The maximum amount of risk which the Group is willing to assume in the pursuit of its strategic objectives is articulated via a set of quantitative and qualitative statements for specific risk types, including specific tolerance levels as described in the Group’s Risk Appetite Framework. The objectives are to support the Group’s business growth, balance a strong capital position with higher returns on equity through greater leverage, and to ensure the Group’s adherence to regulatory requirements.

The BRC assesses the Group's risk profile, monitors compliance with the approved risk appetite and risk tolerance levels, and ensures that the Group has developed an appropriate risk management framework with appropriate methodologies, modelling tools, data sources and sufficient and competent staff to identify, assess, monitor and mitigate risks.

The BRC consists of six non-executive directors (five-member committee at 31 December 2016), meets at least on a monthly basis and reports to the BoD on a quarterly basis and on ad hoc instances.

In 2016, the Bank established the Management Risk Committee (MRC) as a consulting committee to the Board Risk Committee (BRC). The main responsibility of the MRC is to oversee the risk management framework of the Group. The MRC ensures that material risks are identified and promptly escalated to the BRC and that the necessary policies and procedures are in place to prudently manage risk and to comply with the regulatory requirements. As part of its mandate, the MRC reviews the Bank's and its subsidiaries risk profile vis-à-vis its declared risk appetite and examines any proposed modifications to the risk appetite. In addition, the MRC reviews and approves the methodology, the parameters and the results of the Bank's Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and stress testing programmes. Additionally, the MRC determines appropriate management actions which are discussed and presented to the Executive Board ('EXBO') for information and submitted to BRC for approval.

The Group's Risk Management General Division that is headed by the Group Chief Risk Officer (GCRO) operates independently from the business units and is responsible for the monitoring, measurement and management of credit risk, market risk, liquidity and operational risks. It comprises the Credit Sector, the International Credit Sector, the Group Market and Counterparty Risk Sector (GMCRS), the Group Credit Control Sector (GCCS), the Capital Adequacy Control (Credit Risk) and Regulatory Framework Sector and the Operational Risk Sector.

Non-Performing Exposures (NPEs) management

Following the publication of the Bank of Greece (BoG) Executive Committee's Act No.42/30.05.2014 as amended by Act No.47/9.2.2015 and Act No. 102/30.08.2016 that details the supervisory directives for the administration of exposures in arrears and non-performing loans, the Bank has responsibly proceeded with a number of initiatives to adopt the regulatory requirements and empower the management of troubled assets. In particular, the Bank transformed its troubled assets operating model into a vertical organizational structure through the establishment of the Troubled Assets Committee (TAC) and Troubled Assets Group General Division (TAG). TAG structure is completely segregated from the Bank's business units both in terms of account management, as well as credit approval process, which ensures transparency, flexibility, better prioritization and management accountability. TAG, which is headed by the Deputy Chief Executive Officer and Executive member of the BoD, is the overall responsible body for the management of the Group's troubled assets portfolio for the whole process, from the pre-delinquency status in case of high risk exposures up to legal workout. It comprises the Retail Remedial General Division, the Corporate Special Handling Sector, the Non-Performing Clients Sector, the TAG Business Planning Sector and the TAG Risk Management and Business Policies Sector.

The TAC with a direct reporting line to the BRC oversees and monitors the Group's troubled assets' management. In particular, the main competencies that have been delegated to TAC relate to the monitoring of loans in arrears and the management of non-performing loans, the determination and implementation of the troubled assets' management strategy, as well as approving and assessing the sustainability of the forbearance and closure procedure measures. The establishment of an independent body, both in terms of account management as well as credit approval process, ensures transparency, management flexibility and accountability, and shifts the management from bad debt minimization to bad debt value management, in line with the Group's risk appetite.

Operational targets for Non-Performing Exposures (NPEs)

In line with the national strategy for the reduction of NPEs, the BoG in cooperation with the supervisory arm of the European Central Bank (ECB), has designed an operational targets framework for NPEs management, supported by several key performance indicators. Pursuant to the said framework, the Greek banks submitted at the end of September 2016 a set of NPEs operational targets together with a detailed NPEs management strategy with a three-year time horizon, which were formed on the basis of key macroeconomic assumptions.

In accordance with the relevant BoG report issued in December 2016, Greek banks have set a target of a 38% reduction of NPEs for the period from June 2016 up to December 2019, corresponding to a decrease by € 40 bn of the total NPEs stock, i.e. from € 107 bn in June 2016 to € 67 bn in end 2019. The largest part of the NPEs reduction is projected for the years 2018-2019 and will be mainly driven by curing of loans and write-offs and to a lesser extent by liquidations, collections and sales of loans portfolios. The NPEs of the sector as a percentage of total loan exposure will gradually decelerate and reach 34% in end 2019.

In the above context, the Bank has developed strategic objectives and targets, together with a set of corresponding actions across client segments, and a timetable for implementation. The actions have been cascaded to a segment level for retail portfolio and to a borrower level for corporate portfolio together with corresponding targets and monitoring indicators. The Bank has developed a detailed NPEs forecasting model, the results of which have been used to calibrate both the targets and the monitoring indicators. The strategy and the objectives are based on a set of assumptions regarding the macro-economic outlook and the legal and tax framework in Greece. The planned actions and initiatives are not expected to require increases in currently planned provisioning levels and additional capital requirements. The key risks for potential deviation from the targets are primarily related with the delays in (a) the macroeconomic recovery and (b) the enactment of the necessary adjustments of the legal and administrative framework for NPLs resolution. To this direction, a significant step for lifting tax-related impediments was the amendment of Law 4172/2013 in March 2017 (note 16).

The Bank has fully embedded the NPEs strategy into its management processes and operational plan. The supervisory authority reviews the course to meeting the operational targets on a quarterly basis and might request additional corrective measures if deemed necessary.

7.2.1 Credit Risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to fulfill its payment obligations, when due.

The credit risk mainly arises from its wholesale and retail lending activities, which include any credit enhancements provided, such as financial guarantees and letters of credit of the Group, as well as from other activities, such as investments in debt securities, trading, capital markets and settlement activities. Since, the credit risk is the primary risk that the Group is exposed to, it is carefully and actively managed and monitored by centralized risk units that report to the GCRO.

(a) Credit Risk Management

The credit approval and credit review processes are centralized on a country level. The appropriate level of segregation of duties ensures independence among the executives responsible for the customer's relationship, the approval process and the loan's disbursement, as well as the monitoring of the loan during its lifecycle.

Credit Committees

The credit approval process in wholesale lending is centralized through the establishment of Credit Committees with escalating credit approval levels, in order to manage the corporate credit risk.

Main Committees of the Bank are the following:

- Credit Committees (Central and Local), authorized to approve new financing, renewals or amendments in the existing credit limits in accordance with their approval authority level, depending on total limit amount, and customer risk category (i.e. high, medium or low), as well as value and type of collaterals;
- Special Handling Credit Committees, authorized to approve credit requests and take actions for distressed clients;
- International Credit Committees (Regional and Country) established for credit underwriting to wholesale borrowers of the Group's international Bank subsidiaries, authorized to approve new limits, renewals or amendments to existing limits, in accordance with their approval authority level, depending on total customer exposure and customer risk category (i.e. high, medium or low), as well as the value and type of collateral; and
- International Special Handling Committees established for handling distressed wholesale borrowers of the Group's international Bank subsidiaries.

The Credit Committees convene on a weekly basis or more frequently, if needed.

Credit Sector

The main responsibilities of the Credit Sector of the Risk Management General Division are:

- Review and evaluation of credit requests of:
  (a) domestic large and medium scale corporate entities of every risk category;

  (b) specialized units, such as shipping and structured finance; and
  (c) retail sector's customers (small business and household lending) above a predetermined threshold.
- Issuance of an independent risk opinion for each credit request, which includes:
  (a) Assessment of the customer credit profile based on the risk factors identified (market, operations, structural and financial);
  (b) A focused sector analysis; and
  (c) Recommendations to structure a bankable, well-secured and well-controlled transaction.
- Confirmation of the ratings of each separate borrower, to reflect the risks acknowledged; and
- Participation with voting rights in all credit committees, as per the credit approval procedures (except for Special Handling Committee 1-no voting rights).

International Credit Sector

The International Credit Sector (ICS) is responsible to actively participate in the design, implementation and review of the credit underwriting function for the wholesale portfolio of the International Subsidiaries. Moreover, ICS advises and supports Risk Divisions of the International Subsidiaries. .

In this context, ICS is responsible for the implementation of the below activities:

- Participation with voting right in all International Committees (Regional, Country and Special Handling);
- Preparation of the secretariat work of the International Committees including arrangement of the agenda and submission/circulation of the minutes of the respective committees;
- Participation in the sessions of Monitoring Committee responsible to monitor and decide on the strategy of problematic corporate relationships with loan outstanding exceeding a certain threshold, that is jointly set by ICS and Country TAG;
- Chairmanship in Country Risk Committees (CRCs);
- Continuous support to the Credit Risk Units of international subsidiaries by means of providing advice on best practices and training;
- Preparation and periodic update of the International Credit Policy Manual (Wholesale Banking) of international subsidiaries; and
- Implementation of Group's credit related special projects.

In cooperation with Group Credit Control, conducting reviews of loan quality and specific loan segments (e.g. Real Estate portfolios and agribusiness).

Retail Banking approval process

The approval process for loans to small businesses (turnover up to € 2.5 million) is centralized, following specific guidelines for eligible collaterals. The assessment is based on the analysis of the borrower's financial position, as well as the use of statistical scorecards. The approval process for household lending is also centralized. It is supported by specialized credit scoring models and the application of credit criteria based on the payment behavior and financial position of the borrowers, the type and quality of collateral, the existence of real estate property, and other factors. The ongoing monitoring of portfolio quality and performance leads to adjustments of the credit policy and procedures, when deemed necessary.

The approval process of Retail Banking modifications requests is fully segregated from the originating units of new loan production through the independent Retail Credit Remedial Sector.

Group Market and Counterparty Risk Sector

The Group Market and Counterparty Risk Sector (GMCRS) is responsible for the measurement, monitoring and reporting of the Group's exposure to counterparty risk, which is the risk of loss due to the customer's failure to meet its contractual obligations in the context of treasury activities, such as securities, derivatives, repos, reverse repos, interbank placings, etc.

The Group sets limits on the level of counterparty risk that may be undertaken based mainly on the counterparty's credit rating, as provided by international rating agencies, and the product type (e.g. control limits on net open derivative positions by both amount and term, sovereign bonds exposure, asset backed securities). The utilization of the abovementioned limits, any excess of them, as well as the aggregate exposure per Group's entity, counterparty and product type are monitored by GMCRS on a daily basis. Risk mitigation contracts are taken into account for the calculation of the final exposure.

In case of uncollateralized derivative transactions, the Group measures the current exposure along with the potential future exposure (PFE) using financial models. The combined exposure is used for the monitoring of limit utilization.

The GMCRS's exposure measurement and reporting tool is also available to the Group's subsidiaries treasury divisions, thus providing them with the ability to monitor each counterparty's exposure and the limit availability.

(b) Credit risk monitoring

The Group Credit Control Sector (GCCS) monitors and assesses the quality of all of the Group's loan portfolios and operates independently from the business units of the Bank. The GCCS reports directly to the GCRO.

The main responsibilities of the GCCS are:

- to monitor and review the performance of all of the Group's loan portfolios;
- to conduct field reviews and prepare written reports to the Management on the quality of all of the Group's loan portfolios and adherence with EBA prevailing regulations;
- to supervise and control the foreign subsidiaries' credit risk management units;
- to supervise, support and maintain the Moody's Risk Advisor (MRA) used to assign ratings to wholesale lending customers;
- to develop, supervise and support the Transactional Rating (TR) application used to measure the overall risk of wholesale credit relationships, taking into account both the creditworthiness of the borrower and required collaterals;
- to monitor on a regular basis and report on a quarterly basis to the Board of Directors and the BRC of risk exposures, along with accompanying analyses;
- to formulate the provisioning policy and regularly monitor the adequacy of provisions of all of the Group's loan portfolios;
- to participate in the approval of new credit policies and new loan products;
- to participate in the Troubled Asset Committee; and
- to attend meetings of Credit Committees and Special Handling Committees, without voting right.

The main responsibilities of the Capital Adequacy Control (Credit Risk) and Regulatory Framework Sector are to develop and maintain the Internal Ratings Based (IRB) approach in accordance with the Basel framework and the Capital Requirements Directive (CRD), for the loans portfolio of the Group, to measure and monitor the loan portfolios' capital requirements, and to manage credit risk regulatory related issues, such as Asset Quality Reviews (AQR) and stress tests. The Sector reports to the GCRO.

The main activities of the Capital Adequacy Control (Credit Risk) and Regulatory Framework Sector are:

- to manage the external Asset Quality Reviews (Bank of Greece, ECB);
- to implement the IRB roll-out plan of the Group;
- to develop ,implement and validate the IRB models of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for evaluating credit risk;
- to measure, monitor and backtest the risk parameters (PD, LGD, EAD) for the purposes of capital adequacy calculations, as well as, for provisioning purposes;
- to prepare monthly capital adequacy calculations (Pillar I) and relevant management, as well as, regulatory reports (COREPs, SREP) on a quarterly basis;
- to perform stress tests, both internal and external (EBA/SSM), and to maintain the credit risk stress testing infrastructure;
- to develop and maintain the forecasting models linking macroeconomic factors of credit quality (PD, LGD) for the loan portfolios of the Group;
- to prepare the credit risk analyses for Internal Capital Adequacy Assessment (ICAAP)/ Pillar II purposes;
- to prepare the Basel Pillar III disclosures for credit risk;
- to participate in the preparation of the business plan, the restructuring plan and the recovery plan of the Group in relation to asset quality and capital requirements for the loan book (projected impairments and RWAs);
- to support the business units in the use of IRB models in business decisions and the development and usage of risk related metrics such as Risk Adjusted Return on Capital (RAROC) etc.;

- to monitor the regulatory framework in relation to the above, to perform impact assessment, to initiate and manage relevant projects;
- to guide, monitor and supervise the Basel/Capital Adequacy (Credit Risk) divisions of Romania and Bulgaria on modelling, credit stress testing and other credit risk related regulatory issues; and
- to regularly report to the GCRO, to the Management Risk Committee and to the Board Risk Committee on the following topics: risk models performance, risk parameters (PD, LGD, EAD), updates on regulatory changes and impact assessment, credit risk, stress testing and asset quality reviews.

The Group's international subsidiaries in Bulgaria, Romania, Serbia, Cyprus and Luxembourg apply the same credit risk management structure and control procedures as the Bank and report directly to the GCRO. Risk management policies and processes are approved and monitored by the credit risk divisions of the Bank ensuring that the Group guidelines are in place and credit risk strategy is uniformly applied across the Group.

The Troubled Assets Group General Division (TAG) has the overall responsibility for the management of the Group's troubled assets portfolio, including forborne loans, and ensures close monitoring, tight control and course adjustment taking into account the continuous developments in the macro environment, the regulatory and legal requirements, the international best practices and new or evolved internal requirements.

The TAG cooperates with Group Risk Management to reach a mutual understanding of the implemented practices and to develop appropriate methodologies for the assessment of risks that may be inherent in any type of forbearance and, generally, troubled assets strategy deployment for all portfolios managed. The TAG's recommendations and reports to the Board of Directors and its Committees are also submitted to the GCRO who expresses an opinion.

The key governing principles of the TAG are to:

- Preserve the clear demarcation line between business units and troubled assets management;
- Ensure direct top management involvement in troubled assets management and close monitoring of the respective portfolio;
- Deploy a sound credit workout strategy through innovative propositions that will lead to viable solutions, ensuring a consistent approach for managing troubled assets across portfolios;
- Engineer improvements in monitoring and offering targeted solutions by segmenting delinquent borrowers and tailoring the remedial and workout approach to specific segment;
- Ensure a consistent approach for managing troubled assets across portfolios;
- Prevent non performing loans formation through early intervention and clear definition of primary financial objectives of troubled assets;
- Monitor the loan delinquency statistics, as well as define targeted risk mitigating actions to ensure portfolio risk reduction;
- Target maximization of borrowers who return to current status through modifications or collections;
- Monitor losses related to troubled assets; and
- Define criteria to assess the sustainability of proposed forbearance or resolution and closure measures and design decision trees.

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as agreed. Guarantees and standby letters of credit carry the same credit risk as loans since they represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to extend credit in the form of loans, guarantees or letters of credit for which the Group usually receives a commitment fee. Such commitments are irrevocable over the life of the facility or revocable only in response to a material adverse effect.

(d) Concentration risk

The Group structures the levels of credit risk it undertakes by placing exposure limits by borrower, or groups of borrowers, and by industry segments. The exposure to each borrower is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. Risk concentrations are monitored regularly and reported to the BRC. Such reports include the 25 largest exposures, major watchlist and problematic customers, industry analysis, analysis by rating/risk class, by delinquency bucket, and loan portfolios by country.

(e) Rating systems

Rating of wholesale lending exposures

The Bank has decided upon the differentiation of rating models for wholesale lending activities, in order to reflect appropriately the risks arising from customers with different characteristics. Hence, rating models are employed for a number of general as well as specific segments:

- traditional corporate lending: Moody's Risk Advisor (MRA); Internal Credit Rating (ICR) for those customers that cannot be rated by MRA; and
- specialized lending (shipping, real estate and project finance): slotting methodology.

The MRA aggregates quantitative and qualitative information of individual obligors in order to assess their creditworthiness and determine their credit rating. In particular, it takes into account the entity's financial performance and cash flows, the industry sector's trends, the peers' performance, a qualitative assessment of the entity's management, the entity's status, the market's and industry's structural factors. The MRA is used for the assessment of all legal entities with full accountancy tax books irrespective of their legal form, and is calibrated on the Greek corporate environment.

Certain types of entities cannot be analyzed with the MRA due to the special characteristics of their financial statements, such as insurance companies, state-owned organizations, brokerage firms, and start-ups. In such cases, the ICR is applied, which similarly to MRA, combines quantitative and qualitative assessment criteria, such as the entity's size, years in business, credit history, industry sector.

In addition, the Bank performs an overall assessment of corporate customers, based both on their rating (MRA or ICR) and the collaterals and guarantees referred to the respective approved credit relationship, using a 14-grade rating scale. Credit exposures are subject to detailed reviews by the appropriate Credit Committee based on the respective transactional rating (TR). Low risk corporate customers are reviewed at least once a year, whereas higher risk customers are reviewed either on a semi-annual or a quarterly basis. All high risk corporate customers with exposures over € 5 million are reviewed by the Special Watch List Committee periodically or upon occurrence of significant events.

For specialized lending portfolios, i.e. when the primary source of repayment of the obligation is the income generated by the asset(s), rather than the independent capacity of the commercial enterprise, the Bank utilizes the slotting method by adapting and refining the Capital Requirements Directive's criteria to the Bank's risk practices. Customers falling in the specialized lending category (shipping, real estate and project finance) are classified into five categories: strong, good, satisfactory, weak and default.

The rating systems described above are an integral part of the wholesale banking decision-making and risk management processes:

- the credit approval process, both at the origination and review process;
- the calculation of Economic Value Added (EVA) and risk-adjusted pricing; and
- the quality assessment of issuers of cheques prior to their pledge as collateral.

Rating of retail lending exposures

The Bank assigns credit scores to its retail customers using a number of statistically-based models both at the origination and on ongoing basis through behavioral scorecards. These models have been developed to predict, on the basis of available information, the probability of default, the loss given default and the exposure at default. They cover the entire spectrum of retail products (credit cards, consumer lending, unsecured revolving credits, car loans, personal loans, mortgages and small business loans).

The models were developed based on the Bank's historical data and credit bureau data. Behavioral scorecards are calculated automatically on a monthly basis, thus ensuring that the credit risk assessment is up to date.

The models are applied in the credit approval process, the credit limits management, as well as the collection process for the prioritization of the accounts in terms of handling. Furthermore, the models are often used for the risk segmentation of the customers and the risk based pricing of particular segments or new products introduced.

The rating systems employed by the Bank meets the requirements of the Basel III-Internal Ratings Based (IRB) approach. The Bank is IRB certified since 2008 for the Greek portfolios, both wholesale and retail (as detailed in Basel III, Pillar III disclosures available at the Bank's website).

The Capital Adequacy Control (Credit Risk) and Regulatory Framework Sector independently monitors the capacity of rating models and scoring systems to classify customers according to risk, as well as to predict the probability of default and loss given default and exposure at default. The Bank's validation policy follows a procedure that complies with international best practices and regulatory requirements. The Bank verifies the validity of the rating models and scoring systems on an annual basis and the validation includes both quantitative and qualitative aspects. The validation procedures are documented, and regularly reviewed and reported to the BRC. The Group's Internal Audit Division also independently reviews the validation process annually.

(f) Credit risk mitigation

A key component of the Group's business strategy is to reduce risk by utilizing various risk mitigating techniques. The most important risk mitigating means are collaterals' pledges, guarantees and master netting arrangements.

Types of collateral commonly accepted by the Group

The Group has internal policies in place which set out the following types of collateral that are usually accepted in a credit relationship:

- residential real estate, commercial real estate (offices, shopping malls, etc.), industrial buildings and land;
- receivables (trade debtors) and post dated cheques;
- securities, including listed shares and bonds;
- deposits;
- guarantees and letters of support;
- insurance policies; and
- equipment, mainly, vehicles and vessels.

A specific coverage ratio is pre-requisite, upon the credit relationship's approval and on ongoing basis, for each collateral type, as specified in the Group's credit policy.

For exposures, other than loans to customers (i.e. reverse repos, derivatives), the Group accepts as collateral only cash or liquid bonds.

Valuation principles of collaterals

In defining the maximum collateral ratio for loans, the Group considers all relevant information available, including the collaterals' specific characteristics, if market participants would take those into account when pricing the relevant assets. The valuation and hence eligibility is based on the following factors:

- the collateral's fair value, i.e. the exit price that would be received to sell the asset in an orderly transaction under current market conditions;
- the fair value reflects market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it;
- a reduction in the collateral's value is considered if the type, location or condition (such as deterioration and obsolescence) of the asset indicate so; and
- no collateral value is assigned if a pledge is not legally enforceable.

The real estate collaterals of all units are valued by Eurobank Property Services S.A., a subsidiary of the Group, which reports to the General Manager of Global Markets, Wealth Management and Group Real Estate Asset Management. Eurobank Property Services S.A. is regulated by the Royal Institute of Chartered Surveyors and employs internal or external qualified appraisers based on predefined criteria (qualifications and expertise). All appraisals take into account factors such as the region, age and marketability of the property, and are further reviewed and countersigned by experienced staff. The valuation methodology employed is based on International Valuation Standards (IVS), while quality controls are in place, such as reviewing mechanisms, independent sample reviews by independent well established valuation companies.

In 2006, the Bank initiated a project in collaboration with other major banks in Greece to develop a real estate property index for residential properties. The methodology, which was developed by an independent specialized statistical company, has been approved by the Bank of Greece, and its use enables a dynamic monitoring of residential properties' values and market trends, on an annual basis.

For commercial real estates, re-valuations are performed by qualified property valuers within a time horizon of two or three years. More frequent revaluations, either on site or desktop, are performed depending on the materiality level of the credit exposure and the classification of the borrower (risk category).

To ensure the quality of the post-dated cheques accepted as collateral, the Bank has developed a pre-screening system, which takes into account a number of criteria and risk parameters, so as to evaluate their eligibility. Furthermore, the post-dated cheques' valuation is monitored weekly through the use of advanced statistical reports and monthly through the review of detailed information regarding the recoverability of cheques, referrals and bounced cheques, per issuer broken down.

Collateral policy and documentation

For loans, the Group's instructions emphasize that practices and routines followed are timely and prudent, in order to ensure that collaterals are controlled by the Group's subsidiaries and that the loan and pledge agreement, as well as the collaterals are legally enforceable. Therefore, the Group's subsidiaries hold the right to liquidate collateral in the event of the obligor's financial distress and can claim and control cash proceeds from the liquidation process.

The Group uses to a large extent standard loan and pledge agreements, ensuring legal enforceability.

Guarantees

The guarantees used as credit risk mitigation by the Group are largely issued by central and regional governments in the countries in which it operates. The Public Fund for very small businesses (TEMPME) and similar funds, banks and insurance companies are also important guarantors of credit risk.

Management of repossessed properties

The objective of the repossessed assets' management is to minimize the time cycle of the asset's disposal and to maximize the recovery of the capital engaged.

To this end, the management of repossessed assets aims at improving rental and other income from the exploitation of such assets, and at the same time reducing the respective holding and maintenance costs. Additionally, the Group is actively engaged in identifying suitable potential buyers for its portfolio of repossessed assets (including specialized funds involved in acquiring specific portfolios of properties repossessed), both in Greece and abroad, in order to reduce its stock of properties with a time horizon of 3-5 years.

Repossessed assets are closely monitored based on technical and legal due diligence reports, so that their market value is accurately reported and updated in accordance with market trends.

Counterparty risk

The Group mitigates counterparty risk arising from treasury activities by entering into master netting arrangements and similar agreements, as well as collateral agreements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in the offset of balance sheet assets and liabilities, as the transactions are usually settled on a gross basis. However, the respective credit risk is reduced through a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

In the case of derivatives, the Group makes use of International Swaps and Derivatives Association (ISDA) contracts, which limit the exposure via the application of netting, and Credit Support Annex (CSAs), which further reduce the total exposure with the counterparty. Under these agreements, the total exposure with the counterparty is calculated on a daily basis taking into account any netting arrangements and collaterals.

The same process is applied in the case of repo transactions where standard Global Master Repurchase Agreements (GMRAs) are used. The exposure (the net difference between repo cash and the market value of the securities) is calculated on a daily basis and collateral is transferred between the counterparties thus minimizing the exposure.

Following the European Market Infrastructure Regulation (EMIR), the Bank initiated centrally cleared transactions for eligible derivative contracts through an EU authorized European central counterparty (CCP), recorded in trade repositories. The use of CCP increases market transparency and reduces counterparty credit and operational risks inherent in derivatives markets.

The Bank uses a comprehensive collateral management system for the monitoring of ISDA, CSAs and GMRAs, i.e. the daily valuation of the derivatives and the market value of the securities are used for the calculation of each counterparty's exposure. The collateral which should be posted or requested by the relevant counterparty is calculated daily.

With this system, the Bank monitors and controls the collateral flow in case of derivatives and repos, independently of the counterparty. The effect of any market movement that increases the Bank's exposure is reported and the Bank proceeds to collateral call without delay.

7.2.1.1 Maximum exposure to credit risk before collateral held

	2016 € million	2015 € million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from credit institutions	**2,759**	2,808
Financial instruments at fair value through profit or loss:		
- Debt securities	**59**	85
Derivative financial instruments	**1,980**	1,884
Loans and advances to customers:		
- Wholesale lending	**19,335**	19,606
- Mortgage lending	**17,844**	18,261
- Consumer lending	**6,328**	6,570
- Small business lending	**7,149**	7,246
Less: Impairment allowance	**(11,598)**	(11,790)
Investment securities:		
- Debt securities	**12,320**	16,156
Other assets	**1,445**	1,678
Credit risk exposures relating to off-balance sheet items (note 45)	**1,478**	1,431
Total	**59,099**	63,935

The above table represents the Group's maximum credit risk exposure as at 31 December 2016 and 31 December 2015 respectively, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Group's financial statements.

For on-balance sheet assets, the exposures set out above are based on the net carrying amounts as reported in the balance sheet. Off-balance sheet items mentioned above include letters of guarantee, standby letters of credit, commitments to extend credit and documentary credits.

7.2.1.2 Loans and advances to customers

The section below provides a detailed overview of the Group's exposure to credit risk arising from its customer lending portfolios in line with the guidelines set by the Hellenic Capital Markets Commission and the Bank of Greece (BoG) released on 30 September 2013. In addition, the types of the Group's forbearance programs are in line with the BoG's Executive Committee Act 102/30.08.2016. Comparative information for the Group's forbearance programs has been adjusted in order to conform with the information presented in 2016.

(a) Credit quality of loans and advances to customers

Loans and advances to customers are classified as 'neither past due nor impaired', 'past due but not impaired' and 'impaired'.

Loans reported as 'neither past due nor impaired' include loans with no contractual payments in arrears and no other indications of impairment.

'Past due but not impaired' category includes loans with contractual payments overdue by at least one day but which are not impaired unless specific information indicates to the contrary. For retail exposures, this is typically when loans are in arrears less than 90 days while for wholesale exposures both the delinquency status and the internal rating, which reflects the borrower's overall financial condition and outlook, are assessed.

For loans in the above categories, although not considered impaired, the Group recognizes a collective impairment loss (as set out in note 2.13 'Impairment of financial assets').

'Impaired' loans that are individually assessed include all wholesale exposures as well as small business and mortgage loans which carry an individual impairment allowance. The rest of retail exposures are considered impaired when they are in arrears for more than 90 days or earlier in case there is an objective evidence of impairment and carry a collective impairment allowance. Furthermore, impaired retail loans under forbearance measures may include loans in arrears less than 90 days. As of 1 January 2016, mortgage loans of 90 to 180 days past due have been classified as 'impaired'. Such change did not have a significant impact on the Group's impairment allowance.

The evidence considered by the Group in determining whether there is objective evidence of impairment is set out in note 2.13.

'Non-performing exposures' as currently monitored and reported by the Group, in line with the guidelines set by the European Banking Authority (EBA Implementing Technical Standards), include exposures that are in arrears for more than 90 days or assessed as unlikely to pay, impaired exposures under individual or collective impairment assessment as well as exposures categorized as defaulted for regulatory purposes. As at 31 December 2016, the Group's non performing exposures amounted to € 22,888 million (2015: € 22,621 million).Correspondingly, 'Performing exposures' include exposures without arrears, those that are less than 90 days past due or are not assessed as unlikely to pay, non-impaired and non-defaulted exposures. As at 31 December 2016, the Group's performing exposures amounted to € 27,768 million (2015: € 29,062 million).

'Unlikely to pay' category refers to exposures where a borrower's ability to repay his credit obligations in full without realization of collateral is assessed as unlikely, regardless the existence of any past due amounts or the number of days past due.

The following tables present the total gross amount, representing the maximum exposure to credit risk gross of impairment allowance, of loans and advances that are classified as non-impaired (i.e. 'neither past due nor impaired' and 'past due but not impaired') and those classified as impaired. They also present the total impairment allowance recognized in respect of all loans and advances, analyzed into individually or collectively assessed, based on how the respective impairment allowance has been determined, the total net amount, as well as the value of collateral held to mitigate credit risk.

For credit risk management purposes, the Public Sector, which includes exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, is incorporated in wholesale lending.

In addition, the value of collateral presented in the tables below is capped to the respective gross loan amount.

	31 December 2016								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million	Total gross amount € million	Individually assessed € million	Collectively assessed € million	Total net amount € million	Value of collateral € million
Retail Lending	**13,545**	**2,801**	**521**	**14,454**	**31,321**	**(194)**	**(6,895)**	**24,232**	**18,399**
- Mortgage	*9,172*	*1,913*	*330*	*6,429*	*17,844*	*(122)*	*(2,150)*	*15,572*	14,029
- Consumer	*1,596*	*339*	*2*	*2,740*	*4,677*	*(1)*	*(2,195)*	*2,481*	176
- Credit card	*847*	*63*	*0*	*741*	*1,651*	*(0)*	*(536)*	*1,115*	32
- Small business	*1,930*	*486*	*189*	*4,544*	*7,149*	*(71)*	*(2,014)*	*5,064*	4,162
Wholesale Lending	**9,758**	**1,010**	**7,908**	**1**	**18,677**	**(4,354)**	**(146)**	**14,177**	**10,555**
- Large corporate	*7,095*	*681*	*3,258*	-	*11,034*	*(1,936)*	*(75)*	*9,023*	6,330
- SMEs	*2,663*	*329*	*4,650*	*1*	*7,643*	*(2,418)*	*(71)*	*5,154*	4,225
Public Sector	**655**	**2**	**1**	**-**	**658**	**(1)**	**(8)**	**649**	**4**
- Greece	*634*	*0*	*1*	-	*635*	*(1)*	*(8)*	*626*	4
- Other countries	*21*	*2*	-	-	*23*	-	-	*23*	-
Total	**23,958**	**3,813**	**8,430**	**14,455**	**50,656**	**(4,549)**	**(7,049)**	**39,058**	**28,958**

	31 December 2015								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million	Total gross amount € million	Individually assessed € million	Collectively assessed € million	Total net amount € million	Value of collateral € million
Retail Lending	14,399	3,606	369	13,703	32,077	(119)	(6,978)	24,980	19,341
- Mortgage	*10,011*	*2,434*	*156*	*5,660*	*18,261*	*(44)*	*(2,128)*	*16,089*	*14,892*
- Consumer	*1,580*	*453*	*3*	*2,774*	*4,810*	*(1)*	*(2,131)*	*2,678*	*142*
- Credit card	*847*	*85*	-	*828*	*1,760*	-	*(633)*	*1,127*	*34*
- Small business [(1)]	*1,961*	*634*	*210*	*4,441*	*7,246*	*(74)*	*(2,086)*	*5,086*	*4,273*
Wholesale Lending	8,637	1,799	8,339	3	18,778	(4,522)	(163)	14,093	10,486
- Large corporate	*6,541*	*1,416*	*5,429*	*0*	*13,386*	*(3,288)*	*(102)*	*9,996*	*7,414*
- SMEs	*2,096*	*383*	*2,910*	*3*	*5,392*	*(1,234)*	*(61)*	*4,097*	*3,072*
Public Sector	824	3	1	-	828	(1)	(7)	820	54
- Greece	*800*	*1*	*1*	-	*802*	*(1)*	*(7)*	*794*	*54*
- Other countries	*24*	*2*	-	-	*26*	-	-	*26*	-
Total	23,860	5,408	8,709	13,706	51,683	(4,642)	(7,148)	39,893	29,881

[(1)] In respect of SBB category, the denounced loans and their respective impairment allowance have been classified within the collectively assessed portfolio. Comparative information has been adjusted accordingly; in particular, balances of denounced loans amounting to € 2,465 million and their respective impairment allowance amounting to € 1,330 million have been presented within the collectively assessed portfolio.

Loans and advances neither past due nor impaired

The Group's internal rating systems monitor individually significant exposures based on a variety of quantitative and qualitative factors. For exposures classified as neither past due nor impaired, loans to wholesale customers are segregated into strong, satisfactory and watch list categories, while small business and mortgage loans that are assessed individually are generally segregated into satisfactory and watch list. The rest of the retail exposures that are not assessed individually, the credit quality of which is not rated but is based on their delinquency status, are classified as satisfactory.

The following tables present the risk classification of loans and advances that are neither past due nor impaired:

	31 December 2016				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	**40**	**13,505**	**-**	**13,545**	**9,420**
- Mortgage	-	*9,172*	-	*9,172*	*8,012*
- Consumer	-	*1,596*	-	*1,596*	*52*
- Credit card	-	*847*	-	*847*	*1*
- Small business	*40*	*1,890*	-	*1,930*	*1,355*
Wholesale Lending	**6,146**	**3,300**	**312**	**9,758**	**6,370**
- Large corporate	*4,602*	*2,299*	*194*	*7,095*	*4,546*
- SMEs	*1,544*	*1,001*	*118*	*2,663*	*1,824*
Public Sector	**511**	**144**	**-**	**655**	**4**
- Greece	*511*	*123*	-	*634*	*4*
- Other countries	*0*	*21*	-	*21*	-
Total	**6,697**	**16,949**	**312**	**23,958**	**15,794**

	31 December 2015				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	35	14,364	-	14,399	10,123
- Mortgage	-	*10,011*	-	*10,011*	*8,789*
- Consumer	-	*1,580*	-	*1,580*	*20*
- Credit card	-	*847*	-	*847*	*0*
- Small business	*35*	*1,926*	-	*1,961*	*1,314*
Wholesale Lending	5,415	2,958	264	8,637	5,501
- Large corporate	*4,187*	*2,197*	*157*	*6,541*	*4,144*
- SMEs	*1,228*	*761*	*107*	*2,096*	*1,357*
Public Sector	662	162	-	824	53
- Greece	*662*	*138*	-	*800*	*53*
- Other countries	*0*	*24*	-	*24*	-
Total	6,112	17,484	264	23,860	15,677

Loans and advances past due but not impaired

The following tables present the ageing analysis of past due but not impaired loans and advances by product line at their gross amounts before any impairment allowance:

	31 December 2016								
	Retail lending				Wholesale lending		Public sector		Total past due but not impaired
	Mortgage	Consumer	Credit card	Small business	Large corporate	SMEs	Greece	Other countries	
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
up to 29 days	1,520	277	45	351	472	152	0	2	2,819
30 to 59 days	288	46	12	77	57	111	-	-	591
60 to 89 days	105	16	6	58	152	66	-	0	403
Total	**1,913**	**339**	**63**	**486**	**681**	**329**	**0**	**2**	**3,813**
Value of collateral	**1,533**	**3**	**0**	**308**	**332**	**230**	**-**	**-**	**2,406**

	31 December 2015								
	Retail lending				Wholesale lending		Public sector		Total past due but not impaired
	Mortgage	Consumer	Credit card	Small business	Large corporate	SMEs	Greece	Other countries	
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
up to 29 days	1,761	342	59	364	768	212	0	1	3,507
30 to 59 days	341	69	16	150	138	52	-	1	767
60 to 89 days	193	42	10	120	510	119	1	-	995
90 to 179 days	139	-	-	-	-	-	-	-	139
Total	2,434	453	85	634	1,416	383	1	2	5,408
Value of collateral	1,980	3	0	411	885	231	1	-	3,511

Impaired loans and advances

The following tables present the movement of impaired loans and advances by product line:

	31 December 2016								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
Balance at 31 December 2015	**5,816**	**2,777**	**828**	**4,651**	**5,429**	**2,913**	**1**	**-**	**22,415**
Transfers among product lines	-	(0)	-	0	(1,947)	1,947	(0)	-	**(0)**
Balance at 1 January	**5,816**	**2,777**	**828**	**4,651**	**3,482**	**4,860**	**1**	**-**	**22,415**
Impaired exposures for the year	1,333	306	26	477	298	167	0	-	**2,607**
Impaired exposures arising from acquisitions	23	4	0	3	7	4	-	-	**41**
Transferred to non-impaired	(394)	(154)	(38)	(316)	(184)	(75)	(0)	-	**(1,161)**
Repayments	(48)	(28)	(4)	(88)	(90)	(100)	(0)	-	**(358)**
Amounts written off	(29)	(119)	(57)	(27)	(142)	(219)	-	-	**(593)**
Disposals	-	(43)	(23)	(0)	(126)	(3)	-	-	**(195)**
Foreign exchange differences and other movements	58	(1)	9	33	13	17	0	-	**129**
Balance at 31 December	**6,759**	**2,742**	**741**	**4,733**	**3,258**	**4,651**	**1**	**-**	**22,885**
Cumulative impairment allowance	(2,105)	(2,097)	(515)	(2,041)	(1,926)	(2,418)	(1)	-	**(11,103)**
Net balance at 31 December	**4,654**	**645**	**226**	**2,692**	**1,332**	**2,233**	**0**	**-**	**11,782**

	31 December 2015								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
Balance at 31 December 2014	4,502	2,493	786	4,253	5,477	2,509	-	-	20,020
Transfers among product lines	(0)	(0)	-	0	(19)	19	-	-	-
Balance at 1 January	4,502	2,493	786	4,253	5,458	2,528	-	-	20,020
Impaired exposures for the year	1,392	424	75	532	215	585	1	-	3,224
Transferred to non-impaired	(134)	(92)	(17)	(98)	(90)	(54)	-	-	(485)
Repayments	(42)	(42)	(15)	(81)	(89)	(57)	-	-	(326)
Amounts written off	(42)	(19)	(4)	(25)	(120)	(92)	(0)	-	(302)
Disposals	-	-	-	(0)	(0)	(10)	-	-	(10)
Foreign exchange differences and other movements	140	13	3	70	55	13	-	-	294
Balance at 31 December	5,816	2,777	828	4,651	5,429	2,913	1	-	22,415
Cumulative impairment allowance	(1,914)	(2,079)	(619)	(2,085)	(3,279)	(1,234)	(1)	-	(11,211)
Net balance at 31 December	3,902	698	209	2,566	2,150	1,679	0	-	11,204

The following tables present the ageing analysis of impaired loans and advances by product line at their amounts net of any impairment allowance, as well as the value of collaterals held to mitigate credit risk.

For legally denounced loans, the Group ceases to monitor the delinquency status and therefore the respective balances have been included in the 'over 360 days' time band, with the exception of consumer exposures which continue to be monitored up to 360 days past due.

	31 December 2016								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
up to 29 days	1,233	173	12	691	695	559	-	-	3,363
30 to 59 days	212	33	1	83	12	38	-	-	379
60 to 89 days	143	7	1	86	82	91	-	-	410
90 to 179 days	243	21	5	107	54	43	-	-	473
180 to 360 days	259	20	6	107	58	56	0	-	506
more than 360 days	2,564	391	201	1,618	431	1,446	0	-	6,651
								-	
Total	4,654	645	226	2,692	1,332	2,233	0	-	11,782
Value of collateral	4,484	121	31	2,499	1,452	2,171	0	-	10,758

	31 December 2015								
	Retail lending				Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	Total impaired € million
up to 29 days	733	107	14	392	603	349	0	-	2,198
30 to 59 days	158	23	1	86	39	27	-	-	334
60 to 89 days	96	14	0	93	273	197	-	-	673
90 to 179 days	255	46	11	173	115	91	-	-	691
180 to 360 days	317	43	14	145	93	108	0	-	720
more than 360 days	2,343	465	169	1,677	1,027	907	0	-	6,588
Total	3,902	698	209	2,566	2,150	1,679	0	-	11,204
Value of collateral	4,123	119	34	2,548	2,385	1,484	0	-	10,693

(b) Collaterals and repossessed assets

Collaterals

The Loan-to-Value (LTV) ratio of the mortgage lending reflects the gross loan exposure at the balance sheet date over the market value of the property held as collateral.

The LTV ratio of the mortgage portfolio is presented below:

	2016 € million	2015 € million
Mortgages		
Less than 50%	**3,510**	4,042
50%-70%	**2,453**	2,730
71%-80%	**1,310**	1,385
81%-90%	**1,168**	1,261
91%-100%	**1,128**	1,215
101%-120%	**1,913**	2,031
121%-150%	**2,404**	2,367
Greater than 150%	**3,958**	3,230
Total exposure	**17,844**	18,261
Average LTV	**99.90%**	94.07%

The breakdown of collateral and guarantees is presented below:

	31 December 2016				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	received
	€ million	€ million	€ million	€ million	€ million
Retail Lending	**17,868**	**269**	**262**	**18,399**	**186**
Wholesale Lending [1]	**5,359**	**1,647**	**3,549**	**10,555**	**199**
Public sector	**2**	**2**	**0**	**4**	**8**
Total	**23,229**	**1,918**	**3,811**	**28,958**	**393**

	31 December 2015				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	Received
	€ million	€ million	€ million	€ million	€ million
Retail Lending	18,813	249	279	19,341	206
Wholesale Lending [1]	5,312	1,696	3,478	10,486	192
Public sector	-	53	1	54	18
Total	24,125	1,998	3,758	29,881	416

[1] *Other collaterals include assigned receivables, equipment, inventories, vessels, etc.*

Repossessed assets

The Group recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Group repossesses against repayment or reduction of the outstanding loan is real estate, which is recognized within repossessed assets and carried at the lower of cost or net realizable value (see also notes 2.18 and 32). In cases where the Group makes use of repossessed properties as part of its operations, they are classified as own-used or investment properties, as appropriate (notes 2.7, 29 and 30).

The following tables present a summary of collaterals that the Group took possession, and were recognized as repossessed assets, as well as the net gains/ (losses) arising from the sale of such assets in the year:

	31 December 2016						
	Gross amount	Of which: added this year	Accumulated impairment	Of which: arising this year	Net amount	Net Sale Price	Net gain/(loss) on sale
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Real estate auction items	**563**	**20**	**(169)**	**(12)**	**394**	**41**	**(4)**
- Residential	*268*	*4*	*(63)*	*(5)*	*205*	*23*	*(1)*
- Commercial	*295*	*16*	*(106)*	*(7)*	*189*	*18*	*(3)*
Other collateral	**8**	**0**	**(3)**	**0**	**5**	**7**	**0**

	31 December 2015						
	Gross amount	Of which: added this year	Accumulated impairment	Of which: arising this year	Net amount	Net Sale Price	Net gain/(loss) on sale
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Real estate auction items	607	47	(156)	(69)	451	16	1
- Residential	*290*	*22*	*(58)*	*(24)*	*232*	*12*	*0*
- Commercial	*317*	*25*	*(98)*	*(45)*	*219*	*4*	*1*
Other collateral	8	4	(4)	(1)	4	1	(1)

Properties that have been classified as investment property or own used in 2016 as a result of repossession or transfer from repossessed properties category, amounted to € 25 million (2015: € 22 million).

(c) Geographical and industry concentrations of loans and advances to customers

As described above in note 7.2.1, the Group holds diversified portfolios across markets and countries and implements limits on concentrations arising from the geographical location or the activity of groups of borrowers that could be similarly affected by changes in economic or other conditions, in order to mitigate credit risk.

The following tables break down the Group's exposure into loans and advances to customers at their gross amounts, impaired loans and advances and impairment allowance by product line, industry and geographical region:

	31 December 2016								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	**27,796**	**14,163**	**(6,720)**	**3,510**	**812**	**(369)**	**15**	**0**	**(0)**
-Mortgage	*15,980*	*6,360*	*(2,132)*	*1,849*	*399*	*(140)*	*15*	-	*(0)*
-Consumer	*3,911*	*2,686*	*(2,156)*	*766*	*56*	*(40)*	*0*	*0*	*(0)*
-Credit card	*1,444*	*733*	*(528)*	*207*	*8*	*(8)*	*0*	*0*	*(0)*
-Small business	*6,461*	*4,384*	*(1,904)*	*688*	*349*	*(181)*	-	-	-
Wholesale Lending	**13,222**	**6,433**	**(3,535)**	**3,639**	**1,303**	**(832)**	**1,816**	**173**	**(133)**
-Commerce and services	*6,336*	*3,355*	*(2,143)*	*1,547*	*506*	*(345)*	*672*	*107*	*(100)*
-Manufacturing	*2,786*	*1,057*	*(497)*	*569*	*173*	*(128)*	*12*	-	*(0)*
-Shipping	*106*	*43*	*(18)*	*109*	*80*	*(63)*	*795*	*65*	*(32)*
-Construction	*2,071*	*1,270*	*(673)*	*1,068*	*499*	*(270)*	*89*	*1*	*(1)*
-Tourism	*1,429*	*686*	*(173)*	*115*	*15*	*(5)*	-	-	-
-Energy	*290*	*8*	*(10)*	*42*	*4*	*(5)*	*0*	-	-
-Other	*204*	*14*	*(21)*	*189*	*26*	*(16)*	*248*	-	*(0)*
Public Sector	**635**	**1**	**(9)**	**23**	-	-	-	-	-
Total	**41,653**	**20,597**	**(10,264)**	**7,172**	**2,115**	**(1,201)**	**1,831**	**173**	**(133)**

	31 December 2015								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	28,417	13,078	(6,600)	3,637	994	(497)	23	0	(0)
-Mortgage	*16,449*	*5,470*	*(2,060)*	*1,790*	*346*	*(112)*	*22*	-	*(0)*
-Consumer	*3,965*	*2,576*	*(1,980)*	*844*	*201*	*(152)*	*1*	*0*	*(0)*
-Credit card	*1,475*	*753*	*(581)*	*285*	*75*	*(52)*	-	-	-
-Small business	*6,528*	*4,279*	*(1,979)*	*718*	*372*	*(181)*	-	-	-
Wholesale Lending	13,392	6,805	(3,720)	3,618	1,367	(836)	1,768	170	(129)
-Commerce and services	*6,182*	*3,411*	*(2,087)*	*1,696*	*627*	*(461)*	*673*	*139*	*(120)*
-Manufacturing	*3,209*	*1,318*	*(725)*	*518*	*162*	*(92)*	*16*	-	*(0)*
-Shipping	*118*	*51*	*(24)*	*37*	*12*	*(1)*	*619*	*28*	*(8)*
-Construction	*2,076*	*1,279*	*(664)*	*1,086*	*520*	*(262)*	*163*	*3*	*(1)*
-Tourism	*1,291*	*678*	*(165)*	*100*	*17*	*(6)*	-	-	-
-Energy	*267*	*12*	*(13)*	*34*	-	*(0)*	-	-	-
-Other	*249*	*56*	*(42)*	*147*	*29*	*(14)*	*297*	*0*	*(0)*
Public Sector	802	1	(8)	26	-	-	-	-	-
Total	42,611	19,884	(10,328)	7,281	2,361	(1,333)	1,791	170	(129)

(d) Forbearance practices on lending activities

Modifications of the loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors as well as due to the potential deterioration in the borrowers' financial condition. As a consequence of the current macroeconomic environment, the Group has employed a range of forbearance options in order to enhance the management of customer relationships and the effectiveness of collection efforts, as well as to improve the recoverability of cash flows and minimize losses for both retail and wholesale portfolios.

Forbearance practices' classification

Forbearance practices as monitored and reported by the Group, based on European Banking Authority Implementing Technical Standards (EBA ITS) guidelines, occur only in the cases where the contractual payment terms of a loan have been modified, as the borrower is considered unable to comply with the existing loan's terms due to apparent financial difficulties, and the Group grants a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties.

All other types of modifications granted by the Group, where there is no apparent financial difficulty of the borrower and may be driven by factors of a business nature are not classified as forbearance measures.

Forborne loans are classified either as impaired or non-impaired by assessing their delinquency and credit quality status at the date when forbearance measures were granted as well as at each reporting date.

Impaired loans enter initially a probation period of one year where the borrowers' payment performance is closely monitored. If, at the end of the abovementioned period, the borrowers have complied with the terms of the program and there are no past due amounts and concerns regarding the loans' full repayment, the loans are then reported as non-impaired. In addition, non-impaired loans, including those that were previously classified as impaired and complied with the terms of the program, are monitored over a period of two years. If, at the end of that period, the borrowers have made regular payments of a significant amount, there are no past due amounts over 30 days and the loans are not impaired, the loans exit forborne status.

Particularly, the category of impaired loans includes those that (a) at the date when forbearance measures were granted, were more than 90 dpd or assessed as unlikely to pay, (b) at the end of the one year probation period met the criteria of entering the non impaired status and during the two years monitoring period new forbearance measures were extended or became more than 30 days past due, and (c) were initially classified as non impaired and during the two years monitoring period met the criteria for entering the impaired status.

Additionally, the non-impaired retail loans are classified as either 'neither past due nor impaired' or 'past due but not impaired' based on their delinquency status at the reporting date while for wholesale exposures' classification both the borrowers' rating and delinquency status are assessed.

Furthermore, forborne loans that fail to perform under the new modified terms and are subsequently denounced cease to be monitored as part of the Group's forbearance activities and are reported as denounced impaired loans consistently with the Group's management and monitoring of all denounced loans.

Forbearance programs

Forbearance programs are granted following an assessment of the borrower's ability and willingness to repay and can be of a short or longer term nature. The objective is to assist financially stressed borrowers by rearranging their repayment cash outflows into a sustainable modification, and at the same time, protect the Group from suffering credit losses. The Group deploys targeted segmentation strategies with the objective to tailor different short or long term and sustainable management solutions to selected groups of borrowers for addressing their specific financial needs.

The nature and type of forbearance options may include but is not necessarily limited to, one or more of the following:

- debt consolidations, whereby existing loan balances of the borrower are combined in a single loan;
- interest-only payments;
- grace period;
- capitalization of arrears whereby arrears are added to the principal balance;
- reduced payment plans;
- arrears repayment plan;
- loan term extensions;
- interest rate reduction;
- partial debt forgiveness;
- split balance (combination of forbearance options that mainly includes capitalization of arrears, loan term extensions and interest rate reduction); and
- debt to equity swaps.

Specifically for unsecured consumer loans (including credit cards), forbearance programs are applied mainly through debt consolidation whereby all existing consumer balances are pooled together. Debt consolidations are generally combined with other options (e.g. term extensions), to ensure a sufficient decrease on installment and a viable solution for the borrower. In selected cases, the debt consolidations may be combined with mortgage prenotations to convert unsecured lending exposures to secured ones.

In the case of mortgage loans, a decrease of installment may be achieved through forbearance measures such as extended payment periods, capitalization of arrears, split balance and reduced payment plans.

Wholesale exposures are subject to forbearance when there are indications of financial difficulties of the borrower, evidenced by a combination of factors including the deterioration of financials, credit rating downgrade, payment delays and other.

The Troubled Assets Group General Division (TAG) is the independent body, which has the overall responsibility for the management of the Group's troubled assets portfolio, including forborne loans, in alignment with the Bank of Greece Executive Committee Act 42/30.05.2014 as amended by Act No.47/9.2.2015 and Act No. 102/30.08.2016. TAG ensures tight control and close monitoring of the effectiveness of the forbearance schemes and the performance of the portfolios under management. TAG also warrants the continuous improvement and adjustment of policies and procedures, by performing quality assurance reviews and by assessing and taking into account the macroeconomic developments, the regulatory and legal requirements and changes, international best practices, and any existing or new internal requirements.

TAG cooperates with Risk Management to reach a mutual understanding and develop an appropriate methodology for the evaluation of the risks inherent in every type of modification and delinquency bucket, per portfolio. Further information regarding TAG's structure and main responsibilities are provided in notes 7.2 and 7.2.1.

Impairment assessment

Where forbearance measures are extended, the Group performs an assessment of the borrower's financial condition and its ability to repay, under the Group's impairment policies, as described in notes 2.13 and 7.2.1. Specifically, the retail loans are segregated from other loan portfolios and the collective impairment assessment reflects the risk of higher losses, resulting in higher provision charges/coverage relative to non-modified loans. The impairment assessment of the wholesale exposures is performed on an individual basis taking into consideration various risk aspects (such as borrower's rating, financial position, adherence to the forbearance program and level of collaterals) and the respective impairment charge is calculated.

Debt for equity swaps

In wholesale portfolios, the Group on occasion participates in debt for equity transactions as part of the businesses support process, as described in note 2.13. In 2016, as part of debt for equity forbearance measures, the Group acquired: (a) a shareholding of 50% of Singidunum-Buildings d.o.o. Beograd, amounting to € 10 million related with the debt restructuring for a corporate customer of the Group's banking subsidiary in Serbia, Eurobank A.D. Serbia, and (b) a minority shareholding of 2.79% of Selonda Aquaculture S.A., amounting to € 0.1 million related with the debt restructuring for DIAS Aquaculture S.A. Similarly, in 2015, the Group acquired: (a) a minority shareholding of 10.39% of Selonda Aquaculture S.A., amounting to € 0.2 million and (b) a minority shareholding of 13.94% of Nireus Aquaculture S.A., amounting to € 2.8 million.

Loan derecognition

An existing loan whose terms have been modified may be derecognized and the forborne loan may be recognized as a new loan, when changes to the original contractual terms result in the forborne loan, being considered, as a whole, a substantially different financial asset. Examples of circumstances that will likely lead to de-recognition are described in note 2.13. Upon de-recognition, any difference between the old loan and the fair value of the new loan is recognized in the income statement. Impaired loans that are de-recognized as a result of forbearance measures continue to be classified as impaired until there is a sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

The following table presents a summary of the types of the Group's forborne activities:

	2016 € million	2015 € million
Forbearance measures:		
Split balance	**2,747**	331
Loan term extension	**2,284**	1,744
Reduced payment below interest owed	**1,658**	2,277
Reduced payment above interest owed	**880**	1,158
Arrears capitalisation	**742**	1,406
Interest rate reduction	**549**	315
Arrears repayment plan	**259**	207
Interest only	**161**	262
Grace period	**139**	141
Debt/equity swaps	**55**	49
Partial debt forgiveness/Write-down	**34**	21
Operational restructuring	**6**	1
Other	**42**	42
Total net amount	**9,556**	7,954

The following table presents a summary of the credit quality of forborne loans and advances to customers:

	31 December 2016		
	Total loans & advances € million	**Forborne loans & advances € million**	**% of Forborne loans & advances**
Neither past due nor impaired	**23,958**	**3,536**	**14.8**
Past due but not impaired	**3,813**	**1,225**	**32.1**
Impaired	**22,885**	**7,184**	**31.4**
Total Gross Amount	**50,656**	**11,945**	**23.6**
Individual impairment allowance	**(4,549)**	**(789)**	
Collective impairment allowance	**(7,049)**	**(1,600)**	
Total Net amount	**39,058**	**9,556**	**24.5**
Collateral received	**28,958**	**8,244**	

	31 December 2015		
	Total loans & advances € million	Forborne loans & advances € million	% of Forborne loans & advances
Neither past due nor impaired	23,860	2,780	11.7
Past due but not impaired	5,408	1,358	25.1
Impaired	22,415	5,541	24.7
Total Gross Amount	51,683	9,679	18.7
Individual impairment allowance	(4,642)	(680)	
Collective impairment allowance	(7,148)	(1,045)	
Total Net amount	39,893	7,954	19.9
Collateral received	29,881	6,218	

The following table presents the movement of forborne loans and advances:

	2016 € million	2015 € million
Balance at 1 January	**7,954**	5,317
Forbearance measures in the year	2,287	3,239
Forbearance measures arising from acquisitions	23	-
Interest income	217	216
Repayment of loans (partial or total)	(316)	(207)
Loans & advances that exited forbearance status [1]	(222)	(265)
Impairment loss	(424)	(357)
Other	37	11
Balance at 31 December	**9,556**	**7,954**

[1] *A significant amount of loans and advances that exited forbearance status refers to denounced loans*

The following table presents the Group's exposure to forborne loans and advances by product line:

	2016 € million	2015 € million
Retail Lending	**7,668**	6,239
- Mortgage	*5,428*	*4,522*
- Consumer	*447*	*364*
- Credit card	*32*	*27*
- Small business	*1,761*	*1,326*
Wholesale Lending	**1,888**	1,715
-Large corporate	*872*	*1,004*
-SMEs	*1,016*	*711*
Total net amount	**9,556**	7,954

The following table presents the Group's exposure to forborne loans and advances by geographical region:

	2016 € million	2015 € million
Greece	**8,815**	7,175
Rest of Europe	**694**	769
Other countries	**47**	10
Total net amount	**9,556**	7,954

7.2.1.3 Debt Securities

The following tables presents an analysis of debt securities by rating agency designation at 31 December 2016 and 2015, based on Moody's ratings or their equivalent:

	31 December 2016				
	Trading securities € million	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Aaa	-	116	-	117	233
Aa1 to Aa3	-	-	6,934	77	7,011
A1 to A3	-	34	113	36	183
Lower than A3	59	3,316	1,180	336	4,891
Unrated	0	61	-	0	61
Total	59	3,527	8,227	566	12,379

	31 December 2015				
	Trading securities € million	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Aaa	-	155	-	128	283
Aa1 to Aa3	-	-	10,129	85	10,214
A1 to A3	-	96	114	60	270
Lower than A3	85	3,863	1,148	345	5,441
Unrated	-	33	-	-	33
Total	85	4,147	11,391	618	16,241

Securities rated lower than A3 include: € 3,259 million related to Greek sovereign debt (2015: € 3,834 million), € 425 million related to Eurozone members sovereign debt (2015: € 407 million), of which € 302 million related to Cypriot sovereign debt (2015: € 307 million), and € 909 million related to sovereign debt issued mainly by European Union members and candidate members (2015: € 926 million).

The following tables present the Group's exposure in debt securities, as categorized by counterparty's geographical region and industry sector:

	31 December 2016			
	Greece € million	**Other European countries € million**	**Other countries € million**	**Total € million**
Sovereign	**3,259**	**8,492**	**14**	**11,765**
Banks	**0**	**126**	**-**	**126**
Corporate	**198**	**265**	**25**	**488**
Total	**3,457**	**8,883**	**39**	**12,379**

	31 December 2015			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	3,834	11,801	-	15,635
Banks	29	127	-	156
Corporate	190	237	23	450
Total	4,053	12,165	23	16,241

7.2.1.4 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

(a) are offset in the Group's balance sheet according to IAS 32 'Financial Instruments: Presentation' criteria; or

(b) are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in balance sheet.

Regarding the former, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously (the offset criteria), as also set out in Group's accounting policy 2.5.

Regarding the latter, the International Swaps and Derivatives Association (ISDA) and similar master netting arrangements do not meet the criteria for offsetting in the balance sheet, as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties may not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Similar agreements to ISDA include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, repos and reverse repos agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not subject to this disclosure unless they are offset in the balance sheet.

The following tables present financial assets and financial liabilities that meet the criteria for offsetting and thus are reported on a net basis in the balance sheet, as well as amounts that are subject to enforceable master netting arrangements and similar agreements for which the offset criteria mentioned above are not satisfied. The latter amounts, which mainly relate to derivatives, repos and reverse repos, are not set off in the balance sheet. In respect of these transactions, the Group receives and provides collateral in the form of marketable securities and cash that are included in the tables below under columns 'financial instruments' and 'cash collateral' at their fair value.

	31 December 2016					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Derivative financial instruments	1,953	-	1,953	(1,871)	(8)	74
Oher financial assets	82	(82)	-	-	-	-
Total	2,035	(82)	1,953	(1,871)	(8)	74

	31 December 2016					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	2,433	-	2,433	(804)	(1,621)	8
Repurchase agreements with banks	7,228	-	7,228	(7,228)	-	-
Repurchase agreements with customers	53	-	53	(53)	-	-
Other financial liabilities	82	(82)	-	-	-	-
Total	9,796	(82)	9,714	(8,085)	(1,621)	8

	31 December 2015					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Reverse repos with banks	29	-	29	(29)	-	-
Derivative financial instruments	1,846	-	1,846	(1,775)	(22)	49
Total	1,875	-	1,875	(1,804)	(22)	49

	31 December 2015					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	2,349	-	2,349	(794)	(1,524)	31
Repurchase agreements with banks	3,969	-	3,969	(3,917)	(52)	-
Repurchase agreements with customers	53	-	53	(53)	-	-
Total	6,371	-	6,371	(4,764)	(1,576)	31

Financial assets and financial liabilities are disclosed in the above tables at their recognized amounts, either at fair value (derivative assets and liabilities) or amortized cost (all other financial instruments), depending on the type of financial instrument.

7.2.2 Market risk

The Group takes on exposure to market risk, which is the risk of potential financial loss due to an adverse change in market variables. Changes in interest rates, foreign exchange rates, credit spreads, equity prices and other relevant factors, such as the implied volatilities of the above, can affect the Group's income or the fair value of its financial instruments. Specifically, the market risks the Group is exposed to are the following:

(a) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flows and the fair value of its financial positions. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is further split into 'General' and 'Specific'. The former refers to changes in the fair valuation of positions due to the movements of benchmark interest rates, while the latter refers to changes in the fair valuation of positions due to the movements of specific issuer yields and credit spreads.

(b) Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

(c) Equity risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity risk that the Group undertakes arises mainly from the investment portfolio.

(d) Implied volatilities

The Group carries limited implied volatility (vega) risk, mainly as a result of proprietary swaption positions.

The Board's Risk Committee sets limits on the level of exposure to market risks, which are monitored on a regular basis.

Market risk in Greece and Cyprus is managed and monitored using Value at Risk (VaR) methodology. Market risk in International operations is managed and monitored using mainly sensitivity analyses. Information from International operations is presented separately as it originates from significantly different economic environments with different risk characteristics.

(i) VaR summary for 2016 and 2015

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

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

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

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

Average VaR by risk type (Trading and Investment portfolios [1])-Greece and Cyprus

	2016 € million	2015 € million
Interest Rate Risk	**17**	47
Foreign Exchange Risk	**1**	2
Equities Risk	**2**	4
Total VaR	**18**	49

[1] *Interest rate volatility applied to all portfolios. Credit spread volatility applied to Trading and Available-for-sale positions.*

The aggregate VaR of the interest rate, foreign exchange and equities VaR benefits from diversification effects.

Interest Rate VaR takes into account the changes to the fair valuation of all the Group's items that are attributable to movements in the interest rates. This includes loans and deposits (customers and interbank), Eurosystem funding and debt issued, as well as securities and derivatives held by the Group. Despite the large relative size of the loan and deposit portfolio, Eurosystem funding and debt issued, its timing and amount matching, combined with the current level of interest rates, mean that the incremental contribution of these items to the Interest Rate VaR is not material. The largest portion of the Group's Interest Rate VaR figures is attributable to the risk associated with interest rate sensitive securities and derivatives. Interest rate exposure for the Group's securities and derivatives portfolio can be analyzed into time bands as shown in the following tables:

	31 December 2016				
	less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	**-**	**1**	**25**	**25**	**8**
Fixed coupon bonds	**-**	**1**	**25**	**25**	**8**
Investment securities	**450**	**1,285**	**7,223**	**1,319**	**1,907**
Fixed coupon bonds	**270**	**862**	**391**	**1,319**	**1,907**
Variable coupon bonds	**180**	**423**	**6,832**	**-**	**-**
Derivatives [1]	**416**	**(562)**	**906**	**(332)**	**(632)**

	31 December 2015				
	less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	1	-	25	35	9
Fixed coupon bonds	1	-	25	35	9
Investment securities	545	1,752	10,678	1,537	1,233
Fixed coupon bonds	421	1,298	691	1,537	1,233
Variable coupon bonds	124	454	9,987	-	-
Derivatives [1]	275	(833)	1,298	(288)	(640)

[1] *For linear interest rate derivatives, notional amounts are shown in the appropriate time band, aggregated across all currencies. For non-linear interest rate derivatives, delta equivalent notional amounts are shown in the appropriate time band, aggregated across all currencies.*

(ii) Sensitivity analysis for 2016 and 2015

Sensitivity analyzes used for monitoring market risk stemming from International operations, excluding Cyprus, do not represent worst case scenarios.

	31 December 2016		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	**5**	**(19)**	**(14)**
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	**(0)**	**(0)**	**(0)**
Foreign exchange: -10% depreciation of functional currency over foreign currencies	**10**	**(55)**	**(45)**

	31 December 2015		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	(2)	(22)	(24)
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	(0)	-	(0)
Foreign exchange: -10% depreciation of functional currency over foreign currencies	2	(50)	(48)

(iii) Foreign exchange risk concentration

The following table presents the Group's exposure to foreign currency exchange risk as at 31 December 2016 and 2015:

	31 December 2016							
	USD € million	CHF € million	RON € million	RSD € million	BGN € million	OTHER € million	EUR € million	Total € million
ASSETS								
Cash and balances with central banks	13	5	235	76	276	8	864	1,477
Due from credit institutions	673	18	1	6	0	109	1,952	2,759
Financial instruments at fair value through profit or loss	1	-	54	0	1	(0)	15	71
Derivative financial instruments	13	2	0	-	0	0	1,965	1,980
Loans and advances to customers	1,333	4,453	745	288	1,401	234	30,604	39,058
Investment securities	316	0	225	98	3	2	11,819	12,463
Other assets[(1)]	19	1	164	66	54	2	8,279	8,585
Total Assets	2,368	4,479	1,424	534	1,735	355	55,498	66,393
LIABILITIES								
Due to central banks and credit institutions	136	2	41	3	25	33	21,446	21,686
Derivative financial instruments	20	(0)	2	0	0	0	2,419	2,441
Due to customers	3,508	70	1,266	120	1,673	333	27,061	34,031
Debt securities in issue	0	-	-	-	-	-	102	102
Other liabilities	26	1	35	5	18	4	689	778
Total Liabilities	3,690	73	1,344	128	1,716	370	51,717	59,038
Net on balance sheet position	(1,322)	4,406	80	406	19	(15)	3,781	7,355
Derivative forward foreign exchange position	1,332	(4,404)	3	5	0	18	1,510	(1,536)
Total Foreign Exchange Position	10	2	83	411	19	3	5,291	5,819

	31 December 2015							
	USD	CHF	RON	RSD	BGN	OTHER	EUR	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
ASSETS								
Cash and balances with central banks	23	5	282	110	207	14	1,157	1,798
Due from credit institutions	465	2	-	3	-	155	2,183	2,808
Financial instruments at fair value through profit or loss	1	-	65	-	3	-	31	100
Derivative financial instruments	19	2	3	-	-	-	1,860	1,884
Loans and advances to customers	1,207	4,683	681	240	1,197	293	31,592	39,893
Investment securities	237	-	279	96	9	2	15,668	16,291
Other assets[(1)]	17	1	166	68	52	4	8,420	8,728
Assets of disposal groups classified as held for sale	211	31	23	-	-	82	1,704	2,051
Total Assets	2,180	4,724	1,499	517	1,468	550	62,615	73,553
LIABILITIES								
Due to central banks and credit institutions	61	-	13	3	21	2	29,683	29,783
Derivative financial instruments	36	-	-	1	-	-	2,322	2,359
Due to customers	2,860	54	1,230	90	1,368	351	25,493	31,446
Debt securities in issue	-	-	-	-	-	-	150	150
Other liabilities	22	11	33	-	17	5	654	742
Liabilities of disposal groups classified as held for sale	40	10	19	-	-	65	1,807	1,941
Total Liabilities	3,019	75	1,295	94	1,406	423	60,109	66,421
Net on balance sheet position	(839)	4,649	204	423	62	127	2,506	7,132
Derivative forward foreign exchange position	954	(4,667)	(100)	1	(26)	(15)	3,617	(236)
Total Foreign Exchange Position	115	(18)	104	424	36	112	6,123	6,896

[(1)] Other assets include Property, plant and equipment, Investment property, Intangible assets, Deferred tax assets and Other assets.

7.2.3 Liquidity risk

The Group is exposed to daily calls on its available cash resources due to deposits withdrawals, maturity of medium or long term notes, maturity of secured or unsecured funding (interbank repos and money market takings), loan draw-downs and forfeiture of guarantees. Furthermore, margin calls on secured funding transactions (with ECB and the market), on risk mitigation contracts (CSAs, GMRAs) and on centrally cleared transactions (CCPs) result in liquidity exposure. The Group maintains cash resources to meet all of these needs. The Board Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such contingencies.

Past experience shows that liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment. This is also the case with credit commitments where the outstanding contractual amount to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

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

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Group.

Liquidity Risk Management Framework

The Group's Liquidity Risk Management Policy defines the following supervisory and control structure:

- Board Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk;
- Group Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Group's risk appetite, and to review at least monthly the overall liquidity position of the Group;

- Group Treasury is responsible for the implementation of the Group's liquidity strategy, the daily management of the Group's liquidity and for the preparation and monitoring of the Group's liquidity budget; and
- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Group.

Additionally, as per BoG directive 50/08.09.2015, the Bank applies risk management policies, processes and controls regarding Asset Encumbrance. These policies, which are applicable in the specific Greek macro-economic environment, the Bank's business model and market conditions on wholesale funding, integrate the Bank's Asset Encumbrance strategies in its respective contingency funding plans.

The following list summarizes the main reports which are produced on a periodic basis:

(a) The regulatory liquidity gap report along with the regulatory liquidity ratios;

(b) Stress test scenarios. These scenarios evaluate the impact of a number of systemic stress events on the Group's liquidity position;

(c) Report on market sensitivities affecting liquidity;

(d) Liquidity coverage ratios (LCR) estimation (Basel III new regulatory ratio); and

(e) Reporting on the Bank's Asset Encumbrance.

Maturity analysis of assets and assets held for managing liquidity risk

The following tables present maturity analysis of Group assets as at 31 December 2016 and 2015, based on their carrying values. Loans without contractual maturities are presented in the 'less than 1 month' time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Under these contracts the Group has posted or received collateral, which covers the corresponding net liabilities or net assets from derivative transactions. The collateral posted is not presented in the below tables. For derivative assets not covered by ISDA/CSA agreements the positive valuation is presented at fair value in the 'over 1 year' time bucket.

	31 December 2016				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	**1,477**	**-**	**-**	**-**	**1,477**
- Due from credit institutions	**744**	**23**	**-**	**168**	**935**
- Loans and advances to customers	**5,407**	**721**	**2,766**	**30,164**	**39,058**
- Debt Securities	**84**	**618**	**910**	**10,767**	**12,379**
- Equity securities	**-**	**-**	**-**	**155**	**155**
- Derivative financial instruments	**-**	**-**	**-**	**104**	**104**
- Other assets[(1)]	**43**	**2**	**8**	**8,532**	**8,585**
Total	**7,755**	**1,364**	**3,684**	**49,890**	**62,693**

	31 December 2015				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	1,798	-	-	-	1,798
- Due from credit institutions	848	26	-	180	1,054
- Loans and advances to customers	7,628	841	3,080	28,344	39,893
- Debt Securities	426	1,333	716	13,766	16,241
- Equity securities	-	-	-	150	150
- Derivative financial instruments	-	-	-	77	77
- Other assets[(1)]	44	2	8	8,674	8,728
- Assets of disposal groups classified as held for sale	104	207	58	1,682	2,051
Total	10,848	2,409	3,862	52,873	69,992

[(1)] *Other assets include Property, plant and equipment, Investment property, Intangible assets, Deferred tax assets and Other assets.*

The Group holds a diversified portfolio of cash and high liquid assets to support payment obligations and contingent deposit withdrawals in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

(a) Cash and balances with central banks;

(b) Eligible bonds and other financial assets for collateral purposes; and

(c) Current accounts with banks and interbank placings maturing within one month.

The unutilized assets, containing highly liquid and central banks eligible assets, provide a contingent liquidity reserve of € 6.8 bn as at 31 December 2016 (2015: € 6 bn). In addition, the Group holds other types of highly liquid assets, as defined by the regulator, amounting to € 2.1 bn (cash value) (2015: € 2.2 bn). It should be noted that the major part of ECB's available collateral of € 3 bn (cash value) (2015: € 2.2 bn) is held by Group's subsidiaries for which temporary local regulatory restrictions are applied and currently limit the level of its transferability between group entities.

Maturity analysis of liabilities

The amounts disclosed in the table below are the contractual undiscounted cash flows for the years 2016 and 2015. Liabilities without contractual maturities (sight and saving deposits) are presented in the 'less than 1 month' time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Group has already posted collateral which covers the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the 'less than 1 month' time bucket.

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

	31 December 2016				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to credit institutions	21,117	155	71	376	21,719
- Due to customers	24,188	4,425	4,940	510	34,063
- EMTNs	-	22	3	82	107
- Other liabilities	267	118	373	20	778
	45,572	4,720	5,387	988	56,667
Derivative financial instruments:	15	-	-	-	15

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	724	754
Capital expenditure	25	-
Operating lease commitments	23	15
Total	772	769

	31 December 2015				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to credit institutions	24,390	476	225	4,779	29,870
- Due to customers	22,966	4,370	3,704	458	31,498
- EMTNs	35	5	6	112	158
- Other liabilities	255	113	355	19	742
- Liabilities of disposal groups classified as held for sale	138	31	263	1,909	2,341
	47,784	4,995	4,553	7,277	64,609
Derivative financial instruments:	44	-	-	-	44

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	975	456
Capital expenditure	12	-
Operating lease commitments [(1)]	24	18
Total	1,011	474

[(1)] *For the year ended 31 December 2015, the above classification between the periods of operating lease commitments has been adjusted (note 44).*

The credibility of the Greek banking system was significantly improved during 2016, following the successful finalization of the first review of the Third Economic Adjustment Program, the ECB's decision for the reinstatement of the waiver for the instruments issued by the Hellenic Republic and the decrease of the haircuts applied for Pillar II guarantees, which gave the Group the opportunity to reduce further its Pillar II issues (note 4).

The above positive developments resulted in an increase of the secured funding from credit institutions and to inflows from deposits, which along with the selective assets deleveraging (EFSF bonds sales, deleveraging of loans) and the utilization of part of foreign subsidiaries' liquidity surplus constituted the key factors for the significant decrease of the Bank's dependence from the Eurosystem by € 11.4 bn to € 13.9 bn at the end of December 2016 (the Bank's net funding from ECB and ELA stood at € 2.0 bn and € 11.9 bn respectively, 2015: ECB € 5.3 bn and ELA € 20 bn). As at 28 February 2017, the Eurosystem funding stood at € 14.1 bn, of which € 12.1 bn funding from ELA.

7.3 Fair value of financial assets and liabilities

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

The Group's financial instruments carried at fair value or at amortized cost for which fair value is disclosed are categorized into the three levels of the fair value hierarchy based on whether the inputs to the fair values are observable or unobservable, as follows:

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

(b) Level 2-Financial instruments measured using valuation techniques with inputs, other than level 1 quoted prices, that are observable either directly or indirectly, such as: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognized market data providers and iv) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include over-the-counter (OTC) derivatives and less liquid debt instruments held or issued by the Group.

(c) Level 3-Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equities or equities traded in markets that are not considered active, certain OTC derivatives and loans and advances to customers.

Financial instruments carried at fair value

The fair value hierarchy categorization of the Group's financial assets and liabilities carried at fair value is presented in the following tables:

	31 December 2016			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Financial assets measured at fair value:				
Financial instruments held for trading	70	0	1	71
Derivative financial instruments	0	1,978	2	1,980
Available-for-sale investment securities	3,586	30	54	3,670
Total financial assets	**3,656**	**2,008**	**57**	**5,721**
Financial liabilities measured at fair value:				
Derivative financial instruments	0	2,441	-	2,441
Due to customers:				
- Structured deposits	-	3	-	3
Debt securities in issue:				
- Structured notes	-	3	-	3
Trading liabilities	4	-	-	4
Total financial liabilities	**4**	**2,447**	**-**	**2,451**

	31 December 2015			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Financial assets measured at fair value:				
Financial instruments held for trading	99	0	1	100
Derivative financial instruments	0	1,865	19	1,884
Available-for-sale investment securities	4,191	49	42	4,282
Total financial assets	4,290	1,914	62	6,266
Financial liabilities measured at fair value:				
Derivative financial instruments	1	2,358	-	2,359
Due to customers:				
- Structured deposits	-	4	-	4
Debt securities in issue:				
- Structured notes	-	38	-	38
Trading liabilities	10	-	-	10
Total financial liabilities	11	2,400	-	2,411

The Group recognizes transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected. There were no transfers between Level 1 and 2 and vice versa, as well as, no changes in valuation techniques used, during the year ended 31 December 2016.

During the year ended 31 December 2016, equity instruments of € 13 million were transferred from Level 1 to Level 3, as their market was not considered active and their measurement was based on valuation techniques with significant unobservable inputs.

In the same period, following the Group's assessment on the significance of the CVA adjustment to the entire fair value measurement of OTC derivative financial instruments, calculated based on internal rating models, the Bank transferred an amount of (a) € 19 million from Level 3 to Level 2 and (b) € 1 million from Level 2 to Level 3.

Reconciliation of Level 3 fair value measurements

	2016 € million	2015 € million
Balance at 1 January	**62**	53
Transfers into Level 3	**14**	25
Transfers out of Level 3	**(19)**	(1)
Additions, net of disposals and redemptions	**16**	0
Total gain/(loss) for the year included in profit or loss	**(9)**	(13)
Total gain/(loss) for the year included in other comprehensive income	**(9)**	0
Foreign exchange differences and other	**2**	(2)
Balance at 31 December	**57**	62

The € 9 million loss for the year ended 31 December 2016 is presented in line 'Other impairment losses and provisions' (2015: Of the total loss of € 13 million, € 6 million were presented in line 'Other impairment losses and provisions' and € 7 million in line 'Net trading income').

Group's valuation processes and techniques

The Group's processes and procedures governing the fair valuations are established by the Group Market Counterparty Risk Sector in line with the Group's accounting policies. The Group uses widely recognized valuation models for determining the fair value of common financial instruments that are not quoted in an active market, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values also reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty, where appropriate.

Valuation controls applied by the Group may include verification of observable pricing, re-performance of model valuations, review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

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

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

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

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

Financial instruments not carried at fair value

The fair value hierarchy categorization of the Group's financial assets and liabilities not carried at fair value on the balance sheet is presented in the following tables:

	31 December 2016				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	38,872	38,872	39,058
Investment securities					
- Debt securities lending portfolio	266	7,487	-	7,753	8,227
- Held to maturity securities	339	228	-	567	566
Total financial assets	**605**	**7,715**	**38,872**	**47,192**	**47,851**
Debt securities in issue	52	-	37	89	99
Total financial liabilities	**52**	**-**	**37**	**89**	**99**

	31 December 2015				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	39,748	39,748	39,893
Investment securities					
- Debt securities lending portfolio	282	10,822	-	11,104	11,391
- Held to maturity securities	339	271	-	610	618
Total financial assets	621	11,093	39,748	51,462	51,902
Debt securities in issue	59	36	-	95	112
Total financial liabilities	59	36	-	95	112

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value are in line with those used to calculate the fair values for financial instruments carried at fair value. Particularly:

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

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

(c) Debt securities in issue: the fair values of the debt securities in issue are determined using quoted market prices, if available. If quoted prices are not available, fair values are determined based on quotes for similar debt securities or by discounting the expected cash flows at a risk-adjusted rate, where the Group's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Group or other Greek issuers.

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

8. Net interest income

	2016 € million	2015 € million
Interest income		
Customers	**1,855**	2,026
Banks	**13**	19
Securities [1]	**195**	232
Derivatives	**314**	309
	2,377	2,586
Interest expense		
Customers	**(198)**	(352)
Banks	**(324)**	(435)
Debt securities in issue	**(6)**	(27)
Derivatives	**(301)**	(309)
	(829)	(1,123)
Total from continuing operations	**1,548**	1,463

[1] *The interest income from trading securities included is immaterial for the year ended 31 December 2016 and 2015.*

Interest Income from continuing operations recognized by quality of Loans and Advances and Product Line is further analyzed below:

	31 December 2016		
	Interest income on non-impaired loans and advances € million	**Interest income on impaired loans and advances € million**	**Total € million**
Retail lending	**795**	**350**	**1,145**
Wholesale lending [1]	**502**	**208**	**710**
Total interest income from customers	**1,297**	**558**	**1,855**

	31 December 2015		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	955	298	1,253
Wholesale lending [1]	533	240	773
Total interest income from customers	1,488	538	2,026

[1] *Including interest income on loans and advances to Public Sector.*

The unwinding of the discount of the impairment allowance (note 25) amounting to € 312 million (retail lending € 216 million and wholesale lending € 96 million) is included in interest income on impaired loans and advances to customers (2015: retail lending € 203 million and wholesale lending € 94 million).

9. Net banking fee and commission income

	2016 € million	2015 € million
Lending related fees and commissions	**128**	116
Mutual funds and assets under management related fees	**33**	39
Capital markets related fees	**20**	19
Other fees [1]	**63**	18
Total from continuing operations	**244**	192

[1] *For the year ended 31 December 2016, the increase of other fees is mainly attributed to the reduction of the Pillar II issues and the related fees.*

10. Income from non banking services

Income from non banking services includes rental income from investment properties and other recurring income from services provided by the Group (e.g. payroll services, e-commerce).

11. Net trading income and gains less losses from investment securities

	2016 € million	2015 € million
Debt securities and other financial instruments (note 26)	**88**	68
Equity securities (note 26)	**55**	8
Gains/(losses) on derivative financial instruments	**(9)**	(38)
Revaluation on foreign exchange positions	**18**	5
Total from continuing operations	**152**	43

12. Operating expenses

	2016 € million	2015 € million
Staff costs (note 13)	**(545)**	(529)
Administrative expenses	**(244)**	(249)
Contributions to resolution and deposit guarantee funds	**(75)**	(106)
Depreciation of property, plant and equipment	**(54)**	(56)
Amortisation of intangible assets	**(26)**	(26)
Operating lease rentals	**(48)**	(51)
Total from continuing operations	**(992)**	(1,017)

For the year ended 31 December 2016, the amount of operating expenses (excluding any contribution to a deposit guarantee or resolution fund) for the Group's Greek activities was € 675 million (2015: € 676 million).

Contributions to resolution and deposit guarantee funds

In 2016, the Single Resolution Mechanism (SRM), which implements the EU-wide Bank Recovery and Resolution Directive (BRRD) in the euro area, became fully operational. The SRM provides that the Single Resolution Fund (SRF) will be built up over a period of eight years with 'ex-ante' contributions from the banking industry, which may include irrevocable payment commitments up to 30% of the total amount of contributions (note 45).

With Law 4370/2016, which came into force in March 2016, the Directive 2014/49/EU was transposed into the Greek legislation replacing Law 3746/2009, and defining, among others, the scope and certain aspects of the operation of the Hellenic Deposit and Investment Guarantee Fund (HDIGF), the terms of participation of credit institutions as well as the process for determining and paying contributions to its Schemes. The transposition of the Directive 2014/49/EU into the national legislation of the EU countries where the Group has activities has been completed within the first quarter of 2016.

For the year ended 31 December 2016, the contributions to the resolution and deposit guarantee funds, amounted to € 75 million (2015: 94 € million), of which € 17 million (2015: € 23 million) related to the Group's international operations. Additionally, for the year ended 2015 an amount of € 12 million has been recognized in the income statement related to the Bank's supplementary contribution for the funding of resolution measures for 'Panellinia Bank S.A.'.

External Auditors

The Bank has adopted a Policy on External Auditors' Independence which provides amongst others, for the definition of the permitted and non-permitted services the Group auditors may provide further to the statutory audit. For any such services to be assigned to the Group's auditors there are specific controlling mechanisms in order for the Bank's Audit Committee to ensure there is proper balance between audit and non-audit work.

The fees charged by the Group's principal independent auditor 'PricewaterhouseCoopers Certified Auditors' for audit and other services provided are analyzed as follows:

	2016	2015
	€ million	€ million
Statutory audit	**(2.7)**	(3.2)
Tax audit-article 65a, law 4174/2013	**(0.3)**	(0.5)
Other audit related assignments	**(0.3)**	(0.6)
Non audit assignments	**(1.0)**	(0.8)
Total	**(4.3)**	(5.1)

Note: For the year ended 31 December 2015, other audit related fees mainly refer to assignments for the Bank's share capital increase.

Post balance sheet event

According to the provisions of Law 4449/2017 and following relevant proposal of the Audit Committee, the Board of Directors (BoD) at its meeting on 24 February 2017 approved KPMG Certified Auditors A.E. (KPMG) being the successful audit firm of the tendering process for conducting the statutory audit of the Bank's financial statements (standalone and consolidated) for the period 2018-2022, subject to preceding every year both the BoD's proposal addressed to the Bank's Shareholders' General Meeting and the decision of the General Meeting for the appointment of KPMG as statutory auditor for the period 2018-2022, as well as receiving any other necessary approvals each time in force.

13. Staff costs

	2016	2015
	€ million	€ million
Wages, salaries and performance remuneration	**(396)**	(389)
Social security costs	**(84)**	(81)
Additional pension and other post employment costs	**(16)**	(16)
Other	**(49)**	(43)
Total from continuing operations	**(545)**	(529)

The average number of employees of the Group during the year, excluding insurances and Public J.S.C. Universal Bank, was 16,285 (December 2015: 16,494, excluding insurances and Public J.S.C. Universal Bank). As at 31 December 2016, the number of branches of the Group amounted to 896.

14. Other impairments, restructuring costs and provisions

	2016 € million	2015 € million
Impairment losses and valuation losses on investment and repossessed properties	**(41)**	(90)
Other impairment losses and provisions[1]	**(24)**	3
Other impairment losses and provisions	**(65)**	(87)
Provision for Voluntary Exit Scheme (note 37)	**(49)**	(62)
Other restructuring costs	**(16)**	(11)
Other expenses	**(1)**	(6)
Restructuring costs	**(66)**	(79)
Total from continuing operations	**(131)**	(166)

[1] *Includes impairment losses/ reversals on bonds, equity securities, other assets and provisions on litigations and other operational risk events.*

For the year ended 31 December 2016, the Group recognized € 41 million impairment and valuation losses on investment and repossessed properties mainly in Greece, after considering the macroeconomic conditions and the persistent decline in real estate market prices.

As at 31 December 2016, the Group has recognized restructuring expenses amounting to € 16 million, of which € 8 million related with the acquisition of Alpha Bank's Branch in Bulgaria by Eurobank Bulgaria A.D. (note 47). The remaining costs are associated with the Bank's Non-Performing Exposures management operations, the further rationalization of its branch network in Greece and the restructuring of its international activities. As at 31 December 2015, the Group has recognized restructuring expenses amounting to € 11 million, mainly relating to the closing of branches in the framework of its network rationalization in Greece.

As at 31 December 2016, restructuring costs included depreciation/write-offs of € 2 million (2015: € 3 million).

As at 31 December 2015, the Group has recognized other expenses amounting to € 6 million, mainly relating to the diagnostic reviews of the Greek portfolio and the loan book of the Bank's major foreign subsidiaries, in the context of Greek banks' capital needs assessments conducted in 2014.

15. Income tax and tax adjustments

	2016 € million	2015 € million
Current tax	**(50)**	(42)
Deferred tax (note 16)	**99**	646
Income tax	**49**	604
Change in nominal tax rates	**-**	432
Income tax	**49**	1,036
Tax adjustments	**31**	-
Total tax (charge)/income from continuing operations	**80**	1,036

According to Law 4334/2015, which was enacted on 16 July 2015 and amended tax Law 4172/2013, the nominal Greek corporate tax rate increased from 26% to 29% for income generated in accounting years 2015 and onwards. This tax rate change resulted in an increase of net deferred tax asset by € 508 million as at 31 December 2015, out of which € 489 million have been recorded in the income statement, and € 19 million directly in equity (including Other Comprehensive Income-OCI). In particular, € 432 million of the € 489 million that have been recorded in the income statement refer to the effect of the change in tax rate applied on previous years deductible temporary differences as well as on unused tax losses and the remaining € 57 million represent the effect of the change in tax rates applied on deductible temporary differences and unused tax losses that have arisen in the first half of 2015.

In addition, dividends distributed, other than intragroup dividends which under certain preconditions are relieved from both income and withholding tax, are subject to 15% withholding tax, according to Law 4387/2016 and Law 4389/2016 which increased the respective tax rate from 10% to 15% for dividend distributions as of 1 January 2017 and onwards.

Furthermore, during the year ended 31 December 2016, following a favorable court decision, the Group has recognized a tax income of € 30.5 million for tax claims against the Greek State in relation to the one-off taxation of the Bank's non-taxed reserves which had been imposed by the Law 3513/2006.

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

	2016 **€ million**	2015 € million
Profit/(loss) before tax from continuing operations	**160**	(2,086)
Tax at the applicable tax rates	**(46)**	605
Tax effect of:		
- income not subject to tax and non deductible expenses	**(2)**	(56)
- effect of different tax rates in different countries	**22**	16
- change in applicable tax rate	**-**	432
- tax adjustments	**31**	-
- other [(1)]	**75**	39
Total tax (charge)/income from continuing operations	**80**	1,036

[(1)] It includes an amount of € 87 million (2015: € 41 million) deferred tax effect related to the impairment charge against the Bank's loans and other receivables and investment cost in certain subsidiaries. The comparative figures for the year ended 31 December 2015 have been adjusted accordingly.

Tax certificate and open tax years

For the year ended 31 December 2011 and onwards as the Law 4174/2013 (article 65A) currently stands (and as Law 2238/1994 previously provided in article 82), up to and including fiscal years starting before 1 January 2016, the Greek sociétés anonymes and limited liability companies whose annual financial statements are audited compulsorily, were required to obtain an 'Annual Tax Certificate', which is issued after a tax audit is performed by the same statutory auditor or audit firm that audits the annual financial statements. For fiscal years starting from 1 January 2016 and onwards, the 'Annual Tax Certificate' is optional, however the Group's Greek companies will obtain such certificate.

The Bank has been audited by tax authorities up to 2009, while tax audit for 2010 performed by tax authorities is currently in progress. Furthermore, the Bank has obtained by external auditors unqualified tax certificates for years 2011-2015, while the tax audit from external auditors is in progress for 2016. In addition, New TT Hellenic Postbank and New Proton Bank, which were merged with the Bank in 2013, have obtained by external auditors unqualified tax certificates with a matter of emphasis for their unaudited by tax authorities periods/tax years 18/1-30/6/2013 and 9/10/2011- 31/12/2012, respectively, with regards to potential tax obligations resulting from their carve out. For both cases the Bank has formed adequate provisions.

The Group's subsidiaries, associates and joint ventures which operate in Greece (notes 27 and 32) have not been audited for a period of 1 to 9 tax years from the tax authorities. Where these entities are subject to statutory audit by external auditors, they have obtained unqualified tax certificates for years 2011-2015.

In accordance with the Greek tax legislation and the respective Ministerial Decisions issued, additional taxes and penalties may be imposed by the Greek tax authorities following a tax audit within the applicable statute of limitations (i.e. in principle five years as from the end of the fiscal year within which the relevant tax return should have been submitted), irrespective of whether an unqualified tax certificate has been obtained from the tax paying company.

The open tax years of foreign Group's bank subsidiaries are as follows: (a) Bancpost S.A. (Romania), 2011-2016, (b) Eurobank Cyprus Ltd, 2012-2016, (c) Eurobank Bulgaria A.D., 2013-2016, (d) Eurobank A.D. Beograd (Serbia), 2011-2016, and (e) Eurobank Private Bank Luxembourg S.A., 2012-2016. The remaining of the Group's foreign entities (notes 27 and 32), which operate in countries where a statutory tax audit is explicitly stipulated by law, have 2 to 6 open tax years in principle, subject to certain preconditions of the applicable tax legislation of each jurisdiction.

16. Deferred income taxes

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

The movement on deferred income tax is as follows:

	2016 € million	2015 € million
Balance at 1 January	**4,854**	3,872
Income statement credit/(charge) from continued operations	**99**	1,078
Available for sale investment securities	**(11)**	(33)
Cash flow hedges	**(4)**	(9)
Deferred tax on equity transactions	**-**	(56)
Effect due to change in nominal tax rates recognized directly in equity (including OCI)	**-**	19
Discontinued operations [1]	**2**	(17)
Other	**2**	-
Balance at 31 December	**4,942**	4,854

[1]For the year ended 31 December 2015, it includes the transfer of opening balance of Deferrd Tax Liability (DTL) € 19 million to liabilities of insurance operations classified as held for sale.

Deferred income tax assets/ (liabilities) are attributable to the following items:

	2016 € million	2015 € million
PSI+ tax related losses	**1,251**	1,302
Loan impairment and accounting write-offs	**3,121**	2,810
Unused tax losses	**54**	319
Losses from disposals and crystallized write-offs of loans	**8**	-
Valuations through the income statement	**341**	302
Costs directly attributable to equity transactions	**38**	46
Cash flow hedges	**25**	29
Valuations directly to available-for-sale revaluation reserve	**(1)**	9
Fixed assets	**(6)**	(1)
Defined benefit obligations	**13**	11
Other	**98**	27
Net deferred income tax	**4,942**	4,854

The decrease of deferred tax asset for unused tax losses is mainly attributable to the Bank's taxable gains of € 219 million resulted from the sale of insurance operations and the tax law amendment in the existing legislative framework for the tax treatment of accounting write-offs and crystallized tax losses arising from Non-Performing Loans (NPLs) write-offs and disposals subject to amortization (i.e.1/20 of losses per year starting from year 2016 and onwards).

The net deferred income tax is analyzed as follows:

	2016 € million	2015 € million
Deferred income tax assets	**4,945**	4,859
Deferred income tax liabilities (note 37)	**(3)**	(5)
Net deferred income tax	**4,942**	4,854

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

	2016 € million	2015 € million
Loan impairment	**312**	514
Unused tax losses	**(264)**	7
Change in nominal tax rates [1]	**-**	489
Tax deductible PSI+ losses	**(50)**	(47)
Change in fair value and other temporary differences	**101**	115
Deferred income tax (charge)/credit from continued operations	**99**	1,078
Temporary differences relating to discontinued operations	**2**	(35)
Deferred income tax (charge)/credit	**101**	1,043

[1]The amount of change in nominal tax rates represents the total effect in the income statement for the year ended 31 December 2015 that is analyzed in note 15.

As at 31 December 2016, the Group recognized net deferred tax assets amounting to € 4.9 bn as follows:

(a) € 1,251 million refer to losses resulted from the Group's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;

(b) € 3,121 million refer to deductible temporary differences arising from loan impairment that can be utilized in future periods with no specified time limit and according to current tax legislation of each jurisdiction and to accounting debt write-offs according to the amendment of Law 4172/2013 in March 2017;

(c) € 8 million refer to the unamortized part of the crystallized tax loss arising from NPLs write-offs and disposals, which are subject to amortization (i.e.1/20 of losses per year starting from year 2016 and onwards), according to the amendment of Law 4172/2013 in March 2017;

(d) € 54 million refer to unused tax losses. The ability to utilize tax losses carried forward mainly expires in 2020;

(e) € 38 million mainly refer to deductible temporary differences related to the (unamortized for tax purposes) costs directly attributable to Bank's share capital increases, subject to 10 years' amortization according to tax legislation in force at the year they have been incurred; and

(f) € 470 million refer to other deductible temporary differences (i.e. valuation losses, provisions for pensions and other post-retirement benefits, etc.) the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation of each jurisdiction.

Assessment of the recoverability of deferred tax assets

The recognition of the above presented deferred tax assets is based on management's assessment, as at 31 December 2016, that the Group's legal entities will have sufficient future taxable profits, against which the unused tax losses, the deductible temporary differences, as well as the losses from PSI+ and the Greek state's debt buyback program can be utilized. The deferred tax assets are determined on the basis of the tax treatment of each deferred tax asset category, as provided by the applicable tax legislation of each jurisdiction, the eligibility of carried forward losses for offsetting with future taxable profits and the actual tax results for the year ended 31 December 2016. Additionally, the Group's assessment on the recoverability of recognized deferred tax assets is based on (a) the future performance expectations (projections of operating results) and growth opportunities relevant for determining the expected future taxable profits, (b) the expected timing of reversal of the deductible and taxable temporary differences, (c) the probability that the Group entities will have sufficient taxable profits in the future, in the same period as the reversal of the deductible and taxable temporary differences (i.e. profits/ losses on sale of investments or other assets, etc.) or in the years into which the tax losses can be carried forward, and (d) the historical levels of Group entities' performance in combination with the previous years' tax losses caused by one off or non-recurring events.

For the year ended 31 December 2016 the Group has conducted DTA recoverability assessment based on its three-year Business Plan that was approved by the Board of Directors in January 2017 and provides outlook of its profitability and capital position for the period up to the end of 2019. The said Business Plan has also been submitted to Hellenic Financial Stability Fund (HFSF) and to the Single Supervisory Mechanism (SSM).

For the years beyond 2019, the forecast of operating results was based on the management projections considering the growth opportunities of the Greek economy, the banking sector and the Group itself.

The level of the abovementioned projections adopted in the Group's Business Plan is mainly based on assumptions and estimates regarding (a) the further reduction of its funding cost driven by the significant decrease of the Emergency Liquidity Assistance (ELA) and the gradual elimination of Greek Government Guarantees (GGGs), the gradual repatriation of customer deposits replacing more expensive funding sources, and the further decrease of the respective interest rates, (b) the lower loan impairment losses as a result of the macroeconomic conditions in Greece that are expected to improve gradually and the strategic initiatives in line with the Non-Performing Exposures (NPEs) strategy that the Group has committed to SSM, regarding the effective management of its troubled assets' portfolio, (c) the effectiveness of the continuous cost containment measures, and (d) the gradual restoration of traditional commission income, such as asset management and network fees and commissions relating with capital markets and investment banking activities.

The implementation of the abovementioned Business Plan largely depends on the risks and uncertainties that stem from the macroeconomic environment in Greece and in the countries that the Group operates (note 2).

Legal framework for tax credit against the Greek State

According to article 27A of Law 4172/2013 as in force, which is applicable to Greek financial institutions, including leasing and factoring companies, deferred tax assets that have been recognized by the Bank due to (a) losses from the Private Sector Involvement (PSI) and the Greek State Debt Buyback Program, and (b) accumulated provisions and other losses in general due to credit risk (provisions and credit losses) which were accounted as at 30 June 2015, will be converted into directly enforceable claims (tax credit) against the Greek State, in accordance with the law provisions, provided that the Bank's after tax accounting result for the period, is a loss. For the year ended 31 December 2016, the Bank's after tax result amounted to a gain of € 5 million, while deferred tax assets eligible for conversion to tax credits amounted to € 4,015 million.

Post balance sheet event

In March 2017, the amendment of Law 4172/2013 with effect from 2016 onwards, revises the existing legislative framework regarding eligible DTAs/ deferred tax credits (DTCs) accounted for on the accumulated provisions and other losses in general due to credit risk and reforms tax regime for loan losses. More specifically, the cumulative DTC will be calculated by applying the current corporate tax rate (on condition that this will not exceed the tax rate that was applicable for tax year 2015) on the sum of (i) the unamortized part of the crystallized loan losses from write-offs and disposals, (ii) the accounting debt write-offs and (iii) the remaining accumulated provisions recorded up to 30 June 2015.

The above tax reform provides for a gradual amortization over a 20-year period of the crystallized tax loss arising from NPLs write-offs and disposals, maintaining the DTC status during all this period, while it disconnects the accounting write-offs from crystallized debt write-offs.

This aforementioned treatment (i.e. extension of the loan loss utilization for a longer period instead of an immediate one-off deduction subject to a five-year carry forward limitation period) safeguards the recovery of the deferred tax asset recorded on NPLs.

The new rules related to the method of calculating the DTC safeguard the Bank's regulatory capital structure, while they contribute substantially to the achievement of the NPEs reduction targets, through the acceleration of write-offs and disposals.

17. Discontinued operations

Insurance operations

On 22 December 2015, the Group announced that it has reached an agreement with Fairfax Financial Holdings Limited (Fairfax) to sell 80% of Eurolife ERB Insurance Group Holdings S.A. (Eurolife) (the Transaction) for a cash consideration of € 316 million, subject to further adjustments based on the performance of the entity up to the completion of the Transaction, while Eurobank would retain a 20% stake.

The Transaction, which was in line with the Bank's restructuring plan (note 6) included: (a) Eurolife's Greek life and non-life insurance activities and Eurolife's brokerage subsidiary in Greece, which were presented in Wealth management segment, (b) Eurolife's Romanian life and non-life insurance activities, which were presented in International segment and (c) the bancassurance agreements between Eurolife subsidiaries and Eurobank, for the exclusive distribution of insurance products in Greece and Romania through Eurobank's sales network.

The Transaction, was completed on 4 August 2016, after all required regulatory approvals were obtained. The cash consideration pursuant to the Transaction documentation, after the distribution of a € 34 million dividend to Eurobank by Eurolife, reached € 321 million, including the adjustments performed due to the finalization of the completion statement of Eurolife.

Upon the completion of the Transaction, the Group derecognized the assets and liabilities of Eurolife and recognized its retained 20% interest as an associate using the equity method of accounting at its fair value of € 83 million. This is a non-recurring fair value measurement, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs. The fair value was determined by reference to the consideration received for the disposal of Eurolife and is within the range of the values provided in the independent valuation reports used in determining the fair value of the insurance operations disposed. No gain or loss was recognised in relation to the re-measurement of the Group's retained interest in Eurolife to fair value.

The resulting gain on the disposal of the Group's Insurance operations, including the recyclement to the income statement of the cumulative gains arising from the revaluation of available for sale securities previously recognized in other comprehensive income, amounted to € 58 million, after tax. The transaction was capital accretive for the Group, as it increased its common equity tier 1 ratio by 28 bps.

The results of the Group's Insurance operations are set out below.

	For the period ended	
	31 July 2016	31 December 2015
	€ million	€ million
Net interest income	**35**	46
Net insurance income	**(25)**	29
Gains less losses from investment securities	**53**	17
Other income/(loss)	**(17)**	5
Operating expenses	**(15)**	(26)
Profit/(loss) before impairments from discontinued operations	**31**	71
Other impairment losses	**-**	(4)
Profit/(loss) before tax from discontinued operations	**31**	67
Income tax [(1)]	**(12)**	(86)
Profit/(loss) after tax from discontinued operations before gain on disposal	**19**	(19)
Gain on disposal	**58**	-
Net Profit/(loss) from discontinued operations attributable to shareholders	**77**	(19)

[(1)] As of 31 December 2015, the Group recognized a DTL of € 67 million on the taxable temporary differences (capital gains) associated with the investment in Eurolife ERB Insurance Group Holding S.A. Up to the date of disposal, the said DTL decreased by € 3 million (note 16).

Up to the date of disposal, cumulative gains (mainly related to the revaluation of available for sale securities) related to the insurance operations recognized in other comprehensive income amounted to € 81 million.

The major classes of assets and liabilities of Insurance operations were as follows:

	31 July 2016	31 December 2015
	€ million	€ million
Financial instruments at FVTPL and investment securities	**1,916**	1,816
Other assets [(1)]	**113**	105
Total assets of disposal group classified as held for sale	**2,029**	1,921
Insurance reserves	**1,456**	1,324
Due to customers	**247**	421
Other liabilities	**97**	71
Total liabilities of disposal group classified as held for sale	**1,800**	1,816
Net intragroup assets of insurance operations	**187**	325
Net assets of disposal group classified as held for sale	**416**	430

[(1)] Includes cash and cash equivalents of € 3 million.

Operations in Ukraine

In March 2014, management committed to a plan to sell the Group's operations in Ukraine (including Public J.S.C. Universal Bank). The sale was considered probable, therefore, the Group's operations in Ukraine were classified as a disposal group held for sale and measured at the lower of carrying amount and fair value less cost to sell, accordingly. The continuing adverse conditions in the country had led to an extension of the period to complete the sale beyond one year.

On 23 December 2016, Eurobank and TAS group concluded on the acquisition of Universal bank by the latter, after all regulatory approvals were obtained. The disposal was in line with the Bank's restructuring plan (note 6) and capital neutral on a Group level.

The cash consideration reached € 3.1 million including the consideration received for the net Group funding to Universal bank. The resulting loss on disposal, net of transaction costs, amounted to € 67 million after tax, including the recyclement to the income statement of the cumulative losses arising from currency translation differences previously recognized in other comprehensive income.

The results of the Group's operations in Ukraine, which are presented in the International segment, are set out below.

	For the period ended	
	30 November 2016	31 December 2015
	€ million	€ million
Net interest income	**8**	5
Net banking fee and commission income	**2**	2
Other income/(loss) [1]	**0**	(7)
Operating expenses	**(11)**	(16)
Impairment and remeasurement losses on loans and advances	**0**	(102)
Profit/(loss) before tax from discontinued operations	**(1)**	(118)
Income tax	**0**	32
Profit/(loss) after tax from discontinued operations before loss on disposal	**(1)**	(86)
Loss on disposal before tax	**(66)**	-
Income tax	**(1)**	-
Net profit/(loss) from discontinued operations	**(68)**	(86)
Net profit/(loss) from discontinued operations attributable to non controlling interests	**(0)**	(0)
Net profit/(loss) from discontinued operations attributable to shareholders	**(68)**	(86)

[1] *Mainly referring to FX losses for the year ended 31 December 2015.*

Up to the date of disposal, cumulative losses (referring to the currency translation differences) related to the Ukrainian held for sale operations recognized in other comprehensive income amounted to € 68 million.

The major classes of assets and liabilities of the Group's operations in Ukraine were as follows:

	30 November 2016 € million	31 December 2015 € million
Cash and balances with central banks	**29**	46
Due from credit institutions	**5**	19
Trading and investment securities	**9**	2
Loans and advances to customers	**53**	62
Other assets	**1**	1
Total assets of disposal group classified as held for sale [(1)]	**97**	130
Due to customers	**105**	123
Other liabilities	**1**	2
Total liabilities of disposal group classified as held for sale	**106**	125
Net Group funding associated with Ukrainian assets held for sale	**46**	72
Net assets of disposal group classified as held for sale	**(55)**	(67)

[(1)] *Includes cash and cash equivalents of € 28 million.*

18. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Group has issued convertible, subject to certain conditions and restrictions, preferred securities (Series D, note 41).

		Year ended 31 December 2016	Year ended 31 December 2015
Net profit/(loss) for the year attributable to shareholders (after including gains/(losses) on preferred securities)	*€ million*	**230**	(1,242)
Net profit/(loss) for the year from continuing operations attributable to shareholders (after including gains/(losses) on preferred securities)	*€ million*	**221**	(1,138)
Weighted average number of ordinary shares in issue for basic earnings/(losses) per share	*Number of shares*	***2,185,306,836***	*308,970,488*
Earnings/(losses) per share			
- Basic earnings/(losses) per share	€	**0.11**	(4.02)
Earnings/(losses) per share from continuing operations			
- Basic earnings/(losses) per share	€	**0.10**	(3.68)

Basic earnings per share from discontinued operations for the year ended 31 December 2016 amounted to € 0.004 (2015: € 0.34 losses).

The Group has determined that the potential ordinary shares which could result from the conversion of the aforementioned preferred securities are not deemed to be issuable on the basis of the conditions and restrictions currently in force (note 6). Accordingly, the Series D of preferred securities was not included in the calculation of diluted earnings per share.

19. Cash and balances with central banks

	2016 € million	2015 € million
Cash in hand	**520**	553
Balances with central banks	**957**	1,245
Total	**1,477**	1,798
of which:		
Mandatory and collateral deposits with central banks	**580**	559

Mandatory deposits with central banks include deposits of € 580 million (2015: € 559 million) with the Bank of Greece and other central banks which represent the minimum level of average monthly deposits which the banks are required to maintain; the majority can be withdrawn at any time provided the average monthly minimum deposits are maintained.

20. Cash and cash equivalents and other information on cash flow statement

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

	2016 € million	2015 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**897**	1,239
Due from credit institutions	**800**	906
Cash and cash equivalents presented within assets of disposal groups classified as held for sale	**-**	60
Total	**1,697**	2,205

Other (income)/losses on investment securities presented in continuing operating activities are analyzed as follows:

	2016 € million	2015 € million
Amortisation of premiums/discounts and accrued interest	**(45)**	(83)
(Gains)/losses from investment securities	**(135)**	(15)
Dividends	**(2)**	(2)
Total	**(182)**	(100)

For the year ended 31 December 2016, other adjustments on profit before income tax from continuing operations include the gain on the acquisition of Alpha Bank's Branch in Bulgaria, amounting to € 55 million (note 47).

21. Due from credit institutions

	2016 € million	2015 € million
Pledged deposits with banks	**1,945**	1,889
Placements and other receivables from banks	**618**	530
Current accounts and settlement balances with banks	**196**	389
Total	**2,759**	2,808

As at 31 December 2016, the Group’s pledged deposits with banks mainly included collaterals on risk mitigation contracts for derivative transactions and repurchase agreements (CSAs, GMRAs). In addition, an amount of € 15 million is included related with the disposal of the Group’s Turkish operations (2015: € 13 million).

The Group's exposure in due from credit institutions, as categorized by counterparty's geographical region, is presented in the following table:

	2016 € million	2015 € million
Greece	**32**	10
Other European countries	**2,540**	2,692
Other countries	**187**	106
Total	**2,759**	2,808

22. Financial instruments at fair value through profit or loss

	2016 € million	2015 € million
Debt securities		
- Greek government bonds	2	12
- Greek government treasury bills	0	-
- Other government bonds	54	72
- Other issuers	3	1
	59	85
Equity securities	12	15
Total	71	100

23. Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments both for hedging and non-hedging purposes.

The table below presents the fair values of the Group's derivative financial instruments by product type and hedge relationship along with their notional amounts. The notional amounts of derivative instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, are not indicative of the Group's exposure at the reporting date.

	31 December 2016			31 December 2015		
	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million	Contract/ notional amount € million	Fair values Assets € million	Fair values Liabilities € million
Derivatives that do not qualify for hedge accounting and held for trading						
- Interest rate swaps	16,716	1,760	1,517	17,436	1,645	1,429
- Interest rate options	3,225	52	112	3,964	49	99
- Cross currency interest rate swaps	1,312	50	130	1,784	77	147
- Currency forwards/currency swaps	1,038	17	11	2,633	17	34
- Currency options	449	2	3	406	3	1
- Commodity derivatives	126	7	7	142	17	17
- Warrants	1,381	3	-	2,403	10	-
- Other (see below)	29	0	0	48	0	0
		1,891	1,780		1,818	1,727
Derivatives designated as fair value hedges						
Interest rate swaps	971	2	380	978	(0)	361
		2	380		(0)	361
Derivatives designated as cash flow hedges						
- Interest rate swaps	234	0	62	312	0	64
- Cross currency interest rate swaps	3,291	87	219	3,266	66	207
		87	281		66	271
Total derivatives assets/liabilities		1,980	2,441		1,884	2,359

Other derivative contracts include exchange traded equity and interest futures and exchange traded equity options.

Information on the fair value measurement and offsetting of derivatives is provided in notes 7.3 and 7.2.1.4, respectively.

The Group uses certain derivatives and other financial instruments, designated in a qualifying hedge relationship, to reduce its exposure to market risks. The hedging practices applied by the Group, as well as the relevant accounting treatment are disclosed in note 2.4. In particular:

(a) Fair value hedges
The Group hedges a proportion of its existing interest rate risk resulting from any potential change in the fair value of fixed rate debt securities held or fixed rate loans, denominated both in local and foreign currencies, using interest rate swaps. In 2016, the Group recognized a loss of € 30 million (2015: € 42 million gain) from changes in the fair value of the hedging instruments and € 31 million gain (2015: € 35 million loss) from changes in the fair value of the hedged items attributable to the hedged risk.

(b) Cash flow hedges
The Group hedges a proportion of its existing interest rate and foreign currency risk resulting from any cash flow variability on floating rate performing customer loans or deposits, denominated both in local and foreign currency, or unrecognized highly probable forecast transactions, using interest rate and cross currency interest rate swaps. In 2016, the ineffectiveness recognized in the income statement that arose from cash flow hedges was nil (2015: nil).

(c) Net investment hedges
The Group hedges part of the currency translation risk of net investments in foreign operations, including any monetary items that form part of the net investment, using derivative financial instruments and/or borrowings designated as hedging instruments, the results of which are recognized in the currency translation reserve of other comprehensive income. In 2016, borrowings of € 329 million denominated in RON 1.5 bn (2015: € 330 million denominated in RON 1.5 bn), gave rise to currency gains of € 1 million (2015: € 3 million gains).

In addition, the Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are monitored and have been classified along with those held for trading purposes.

The Group's exposure in derivative financial instruments, as categorized by counterparty's geographical region and industry sector, is presented in the following table:

	31 December 2016			
	Greece	**Other European countries**	**Other countries**	**Total**
	€ million	**€ million**	**€ million**	**€ million**
Sovereign	**1,119**	**-**	**-**	**1,119**
Banks	**0**	**354**	**429**	**783**
Corporate	**78**	**0**	**0**	**78**
Total	**1,197**	**354**	**429**	**1,980**

	31 December 2015			
	Greece	Other European countries	Other countries	Total
	€ million	€ million	€ million	€ million
Sovereign	1,065	-	-	1,065
Banks	17	332	418	767
Corporate	46	5	1	52
Total	1,128	337	419	1,884

Note: The Group's geographical exposure in derivative financial instruments is presented based on the counterparty's domicile country (immediate risk), except where there is a signed ISDA/CSA agreement with a parent guarantee where the parent's domicile country is taken into account (ultimate country of risk).

24. Loans and advances to customers

	2016 € million	2015 € million
Wholesale lending	**19,335**	19,606
Mortgage lending	**17,844**	18,261
Consumer lending [(1)]	**6,328**	6,570
Small business lending	**7,149**	7,246
	50,656	51,683
Less: Impairment allowance (note 25)	**(11,598)**	(11,790)
Total	**39,058**	39,893

[(1)] *Credit cards balances are included.*

As of 30 September 2014, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', the Group has elected to reclassify certain impaired corporate bond loans from the 'Available-for-sale' portfolio to 'Loans and advances to customers' portfolio that met the definition of loans and receivables and the Group has the intention and ability to hold them for the foreseeable future or until maturity. The reclassifications were made with effect from 30 September 2014 at the loans' fair value of € 150 million (gross amount of € 592 million less fair value adjustment of € 442 million), which became their amortized cost at the reclassification date.

As at 31 December 2016, the carrying amount of these loans is € 82 million which approximates their fair value. No amounts would have been recognized in the OCI had these financial assets not been reclassified.

Non-performing loans sale transactions

In the first quarter of 2016, Eurobank's Bulgarian subsidiary Eurobank Bulgaria A.D. completed the profitable assignment of a portfolio of non-performing (NPLs) consumer unsecured gross loans of € 72 million (€ 9 million, net of impairment allowance), which resulted in a gain of € 5 million, that has been recognized in 'Other operating income'.

In the second quarter of 2016, Eurobank's Romanian subsidiaries Bancpost S.A. and ERB Retail Services IFN S.A., and its Dutch subsidiary ERB New Europe Funding II B.V. completed the assignment of a portfolio of non-performing gross loans of € 162 million (€ 55 million, net of impairment allowance), which represented significant part of consumer unsecured loans past due more than 90 days as at 31 December 2015. Overall, the transactions resulted in a gain of € 6 million, that has been recognized in 'Other operating income'.

In the fourth quarter of 2016, following an international competitive process, the Bank reduced its exposure to Marfin Investment Group (MIG) through the sale of a corporate bond loan issued by MIG of € 150 million (€ 125 million, net of impairment allowance) to funds managed by Fortress Investment Group LLC. The disposal was capital neutral for the Group.

The aforementioned transactions are in line with the Group's strategy for the reduction of the NPLs, the risk weighted assets and the operating costs associated with the activities of servicing the said portfolios.

Loans and advances to customers include finance lease receivables, as detailed below:

	2016 € million	2015 € million
Gross investment in finance leases receivable:		
Not later than 1 year	**522**	657
Later than 1 year and not later than 5 years	**354**	447
Later than 5 years	**714**	541
	1,590	1,645
Unearned future finance income on finance leases	**(153)**	(155)
Net investment in finance leases	**1,437**	1,490
Less: Impairment allowance	**(520)**	(536)
Total	**917**	954
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**495**	632
Later than 1 year and not later than 5 years	**271**	376
Later than 5 years	**671**	482
	1,437	1,490
Less: Impairment allowance	**(520)**	(536)
Total	**917**	954

25. Impairment allowance for loans and advances to customers

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

	31 December 2016				
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Total € million
Balance at 1 January	**4,693**	**2,172**	**2,765**	**2,160**	**11,790**
Impairment loss for the year	**262**	**218**	**228**	**67**	**775**
Recoveries of amounts previously written off	**-**	**-**	**7**	**1**	**8**
Amounts written off [2]	**(350)**	**(29)**	**(176)**	**(27)**	**(582)**
NPV unwinding	**(96)**	**(68)**	**(53)**	**(95)**	**(312)**
Foreign exchange differences and other movements	**-**	**(21)**	**(39)**	**(21)**	**(81)**
Balance at 31 December	**4,509**	**2,272**	**2,732**	**2,085**	**11,598**

	31 December 2015				
	Wholesale € million	Mortgage € million	Consumer [1] € million	Small business € million	Total € million
Balance at 1 January	4,063	1,477	2,465	1,743	9,748
Impairment loss for the year	902	838	361	564	2,665
Recoveries of amounts previously written off	1	1	11	1	14
Amounts written off	(196)	(53)	(22)	(23)	(294)
NPV unwinding	(94)	(82)	(9)	(112)	(297)
Foreign exchange differences and other movements	17	(9)	(41)	(13)	(46)
Balance at 31 December	4,693	2,172	2,765	2,160	11,790

[1] Credit cards balances are included.
[2] An amount of € 195 million included relates with the non performing loans sale transactions (note 24).

The critical accounting estimates and judgments that are made by the Group's Management in assessing the impairment losses on loans and advances to customers are evaluated constantly, particularly in circumstances of economic uncertainty, based on the latest available information and expectations of future events that are considered reasonable, as described in note 3.1.

Specifically, the Group assesses the borrowers' financial performance, the recovery value of the underlying collaterals as well as forecasts for macroeconomic indicators and calibrates its provisioning models accordingly.

Law on the discharge of debt obligations 'Datio in Solutum'

In May 2016, Law 77/2016 on the discharge of debt obligations ('Datio in Solutum') came into force in Romania. In particular, the said law provides for the discharge in full and under certain preconditions of the loans contracted by individuals and secured by mortgage arrangements by 'payment in kind' through the transfer of the mortgaged property. In the second quarter of 2016, after considering all available information, the Group assessed the effect of the enforcement of the aforementioned law and recognized accordingly an additional impairment loss of € 20 million on loans and advances granted by its Romanian banking subsidiary Bancpost S.A.

According to the decision of the Romanian Constitutional Court (RCC) dated 25 October 2016 which was published in the Romanian Official Gazette on 18 January 2017, the specific law is partially unconstitutional and the Romanian courts of law shall verify the existence of hardship conditions when called to decide upon a 'datio in solutum' case based on this law.

The Group is closely monitoring any relevant developments to update the estimate of the effect on its financial statements in accordance with its accounting policies.

26. Investment securities

	2016 € million	2015 € million
Available-for-sale investment securities	**3,670**	4,282
Debt securities lending portfolio	**8,227**	11,391
Held-to-maturity investment securities	**566**	618
Total	**12,463**	16,291

In 2008 and 2010, in accordance with the amendments to IAS 39 'Financial Instruments: Recognition and Measurement', the Group reclassified eligible debt securities from the 'Available-for-sale' portfolio to 'Debt securities lending' portfolio carried at amortized cost. Interest on the reclassified securities continued to be recognized in interest income using the effective interest rate method. As at 31 December 2016, the carrying amount of the reclassified securities was € 1,055 million. Had the financial assets not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2016 would have resulted in € 374 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

Visa Europe sale transaction

On 21 June 2016, Visa Inc. announced the completion of the acquisition of Visa Europe Ltd. In accordance with the terms of the final transaction agreement, upon the closing of the transaction Visa Inc. paid an up-front cash consideration of € 12.2 bn and issued preferred shares equivalent to a value of € 5.3 bn to the shareholders of Visa Europe. In addition, a deferred cash payment of € 1.12 bn, including interest, will be paid on the third anniversary of the closing date.

The Group recognized its share of the sale proceeds, including € 38 million in cash, € 12 million in preferred shares and € 3 million as the present value of the deferred consideration in 'Gains less losses from investment securities'.

Sale of European Financial Stability Facility (EFSF) notes

In April 2016 the European Financial Stability Facility (EFSF) allowed Greek banks, that have been recapitalized with EFSF notes, to sell the respective notes to the members of the Eurosystem, in accordance with the conditions applicable to the Public Sector Asset Purchase Program (PSPP), established by the European Central Bank (ECB). Accordingly, the Bank as at 31 December 2016 had proceeded with the sale of EFSF notes of face value of € 3,149 million, recognizing a gain of € 73 million in 'Gains less losses from investment securities'.

Post balance sheet event

In the context of the European Stability Mechanism (ESM)/EFSF decision for the implementation of the short-term Greek debt relief measures and following the relevant Board of Directors (BoD) decision on 20 January 2017, the Bank, together with the other Greek banks, have entered into an agreement with the EFSF, the Hellenic Republic, the HFSF and the Bank of Greece on 16 March 2017 for the exchange of the remaining EFSF notes. The exchange is expected to take place gradually within the next months and the agreement will be implemented with a series of separate transactions, which will result in the sale of the Bank's remaining EFSF notes at their book value.

Prior to the BoD decision, during January 2017 the Bank proceeded with an additional sale of EFSF bonds of face value of € 187 million, recognizing a gain of € 5 million.

26.1 Classification of investment securities by type

	31 December 2016			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Debt securities				
- EFSF bonds	**-**	**6,843**	**-**	**6,843**
- Greek government bonds	**1,039**	**929**	**-**	**1,968**
- Greek government treasury bills	**1,289**	**-**	**-**	**1,289**
- Other government bonds	**909**	**306**	**393**	**1,608**
- Other issuers	**290**	**149**	**173**	**612**
	3,527	**8,227**	**566**	**12,320**
Equity securities	**143**	**-**	**-**	**143**
Total	**3,670**	**8,227**	**566**	**12,463**

	31 December 2015			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Debt securities				
- EFSF bonds	-	10,042	-	10,042
- Greek government bonds	784	881	-	1,665
- Greek government treasury bills	2,157	-	-	2,157
- Other government bonds	981	311	394	1,686
- Other issuers	225	157	224	606
	4,147	11,391	618	16,156
Equity securities	135	-	-	135
Total	4,282	11,391	618	16,291

26.2 Movement of investment securities

	31 December 2016			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Balance at 1 January	**4,282**	**11,391**	**618**	**16,291**
Additions, net of disposals and redemptions	**(737)**	**(3,194)**	**(52)**	**(3,983)**
Net gains/(losses) from changes in fair value for the year	**51**	**-**	**-**	**51**
Amortisation of premiums/discounts and interest	**66**	**(20)**	**(1)**	**45**
Amortisation of mark-to-market of reclassified securities	**-**	**1**	**1**	**2**
Changes in fair value due to hedging	**-**	**45**	**-**	**45**
Impairment losses/reversal	**(9)**	**-**	**-**	**(9)**
Exchange adjustments and other [(1)]	**17**	**4**	**-**	**21**
Balance at 31 December	**3,670**	**8,227**	**566**	**12,463**

	31 December 2015			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Balance at 1 January	5,626	11,566	657	17,849
Additions, net of disposals and redemptions	(84)	(127)	(44)	(255)
Net gains/(losses) from changes in fair value for the year	92	-	-	92
Amortisation of premiums/discounts and interest	100	(22)	5	83
Amortisation of mark-to-market of reclassified securities	-	2	2	4
Changes in fair value due to hedging	-	(15)	-	(15)
Impairment losses/reversal	(6)	-	9	3
Exchange adjustments and other	22	10	8	40
Discontinued operations	(1,468)	(23)	(19)	(1,510)
Balance at 31 December	4,282	11,391	618	16,291

[(1)] *It includes € 12 million of Visa Inc. preferred shares.*

26.3 Equity reserve: revaluation of the available-for-sale investments

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

	2016 € million	2015 € million
Balance at 1 January	**51**	(37)
Net gains/(losses) from changes in fair value	**109**	131
Tax (expense)/benefit	**(33)**	(33)
Revaluation reserve from associated undertakings, net of tax	**2**	-
	78	98
Net (gains)/losses transferred to net profit on disposal	**(66)**	(33)
Impairment losses transferred to net profit	**3**	7
Recyclement of reserve relating to dicontinued operations net of tax	**(82)**	-
Tax (expense)/benefit on net (gains)/losses transferred to net profit on disposal	**22**	5
Tax (expense)/benefit on impairment losses transferred to net profit	**(1)**	(2)
	(124)	(23)
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	**14**	16
Tax (expense)/benefit	**(2)**	(3)
	12	13
Balance at 31 December	**17**	51

27. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2016, included in the consolidated financial statements for the year ended 31 December 2016:

Name	Note	Percentage holding	Country of incorporation	Line of business
Be Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services		98.01	Greece	Business-to-business e-commerce, accounting and tax services
Cloud Hellas S.A. (1)	e	20.00	Greece	Real estate
Eurobank Asset Management Mutual Fund Mngt Company S.A.		100.00	Greece	Mutual fund and asset management
Eurobank Business Services S.A.	d	100.00	Greece	Payroll and advisory services
Eurobank Equities S.A.		100.00	Greece	Capital markets and advisory services
Eurobank Ergasias Leasing S.A.		100.00	Greece	Leasing
Eurobank Factors S.A.		100.00	Greece	Factoring
Eurobank FPS Loans and Credits Claim Management S.A.		100.00	Greece	Loans and Credits Claim Management
Eurobank Household Lending Services S.A.		100.00	Greece	Promotion/management of household products
Grivalia Properties R.E.I.C. (1)	e	20.00	Greece	Real estate
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Eurobank Remedial Services S.A.		100.00	Greece	Notification to overdue debtors
Hellenic Post Credit S.A.		50.00	Greece	Credit card management and other services
Eurobank ERB Mutual Funds Mngt Company S.A. (2)		100.00	Greece	Mutual fund management
Herald Greece Real Estate development and services company 1		100.00	Greece	Real estate
Herald Greece Real Estate development and services company 2		100.00	Greece	Real estate
Eurobank Bulgaria A.D.		99.99	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Rendering of financial services and credit card management
ERB Property Services Sofia A.D.		100.00	Bulgaria	Real estate services
ERB Leasing E.A.D.		100.00	Bulgaria	Leasing
IMO 03 E.A.D.		100.00	Bulgaria	Real estate services
IMO Central Office E.A.D.		100.00	Bulgaria	Real estate services
IMO Property Investments Sofia E.A.D.		100.00	Bulgaria	Real estate services
ERB Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
Eurobank Cyprus Ltd		100.00	Cyprus	Banking
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd		100.00	Cyprus	Special purpose investment vehicle
ERB New Europe Funding III Ltd		100.00	Cyprus	Finance company
Foramonio Ltd		100.00	Cyprus	Real estate
NEU 03 Property Holdings Ltd		100.00	Cyprus	Holding company
NEU II Property Holdings Ltd		100.00	Cyprus	Holding company
NEU BG Central Office Ltd		100.00	Cyprus	Holding company
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		100.00	Luxembourg	Fund management
Eurobank Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company
Grivalia Hospitality S.A. (1)	e	20.00	Luxembourg	Real estate
Grivalia New Europe S.A. (1)	e	20.00	Luxembourg	Real estate
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Funding II B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.		100.00	Netherlands	Holding company
Bancpost S.A.		99.15	Romania	Banking
Eliade Tower S.A. (1)	e	20.00	Romania	Real estate
ERB IT Shared Services S.A.		100.00	Romania	Informatics data processing
ERB Leasing IFN S.A.		100.00	Romania	Leasing
ERB Retail Services IFN S.A.		100.00	Romania	Credit card management
Eurobank Finance S.A.		100.00	Romania	Investment banking
Eurobank Property Services S.A.		100.00	Romania	Real estate services

Name	Note	Percentage holding	Country of incorporation	Line of business
IMO Property Investments Bucuresti S.A.		100.00	Romania	Real estate services
IMO-II Property Investments S.A.		100.00	Romania	Real estate services
Retail Development S.A.[1]	e	20.00	Romania	Real estate
Seferco Development S.A.[1]	e	20.00	Romania	Real estate
Eurobank A.D. Beograd		99.98	Serbia	Banking
ERB Asset Fin d.o.o. Beograd [2]		100.00	Serbia	Asset management
ERB Leasing A.D. Beograd		99.99	Serbia	Leasing
ERB Property Services d.o.o. Beograd		100.00	Serbia	Real estate services
IMO Property Investments A.D. Beograd		100.00	Serbia	Real estate services
Reco Real Property A.D.[1]	e	20.00	Serbia	Real estate
ERB Istanbul Holding A.S.		100.00	Turkey	Holding company
ERB Hellas Plc		100.00	United Kingdom	Special purpose financing vehicle
Anaptyxi II Plc [2]		-	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle
Daneion 2007-1 Plc [2]		-	United Kingdom	Special purpose financing vehicle
Daneion APC Ltd [2]		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc [2]		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc [2]		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc [2]		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc [2]		-	United Kingdom	Special purpose financing vehicle
Tegea Plc	b	-	United Kingdom	Special purpose financing vehicle

[1] *As at 31 December 2016, the consolidation percentage of Grivalia subgroup amounts to 20.83% after excluding Grivalia's own shares.*

[2] *Entities under liquidation.*

The Group holds less than half of the voting rights of Grivalia Properties R.E.I.C. and its subsidiaries: Cloud Hellas S.A., Greece; Eliade Tower S.A., Retail Development S.A., Seferco Development S.A., Romania, Reco Real Property A.D., Serbia, Grivalia Hospitality S.A., Luxembourg and Grivalia New Europe S.A., Luxembourg ('GRIVALIA subgroup'), which are controlled by the Group based on the terms of a relevant shareholders' agreement. In addition, the Group holds half of the voting rights of Hellenic Post Credit S.A. which is fully consolidated. The Bank with the consent of the other shareholder who holds the remaining 50% of the share capital, has appointed the majority of the Board's directors and directs the current operations that significantly affect the returns of the company.

The following entities are not included in the consolidated financial statements mainly due to immateriality:

(i) Holding and other entities of the Group's special purpose financing vehicles: (a) Anaptyxi II Holdings Ltd, Themeleion III Holdings Ltd, Themeleion IV Holdings Ltd and Daneion Holdings Ltd, which are under liquidation, (b) Anaptyxi SME I Holdings Ltd, Karta II Holdings Ltd and Tegea Holdings Ltd, which was established in July 2016 and (c) Themeleion V Mortgage Finance Plc, Themeleion VI Mortgage Finance Plc and Anaptyxi APC Ltd, which are revived and under liquidation.

(ii) Dormant/under liquidation entities: Enalios Real Estate Development S.A., Hotels of Greece S.A.

(iii) Entities controlled by the Group pursuant to the terms of the relevant share pledge agreements: Finas S.A., Rovinvest S.A., Provet S.A. and Promivet S.A.

(a) Proton Mutual Funds Management Company S.A., Greece

In June 2016, the liquidation of the company was completed.

(b) Tegea Plc, United Kingdom

In July 2016, Tegea Plc was established as the Group's special purpose financing vehicle (note 36).

(c) ERB ROM Consult S.A, Romania

In July 2016, the liquidation of the company was completed.

(d) Eurobank Business Services S.A., Greece

In October 2016, the Group entered into a pre-sale agreement for the disposal of the company for a total cash consideration of € 2.1 million, 50% of which was received in November 2016, while the remaining amount will be received into two equal annual installments. As at 31 December 2016, the total assets of the company amounted to € 3 million (of which intragroup assets € 1.6 million), while total liabilities amounted to € 1.4 million (of which intragroup liabilities € 0.8 million). The sale is expected to be completed in the second quarter of 2017.

Changes in ownership interest in subsidiaries which did not result in loss of control

(e) GRIVALIA subgroup (Grivalia Properties R.E.I.C. and its subsidiaries)

During the first half of 2016 the Group acquired, through Eurolife ERB Life Insurance S.A. and Eurolife ERB General Insurance S.A. 0.45% of Grivalia Properties R.E.I.C. In August 2016, following the disposal of the Group's Insurance operations (note 17), the total Group participation to GRIVALIA subgroup decreased from 20.93% to 20.00%.

In 2015, the changes in ownership in the Group's subsidiaries without loss of control are as follows:

(i) Eurobank ERB Mutual Funds Mngt Company S.A., Greece (former Hellenic Postbank – Hellenic Post Mutual Funds Management Company S.A.)

In January 2015, the Group acquired from Hellenic Post (ELTA) 49% of Hellenic Postbank – Hellenic Post Mutual Funds Management Company S.A. and thus the total Group participation to the company amounted to 100%. In September 2015, the Annual General Meeting of shareholders of the company decided its liquidation. In November 2015, Hellenic Postbank - Hellenic Post Mutual Funds Mngt Company S.A. was renamed to Eurobank ERB Mutual Funds Mngt Company S.A.

(ii) Eurobank Property Services S.A., Romania

In March 2015, the Group acquired from Lamda Development S.A 20% of Eurobank Property Services S.A. and thus the total Group participation to the company amounts to 100%.

(iii) ERB Property Services d.o.o. Beograd, Serbia

In April 2015, the Group acquired from Lamda Development S.A 20% of ERB Property Services d.o.o. Beograd and thus the total Group participation to the company amounts to 100%.

(iv) Bancpost S.A., Romania

In June 2015, the Group acquired 0.04% of Bancpost S.A. and thus the total Group participation to the company amounts to 99.15%.

Changes in ownership interest in subsidiaries which resulted in loss of control

(f) Eurolife ERB Insurance Group Holdings S.A., Greece

On 4 August 2016, the Group announced the completion of the sale of 80% of Eurolife ERB Insurance Group Holdings S.A. Hence, as of that date, the company and its subsidiaries (ERB Insurance Services S.A., Eurolife ERB General Insurance S.A., Eurolife ERB Life Insurance S.A., Diethnis Ktimatiki S.A., Eurolife ERB Asigurari De Viata S.A. and Eurolife ERB Asigurari Generale S.A.) are not consolidated (notes 17 and 32).

(g) IMO Rila E.A.D., Bulgaria

In September 2016, the Group announced the completion of the sale of 100% of IMO Rila E.A.D for a cash consideration of € 10.2 million. The resulting loss on the disposal was immaterial.

(h) ERB Property Services Ukraine LLC, Ukraine

In September 2016, the Group disposed of ERB Property Services Ukraine LLC. The cash consideration and the resulting loss on the disposal were immaterial.

(i) Public J.S.C. Universal Bank, Ukraine

In December 2016, the Group announced the completion of the sale of 99.99% of Public J.S.C. Universal Bank (note 17).

During 2015, there were no changes in ownership interest in Group's subsidiaries which resulted in loss of control.

Post balance sheet events

Standard Ktimatiki S.A., Greece

In January 2017, the Bank acquired 100% of the shares and voting rights of the real estate company Standard Ktimatiki S.A. for a cash consideration of € 0.75 million. The acquisition took place following an enforcement of collateral on the company's shares under a Group's finance lease arrangement of an outstanding amount of € 20 million (net of an impairment allowance of € 25 million).

The acquisition was accounted for as a business combination using the purchase method of accounting. The fair value measurement of the assets and liabilities acquired has not been finalized up to the date of the publication of these financial statements. At the date of acquisition, the provisional values of the total assets amounted to € 22 million, while total liabilities (mainly referring to the intragroup finance lease) amounted to € 45 million. Based on the provisional values stated above, the resulting goodwill asset of € 24 million was immediately fully impaired, as it was not supported by the cash flows analysis of the specific business. In addition, at the acquisition date the intragroup finance lease arrangement was effectively settled and the related impairment allowance was released to the income statement.

Grivalia Hospitality S.A., Luxembourg

In February 2017, the participation of the Bank's subsidiary Grivalia Properties R.E.I.C in the company decreased from 100% to 50% following a share capital increase of € 58 million, in favor of the new shareholder of the company Eurolife ERB Life Insurance S.A. Based on the contractual terms of the shareholders' agreements, the company will be accounted as a joint venture of the Group under the equity method. As a result of the transaction, 20.42% of the company's net assets will be attributable to the shareholders of the Bank (through the application of the equity method both from Grivalia and Eurolife), while 39.58% will be attributable to non-controlling interests. In March 2017, the acquisition of 100% of Pearl Island Holdings Limited by the company was completed.

Eurobank FPS Loans and Credits Claim Management S.A., Greece

In the first quarter of 2017, the company's purpose as defined in its articles of association was amended and its name was changed from Eurobank Financial Planning Services S.A. to Eurobank FPS Loans and Credits Claim Management S.A. Following the above, the company obtained a license from the Bank of Greece that allows it to operate as an independent servicer of loans granted by credit or financial institutions pursuant to the Law 4354/2015.

Group subsidiaries with material non-controlling interests

Grivalia Properties R.E.I.C and its subsidiaries are the only of the Group's entities with material non-controlling interests amounting to 79.17%[(1)] in 2016 (2015: 79.52%). Financial information regarding GRIVALIA subgroup, which is before inter-company eliminations with other companies in the Group, is provided in the table below:

	2016 € million	2015 € million
Total income	**63**	60
Total expenses	**(40)**	(27)
Net profit/(loss)	**23**	33
Other comprehensive income	**(0)**	(0)
Total comprehensive income	**23**	33
Total comprehensive income attibutable to non controlling interests	**19**	26
Total assets	**881**	915
Total liabilities	**76**	78
Net assets	**805**	837
Net assets attributable to non controlling interests	**637**	667
Net cash from/(used in) operating activities	**42**	45
Net cash from/(used in) investing activities	**(39)**	(76)
Net cash from/(used in) financing activities	**(53)**	(42)
Net increase/(decrease) in cash and cash equivalents	**(50)**	(73)
Cash and cash equivalents at beginning of year	**112**	185
Cash and cash equivalents at end of year	**62**	112
Dividends paid to non controlling interests	**24**	24

[(1)] *After excluding Grivalia's own shares.*

The GRIVALIA subgroup entities' principal country of operation is the same as the country of their incorporation, other than Grivalia Hospitality S.A., whose activity is the acquisition, development and management of hospitality real estate in Greece and abroad.
The proportion of voting rights held by non-controlling interests does not differ from the proportion of ownership interests held by them.

Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from regulatory, statutory and contractual requirements, as well as from the protective rights of non-controlling interests, set out below:

- Banking and other financial institution subsidiaries are subject to regulatory restrictions and central bank requirements in the countries in which the subsidiaries operate. Such supervisory framework requires the subsidiaries to maintain minimum capital buffers and certain capital adequacy and liquidity ratios, including restrictions to limit exposures and/or the transfer of funds to the Bank and other subsidiaries within the Group. Accordingly, even if the subsidiaries’ financial assets are not pledged at an individual entity level, their transfer within the Group may be restricted under the existing supervisory framework. In this situation, it is not feasible to identify individual balance sheet items that cannot be transferred other than the major part of ECB’s available collateral held by Group’s subsidiaries (note 7.2.3).

As at 31 December 2016, the carrying amount of the Group financial institution subsidiaries’ assets and liabilities, before intercompany eliminations, amounted to € 16.8 bn and € 14.6 bn, respectively (2015: € 16.8 bn and € 14.9 bn).

- Subsidiaries are subject to statutory requirements mainly relating with the level of capital and total equity that they should maintain, restrictions on the distribution of capital and special reserves, as well as dividend payments to their ordinary shareholders. Information relating to the Group’s non-distributable reserves is provided in note 42. Moreover, the distribution of dividend to the preference shareholders, as well as the preferred securities holders is subject to restrictions provided under Law 3723/2008 in combination with Law 2190/1920 (note 40) and the preferred securities’ prospectus (note 41), respectively.

- The Group uses its financial assets as collateral for repo and derivative transactions, secured borrowing from central and other banks, issuances of covered bonds, as well as securitizations. As a result of financial assets’ pledge, their transfer within the group is not permitted. Information relating to the Group’s pledged financial assets is provided in notes 21, 32 and 43.

- The Group is required to maintain balances with central banks and also posts cash collaterals for obtaining funding from Eurosystem. Information relating to mandatory and collateral deposits with central banks is provided in note 19.

- In accordance with the terms of the Shareholders’ Agreement of Grivalia Properties R.E.I.C., certain protective rights were granted to non-controlling interests, requiring their consent for specific material and related party transactions that involve the GRIVALIA subgroup’s total assets and liabilities, before intercompany eliminations, of € 881 million and € 76 million, respectively.

28. Structured Entities

The Group is involved in various types of structured entities, such as securitization vehicles, mutual funds and private equity funds.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities, a narrow well-defined objective, insufficient equity to permit it to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

An interest in a structured entity refers to contractual and non-contractual involvement that exposes the Group to variability of returns from the performance of the structured entity. Examples of interest in structured entities include the holding of debt and equity instruments, contractual arrangements, liquidity support, credit enhancement, residual value.

Structured entities may be established by the Group or by a third party and are consolidated when the substance of the relationship is such that the structured entities are controlled by the Group, as set out in note 2.2(i). As a result of the consolidation assessment performed, the Group has involvement with both consolidated and unconsolidated structured entities, as described below.

Consolidated structured entities

The Group, as part of its funding activity, enters into securitization transactions of various classes of loans (mortgage, consumer loans, credit card and bond loans), which generally result in the transfer of the above assets to structured entities (securitization vehicles), which, in turn issue debt securities held by investors and the Group's entities. A listing of the Group's consolidated structured entities is set out in note 27.

The Group monitors the credit quality of the securitizations' underlying loans, as well as the credit ratings of the debt instruments issued, when applicable, and provides either credit enhancements to the securitization vehicles and/or transfers new loans to the pool of their underlying assets, whenever necessary, in accordance with the terms of the relevant contractual arrangements in force. As at 31 December 2016, the face value of debt securities issued by the securitizations sponsored by the Group amounted to € 3,278 million, all of which were held by the Group's entities, in order to obtain collateralized funding (2015: € 1,505 million, all of which were held by the Group's entities).

The Group did not provide any non contractual financial or other support to these structured entities, and currently has no intention to do so in the foreseeable future.

Unconsolidated structured entities

The Group enters into transactions with unconsolidated structured entities, which are those not controlled by the Group, in the normal course of business, to provide fund management services and in order to take advantage of specific investment opportunities.

Group managed funds

The Group establishes and manages structured entities in order to provide customers, either retail or institutional, with investment opportunities. Accordingly, through its subsidiaries Eurobank Asset Management Mutual Fund Mngt Company S.A., Eurobank Fund Management Company (Luxembourg) S.A. and ERB Asset Fin doo Beograd, it is engaged with the management of different types of mutual funds, including fixed income, equities, funds of funds and money market.

Additionally, the Group is entitled to receive management and other fees and may hold investments in such mutual funds for own investment purposes as well as for the benefit of its customers.

The Group is involved in the initial design of the mutual funds and, in its capacity as fund manager, takes investment decisions on the selection of their investments, nevertheless within a predefined, by relevant laws and regulations, decision making framework. Therefore, the Group has determined that it has no power over these funds.

Furthermore, in its capacity as fund manager, the Group primary acts as an agent in exercising its decision making authority over them. Based on the above, the Group has assessed that it has no control over these mutual funds and as a result does not consolidate them. The Group does not have any contractual obligation to provide financial support to the managed funds and does not guarantee their rate of return.

Non-Group managed funds

The Group purchases and holds units of third party managed funds including mutual funds, private equity and other investment funds.

Securitizations

The Group has interests in unconsolidated securitization vehicles by investing in residential mortgage backed and other asset-backed securities issued by these entities.

The table below sets out the carrying amount of the Group's interests in unconsolidated structured entities, recognized in the consolidated balance sheet as at 31 December 2016, representing its maximum exposure to loss in relation to these interests. Information relating to the total income derived from interests in unconsolidated structured entities, recognized either in profit or loss or other comprehensive income during 2016 is also provided (i.e. fees, interest income, net gains or losses on revaluation and derecognition):

	31 December 2016			
	Unconsolidated structured entity type			
	Securitizations € million	Group managed funds € million	Non- Group managed funds € million	Total € million
Group's interest- assets				
Investment securities	188	56	27	**271**
Financial instruments held for trading	-	-	1	**1**
Other Assets	-	1	-	**1**
Total	**188**	**57**	**28**	**273**
Total income from Group interests	1	32	(1)	**32**

	31 December 2015			
	Unconsolidated structured entity type			
	Securitizations € million	Group managed funds € million	Non- Group managed funds € million	Total € million
Group's interest- assets				
Investment securities	243	56	25	324
Financial instruments held for trading	-	-	1	1
Other Assets	-	1	-	1
Total	243	57	26	326
Total income from Group interests	1	37	(3)	35

Total income from Group interests in relation to Group managed funds, amounting to € 32 million in 2016 as presented in the table above, consists mainly of income relating to management fees and other commissions for the management of funds. In addition, from total income in relation to non-Group managed funds, amounting to € 0.5 million losses in 2016 as set out above, derived from gains or losses on revaluation and derecognition of interests, € 0.1 million gain have been recognized in other comprehensive income, whereas € 0.6 million relate to losses recognized in profit or loss. Income in relation to securitizations has been recognized in profit or loss.

As at 31 December 2016, the total assets of funds under the Group's management as well as those of unconsolidated securitization vehicles amounted to € 2,502 million (2015: € 3,677 million) and € 8,749 million (2015: € 10,930 million), respectively.

29. Property, plant and equipment

	31 December 2016			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	829	237	421	1,487
Arising from acquisitions (note 47)	1	2	0	3
Transfers from/to repossessed assets	(3)	-	-	(3)
Other transfers	(2)	0	0	(2)
Additions	8	7	8	23
Disposals and write-offs	(6)	(26)	(11)	(43)
Exchange adjustments	(1)	(0)	(0)	(1)
Balance at 31 December	826	220	418	1,464
Accumulated depreciation:				
Balance at 1 January	(239)	(203)	(379)	(821)
Transfers	1	(0)	(1)	(0)
Disposals and write-offs	3	24	12	39
Charge for the year	(22)	(9)	(13)	(44)
Balance at 31 December	(257)	(188)	(381)	(826)
Net book value at 31 December	569	32	37	638

	31 December 2015			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	835	247	427	1,509
Other transfers	2	(2)	(8)	(8)
Additions	6	6	10	22
Disposals and write-offs	(13)	(13)	(5)	(31)
Exchange adjustments	(1)	(0)	(1)	(2)
Discontinued operations	(0)	(1)	(2)	(3)
Balance at 31 December	829	237	421	1,487
Accumulated depreciation:				
Balance at 1 January	(227)	(206)	(374)	(807)
Transfers	0	1	3	4
Disposals and write-offs	10	11	5	26
Charge for the year	(22)	(10)	(14)	(46)
Discontinued operations	(0)	1	1	2
Balance at 31 December	(239)	(203)	(379)	(821)
Net book value at 31 December	590	34	42	666

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

As at 31 December 2016, assets under construction included above amount to € 0.8 million (2015: € 0.3 million).

The net book value of finance leases included in property, plant and equipment as at 31 December 2016 was nil (2015: € 1.1 million).

30. Investment property

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

	2016 € million	2015 € million
Cost:		
Balance at 1 January	**997**	937
Transfers from/to repossessed assets	**22**	20
Other transfers	**2**	(2)
Additions	**33**	85
Disposals and write-offs	**(50)**	(22)
Impairments	**(18)**	(19)
Discontinued operations	**-**	(2)
Balance at 31 December	**986**	997
Accumulated depreciation:		
Balance at 1 January	**(72)**	(61)
Disposals and write-offs	**3**	1
Charge for the year	**(12)**	(12)
Discontinued operations	**-**	(0)
Balance at 31 December	**(81)**	(72)
Net book value at 31 December	**905**	925

During the year ended 31 December 2016, an amount of € 52 million (2015: € 48 million) was recognized as rental income from investment property in income from non banking services. As at 31 December 2016 and 2015, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2016 for each class of investment property are presented in the below table. The main classes of investment property have been determined based on the nature, the characteristics and the risks of the Group's properties. The fair value measurements of the Group's investment property are categorized within level 3 of the fair value hierarchy.

	31 December 2016		31 December 2015	
	Fair Value € million	Book Value € million	Fair Value € million	Book Value € million
Residential				
International countries	**47**	**45**	61	58
Total	**47**	**45**	61	58
Commercial				
Greece	**654**	**605**	625	581
International countries	**135**	**129**	155	150
Total	**789**	**734**	780	731
Land Plots				
Greece	**5**	**3**	5	4
International countries	**42**	**42**	48	48
Total	**47**	**45**	53	52
Industrial				
Greece	**50**	**40**	52	41
International countries	**44**	**41**	43	43
Total	**94**	**81**	95	84
Total	**977**	**905**	989	925

The basic methods used for estimating the fair value of the Group's investment property are the income approach (income capitalization/discounted cash flow method), the comparative method and the cost approach, which are also used in combination depending on the class of property being valued.

The discounted cash flow method is used for estimating the fair value of the Group's commercial investment property. Fair value is calculated through the projection of a series of cash flows using explicit assumptions regarding the benefits and liabilities of ownership (income and operating costs, vacancy rates, income growth), including the residual value anticipated at the end of the projection period. To this projected cash flows series, an appropriate, market-derived discount rate is applied to establish its present value.

Under the income capitalization method, also used for the commercial class of investment property, a property's fair value is estimated based on the normalized net operating income generated by the property, which is divided by the capitalization rate (the investor's rate of return).

The comparative method is used for the residential, commercial and land plot classes of investment property. Fair value is estimated based on data for comparable transactions, by analyzing either real transaction prices of similar properties, or by asking prices after performing the necessary adjustments.

The cost approach is used for estimating the fair value of the residential and the industrial classes of the Group's investment property. This approach refers to the calculation of the fair value based on the cost of reproduction/replacement (estimated construction costs), which is then reduced by an appropriate rate to reflect depreciation.

The Group's investment property valuations are performed taking into consideration the highest and best use of each asset that is physically possible, legally permissible and financially feasible.

31. Intangible assets

	31 December 2016			31 December 2015		
	Goodwill € million	Other intangible assets € million	Total € million	Goodwill € million	Other intangible assets € million	Total € million
Cost:						
Balance at 1 January	**519**	**361**	**880**	541	347	888
Transfers	-	**(0)**	**(0)**	-	10	10
Additions	-	**43**	**43**	-	22	22
Disposals and write-offs	-	**(1)**	**(1)**	-	(12)	(12)
Exchange adjustments and other	-	**0**	**0**	-	(1)	(1)
Discontinued operations	-	-	-	(22)	(5)	(27)
Balance at 31 December	**519**	**403**	**922**	519	361	880
Accumulated impairment/amortisation:						
Balance at 1 January	**(519)**	**(234)**	**(753)**	(519)	(219)	(738)
Transfers	-	**1**	**1**	-	(4)	(4)
Amortisation charge for the year	-	**(26)**	**(26)**	-	(26)	(26)
Disposals and write-offs	-	**1**	**1**	-	12	12
Exchange adjustments	-	**0**	**0**	-	0	0
Discontinued operations	-	-	-	-	3	3
Balance at 31 December	**(519)**	**(258)**	**(777)**	(519)	(234)	(753)
Net book value at 31 December	**0**	**145**	**145**	0	127	127

Computer software

In 2016, the amortization period for certain core banking software systems was changed from 4-10 to 4-15 years, based on revised estimates about their useful life. The change was applied prospectively, with no significant impact on the Group's income statement for the year ended 31 December 2016, and is not expected to have a significant impact on the Group's profit or loss in future periods.

32. Other assets

	2016 € million	2015 € million
Receivable from Deposit Guarantee and Investment Fund	**695**	677
Repossessed properties and relative prepayments	**406**	463
Pledged amount for a Greek sovereign risk financial guarantee	**242**	258
Income tax receivable	**192**	271
Other guarantees	**74**	182
Prepaid expenses and accrued income	**57**	39
Investments in associated undertakings and joint ventures (see below)	**101**	10
Other assets	**185**	251
Total	**1,952**	2,151

As at 31 December 2016, other assets amounting to € 185 million (2015: € 251 million) mainly consist of receivables from (a) settlement balances with customers, (b) public entities, (c) legal cases, net of provisions and (d) brokerage activity.

The following is the listing of the Group's associated undertakings and joint ventures as at 31 December 2016:

Name	Note	Country of incorporation	Line of business	Percentage Holding
Femion Ltd		Cyprus	Special purpose investment vehicle	66.45
Tefin S.A. [(1)]		Greece	Motor vehicle sales financing	50.00
Sinda Enterprises Company Ltd		Cyprus	Special purpose investment vehicle	48.00
Singidunum - Buildings d.o.o. Beograd	b	Serbia	Development of building projects	43.19
Global Finance S.A. [(3)]		Greece	Investment financing	33.82
Rosequeens Properties Ltd		Cyprus	Special purpose investment vehicle	33.33
Rosequeens Properties SRL		Romania	Real estate	33.33
Odyssey GP S.a.r.l.		Luxembourg	Special purpose investment vehicle	20.00
Eurolife ERB Insurance Group Holdings S.A.	c	Greece	Holding company	20.00
Piraeus Port Plaza 1 Development S.A. [(2)]	d	Greece	Real estate	50.00

[(1)] *In December 2013, the Extraordinary General Meeting of shareholders of the company decided its liquidation.*
[(2)] *The Bank's subsidiary Grivalia Properties R.E.I.C. holds 50% of the share capital of the company. Accordingly, under the equity method of accounting, 10.42% of the company's net assets is attributable to the shareholders of the Bank, while 39.58% is attributable to non-controlling interests.*
[(3)] *Global Finance group (Global Finance S.A. and its subsidiaries) is considered as a Group's associated undertaking.*

The following entities are not accounted under the equity method in the consolidated financial statements:

(i) Filoxenia S.A. which is a dormant and under liquidation associated undertaking, is not accounted under the equity method due to immateriality.

(ii) Omega Insurance and Reinsurance Brokers S.A. in which the Group holds 26.05%. The Group is not represented in the Board of Directors of the company, therefore does not exercise significant influence over it.

In addition, Femion Ltd. is accounted for as a joint venture of the Group based on the substance and the purpose of the arrangement and the terms of the shareholder's agreement which require the unanimous consent of the shareholders for significant decisions and establish shared control through the equal representation of the shareholders in the management bodies of the company.

(a) Unitfinance S.A., Greece
In the first quarter of 2016, the liquidation of the company was completed.

(b) Singidunum - Buildings d.o.o. Beograd, Serbia
In February 2016, IMO Property Investments A.D. Beograd acquired 50% of the shares and voting rights of Singidunum - Buildings d.o.o. Beograd ('Singidunum'), a real estate company incorporated in Serbia, for a cash consideration of € 10 million. At the date of acquisition, the Group's share of the net fair value of Singidunum's identifiable assets and liabilities amounted to € 10.16 million.

Therefore, an excess amount of € 0.16 million over the cost of the investment arose, which was included as income in the Group's share of the entity's results in the first quarter of 2016.

During 2016, the Group's participation in Singidunum decreased from 50% to 43.19%, following a debt to equity conversion and the additional share capital increases of the company in favor of the other shareholder, Lamda Development B.V.

(c) Eurolife ERB Insurance Group Holdings S.A., Greece

As of 4 August 2016, following the completion of the sale of 80% of Eurolife ERB Insurance Group Holdings S.A., the Group holds 20% ownership in the company. Hence, thereafter, Eurolife insurance group (Eurolife ERB Insurance Group Holdings S.A. and its subsidiaries) is considered as a Group's associated undertaking (note 17).

(d) Piraeus Port Plaza 1 Development S.A., Greece

In October 2016, the Group acquired 50% of Piraeus Port Plaza 1 Development S.A., a real estate company, through its subsidiary Grivalia Properties R.E.I.C for a consideration of € 1.62 million. Based on the contractual terms of the shareholders' agreement, the company is considered as a joint venture of the Group. At the date of acquisition, the Group's share of the net fair value of the company's identifiable assets and liabilities amounted to € 2.57 million. Therefore, an excess amount of € 0.95 million over the cost of the investment arose, which was included as income in the Group's share of the entity's results in the fourth quarter of 2016.

Associates material to the Group

With regards to the Group's associated undertakings and joint ventures, Eurolife ERB Insurance Group Holdings S.A. is the only associated undertaking of the Group considered individually material for the Group. Financial information regarding Eurolife ERB Insurance Group Holdings S.A. is provided in the table below:

	2016 € million
Current assets	2,261
Non-current assets	83
Total assets	**2,344**
Current liabilities	346
Non-current liabilities	1,594
Total liabilities	**1,940**
Operating income	(16)
Net profit/(loss)	(20)
Other comprehensive income	**11**
Total comprehensive income	**(9)**
Dividends paid to the Group	**-**

The carrying amount, in aggregate, of the Group's joint ventures as at 31 December 2016 amounted to € 17 million (2015: € 6 million). The Group's share of profit and loss and total comprehensive income of the above entities was immaterial.

The carrying amount, in aggregate, of the Group's associated undertakings excluding Eurolife ERB Insurance Group Holdings S.A. which is presented above (i.e. Global Finance S.A. and Odyssey GP S.a.r.l.) as at 31 December 2016 amounted to € 3 million (2015: € 4 million). The Group's share of profit and loss and total comprehensive income of the above entities was immaterial.

The Group has not recognized losses in relation to its interest in its joint ventures, as its share of losses exceeded its interest in them and no incurred obligations exist or any payments were performed on behalf of them. For the year ended 31 December 2016, the unrecognized share of losses for the Group's joint ventures amounted to € 1.5 million (2015: € 1.5 million). The cumulative amount of unrecognized share of losses for the joint ventures amounted to € 9.3 million.

The Group has no contingent liabilities regarding its participation in associated undertakings or joint ventures nor any unrecognized commitments in relation to its participation in joint ventures which could result to a future outflow of cash or other resources, other than disclosed in note 45.

Other than in relation to Eurolife ERB Insurance Group Holdings S.A, which is subject to regulatory and statutory restrictions and holds financial assets in order to satisfy its obligations to policy holders, no significant restrictions exist (e.g. resulting from loan agreements, regulatory requirements or other contractual arrangements) on the ability of associated undertakings or joint ventures to transfer funds to the Group either as dividends or to repay loans that have been financed by the Group.

Post balance sheet events

Alpha Investment Property Kefalariou S.A., Greece

In January 2017, in the context of the debt restructuring of NIKAS S.A. and its subsidiaries, the Bank acquired 41.67% of the shares and voting rights of Alpha Investment Property Kefalariou S.A. for € 0.01 million. The Bank subsequently participated, along with the other banks holding a collateralized bond loan to NIKAS S.A. (Alpha Bank and Attica Bank), in the share capital increase of Alpha Investment Property Kefalariou S.A. on a pro rata basis with € 7.5 million, out of a total amount of € 18 million.

Following the execution of the Nikas' Debt Restructuring Agreement, that includes among others the debt to asset swap of a certain real estate property, Alpha Investment Property Kefalariou S.A. acquired from NIKAS S.A. the property which served at the time as collateral to the related bond loan for a total consideration of € 17 million. The proceeds from the disposal of the property were used by NIKAS S.A. to partially settle its debt obligations against the banks.

Alpha Investment Property Kefalariou S.A. will be accounted for as an associated undertaking of the Group.

Famar S.A., Luxembourg

On 7 March 2017, the Bank acquired 24.37% of the shares and voting rights of Famar S.A for a cash consideration of € 2. The acquisition took place following the execution of a Restructuring Protocol, according to which Marinopoulos Holding S.à r.l. had agreed to sell the company's shares to Eurobank, Alpha Bank, National Bank of Greece and Piraeus Bank (the Greek banks). On the same date, the company's Extraordinary General Meeting resolved, among others, the conversion of the existing company's shares into new shares of certain classes and rights, which were reallocated among its new shareholders. As a result, the Bank's participation to the company's share capital decreased to 23.55%. In accordance with the terms of the shareholders' agreement signed on 7 March 2017, the management of Famar S.A was assumed by Pillarstone and the Greek banks. It was further agreed that the Greek banks will make available to Famar new funds equal to € 40 million (Eurobank to participate at a proportion of 24.37%) and that the outstanding senior debt facility of Famar Holding will be restructured.

The purpose of the acquisition of Famar S.A by the Greek banks was to maximize the potential recovery of the loans granted to Famar Group and the loans to Marinopoulos Group, which were secured by a pledge over Famar's shares.

33. Due to central banks

	2016 € million	2015 € million
Secured borrowing from ECB and BoG	**13,906**	25,267

As at 31 December 2016, the Bank has lowered its dependency on Eurosystem financing facilities to € 13.9 bn (of which € 11.9 bn funding from ELA), mainly through the increase of wholesale secured funding, the selective assets deleveraging, the utilization of part of foreign subsidiaries' liquidity surplus and due to inflows from deposits. As at 28 February 2017, the Eurosystem funding stood at € 14.1 bn, of which € 12.1 bn funding from ELA.

34. Due to credit institutions

	2016 € million	2015 € million
Secured borrowing from credit institutions	**7,275**	3,969
Borrowings from international financial and other institutions	**362**	478
Interbank takings	**69**	39
Current accounts and settlement balances with banks	**74**	30
Total	**7,780**	4,516

As at 31 December 2016, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals EFSF bonds, covered bonds and Greek government guaranteed bonds issued and retained by the Bank (notes 26 and 36). As at 31 December 2016, borrowings from international financial and other institutions include borrowings from European Investment Bank, European Bank for Reconstruction and Development and other similar institutions, of which secured borrowing € 58 million (2015: € 206 million).

35. Due to customers

	2016 € million	2015 € million
Savings and current accounts	**19,124**	17,679
Term deposits	**14,806**	13,653
Repurchase agreements	**53**	53
Other term products (note 36)	**48**	61
Total	**34,031**	31,446

As at 31 December 2016, the carrying amount of structured deposits designated at fair-value-through-profit-or-loss was € 3 million (2015: € 4 million) and their cumulative fair value change was € 1 million gain (2015: € 1 million gain), which is attributable to changes in market conditions.

The fair value change of structured deposits is offset in the income statement against changes in the fair value of structured derivatives.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured deposits was € 1 million (2015: € 1 million).

The other term products comprise of (a) senior medium-term notes held by Group's customers, amounting to € 16 million (2015: € 28 million) and (b) subordinated notes held by Group's customers, amounting to € 32 million (2015: € 33 million).

36. Debt securities in issue

	2016 € million	2015 € million
Medium-term notes (EMTN) (note 35)	**59**	108
Subordinated - Lower Tier II (note 35)	**43**	42
Total	**102**	150

As at 31 December 2016, the carrying amount of structured notes designated at fair-value-through-profit-or-loss amounted to € 3 million (2015: € 38 million) and their cumulative fair value change to € 0.5 million gain (2015: € 0.2 million gain). The fair value of the structured notes takes into account the credit risk of the Group. As at 31 December 2016, the cumulative change in fair value of these instruments attributable to changes in credit risk amounted to € 0.4 million gain (2015: € 0.1 million gain). The fair value change of the structured notes due to market risk, other than the Group's credit risk, is offset in the income statement against changes in the fair value of structured derivatives.

The difference between the carrying amount and the contractual undiscounted amount that will be required to be paid at the maturity of the structured notes was € 0.3 million (2015: € 0.2 million).

The Group's funding consists of notes under Euro Medium Term Note (EMTN) program, securitizations of various classes of loans, covered bonds and government guaranteed bonds (note 43):

Medium-term notes (EMTN)

During the year, the Group proceeded with the repurchase of medium term notes of face value of € 22 million, recognizing a gain of € 2 million presented in line 'Net trading income' of Group's income statement, while notes of face value of € 39 million matured. As at 31 December 2016, the carrying amount of the liability amounted to € 75 million, € 16 million of which were held by Group's customers (note 35).

On 29 October 2015, the Bank launched a Liability Management Exercise (LME), in combination with its share capital increase (note 39). On 23 November 2015, the Bank announced that the aggregate purchase proceeds of the securities accepted as part of the LME amounted to € 418 million of which EMTN's € 247 million. The corresponding face value of EMTN's amounted to € 207 million (€ 128 million were held by third parties).

Subordinated (Lower TIER II)

The Lower Tier II unsecured subordinated notes issued by the Group as at 31 December 2016, amounted to € 75 million, € 32 million of which were held by Group's customers (note 35). The notes have a ten-year maturity with a call provision after five years. The notes pay floating rate interest quarterly based on a coupon of three month Euribor plus 160 basis points, qualify as Lower Tier II capital for the Group and are listed on the Luxembourg Stock Exchange.

On 23 November 2015, the Bank announced that the aggregate purchase proceeds of subordinated loan notes participated in the aforementioned Bank's LME amounted to € 154 million, which corresponded to face value of € 192 million. Accordingly, the LME of subordinated notes generated a gain of € 27 million after tax, presented in line 'Net trading income' of Group's income statement, for the year ended 31 December 2015.

Securitized

In July 2016, the Bank proceeded with the issue of mortgage backed securities of face value of € 1.9 bn effected through a special purpose entity, Tegea Plc. The total issue was fully retained by the Bank.

Government guaranteed and Covered bonds

As at 31 December 2016, the government guaranteed bonds under the second stream of the Greek Economy Liquidity Support Program (note 4), as well as the covered bonds, of face value of € 2,500 million and € 2,275 million respectively, were retained by the Bank and its subsidiaries.

During the year, the Group proceeded with the issue of covered bonds of face value of € 2,175 million, fully retained by the Bank.

During the year, government guaranteed bonds of face value € 6,650 million matured while € 3,893 million were redeemed.

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website (Investor Report for Covered Bonds Programs).

37. Other liabilities

	2016 **€ million**	2015 € million
Balances under settlement [(1)]	**249**	196
Other provisions	**121**	143
Deferred income and accrued expenses	**82**	70
Sovereign risk financial guarantee	**48**	50
Standard legal staff retirement indemnity obligations (note 38)	**48**	42
Income taxes payable	**18**	15
Deferred tax liabilities (note 16)	**3**	5
Other liabilities	**209**	221
Total	**778**	742

[(1)] *Includes settlement balances relating to bank cheques and remittances, credit card transactions, other banking and brokerage activities.*

As at 31 December 2016, other liabilities amounting to € 209 million mainly consist of payables relating with (a) suppliers and creditors, (b) contributions to insurance organizations and (c) duties and other taxes.

As at 31 December 2016, other provisions amounting to € 121 million mainly include outstanding litigations and claims in dispute of € 67 million (note 45), restructuring costs of € 36 million (of which € 34 million relate to the Voluntary Exit Scheme (VES), net of actual payments and € 2 million relate to the acquisition of Alpha Bank's Branch in Bulgaria by Eurobank Bulgaria A.D., note 47) and other provisions for operational risk events of € 13 million.

The movement of the Group's other provisions, is presented in the following table:

	31 December 2016		
	Litigations and claims in dispute € million	Other € million	Total € million
Balance at 1 January	**66**	**77**	**143**
Arising from acquisitions	**-**	**2**	**2**
Amounts charged during the year	**6**	**61**	**67**
Amounts used during the year	**(0)**	**(10)**	**(10)**
Amounts reversed during the year	**(4)**	**(0)**	**(4)**
Foreign exchange and other movements [(1)]	**(1)**	**(76)**	**(77)**
Balance at 31 December	**67**	**54**	**121**

	31 December 2015		
	Litigations and claims in dispute € million	Other € million	Total € million
Balance at 1 January	60	37	97
Amounts charged during the year	8	64	72
Amounts used during the year	(1)	(14)	(15)
Amounts reversed during the year	(2)	(1)	(3)
Foreign exchange and other movements	1	(6)	(5)
Discontinued operations	(0)	(3)	(3)
Balance at 31 December	66	77	143

[(1)] Other movements include an amount of € 76 million for benefits paid under the VES program which is presented in the movement of the liability for standard legal staff retirement indemnity obligations (note 38).

The implementation of the VES, which was designed for the Group's employees in Greece in the context of the implementation of the Bank's restructuring plan and in line with the related principal commitments described therein (note 6), commenced in the second quarter of 2016 and is expected to be completed within the following months.

In this respect and prior to determining the estimated cost for the VES, the Group proceeded with the remeasurement of the retirement benefit obligations in the second quarter of 2016, by updating the last annual actuarial valuations. The remeasurement resulted in the increase of the retirement benefit obligations by € 4 million in total.

As of 31 December 2016, the estimated cost for the VES amounted to approximately € 111 million, net of provision for retirement benefits, out of which € 49 million has been recognized in the Group's profit or loss for 2016 (2015: € 62 million) (note 14). The VES aims to increase the Group's operating efficiency and is expected to result in an estimated annual saving of € 46 million.

38. Standard legal staff retirement indemnity obligations

The Group provides for staff retirement indemnity obligation for its employees in Greece and abroad, who are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age, in accordance with the local labor legislation. The above retirement indemnity obligations typically expose the Group to actuarial risks such as interest rate risk and salary risk. Therefore, a decrease in the discount rate used to calculate the present value of the estimated future cash outflows or an increase in future salaries will increase the staff retirement indemnity obligations of the Group.

The movement of the liability for standard legal staff retirement indemnity obligations is as follows:

	2016 € million	2015 € million
Balance at 1 January	**42**	41
Current service cost	**3**	3
Interest cost	**1**	1
Past service cost and (gains)/losses on settlements	**77**	5
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**5**	1
Actuarial (gains)/losses arising from changes in demographic assumptions	**2**	-
Actuarial (gains)/losses arising from experience adjustments	**(1)**	(1)
Benefits paid	**(81)**	(7)
Exchange adjustments	**(0)**	0
Discontinued operations	**-**	(1)
Balance at 31 December	**48**	42

The benefits paid by the Group during 2016, in the context of the Voluntary Exit Scheme (VES) (note 37), amounted to € 81 million. The provision for staff retirement obligations of the staff that participated in the above scheme, amounted to € 5 million.

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	2016 %	2015 %
Discount rate	**1.9**	2.6
Future salary increases	**2.4**	2.2

As at 31 December 2016, the average duration of the standard legal staff retirement indemnity obligation was 18 years (2015: 18 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2016 is as follows:

An increase/(decrease) of the discount rate assumed, by 50 bps/(50 bps), would result in a (decrease)/increase of the standard legal staff retirement obligations by (€ 3.6 million)/ € 3.9 million.

An increase/(decrease) of the future salary growth assumed, by 0.5%/(0.5%) would result in an increase/(decrease) of the standard legal staff retirement obligations by € 3.7 million/(€ 3.5 million).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and assumptions used in preparing the above sensitivity analysis were consistent with those used to estimate the retirement benefit obligation and did not change compared to the previous year.

39. Ordinary share capital, share premium and treasury shares

The par value of the Bank's shares is € 0.30 per share (2015: € 0.30). All shares are fully paid. The movement of ordinary share capital, share premium and treasury shares is as follows:

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
Balance at 1 January 2015	4,412	(0)	4,412	6,682	0	6,682
Share capital decrease through reverse split	(4,368)	-	(4,368)	-	-	-
Share capital increase, net of expenses	612	-	612	1,374	-	1,374
Purchase of treasury shares	-	(8)	(8)	-	4	4
Sale of treasury shares	-	8	8	-	(5)	(5)
Balance at 31 December 2015	656	(0)	656	8,056	(1)	8,055
Balance at 1 January 2016	**656**	**(0)**	**656**	**8,056**	**(1)**	**8,055**
Purchase of treasury shares	-	(1)	**(1)**	-	(1)	**(1)**
Sale of treasury shares	-	0	**0**	-	1	**1**
Balance at 31 December 2016	**656**	**(1)**	**655**	**8,056**	**(1)**	**8,055**

The following is an analysis of the movement in the number of shares issued by the Bank:

	Number of shares		
	Issued ordinary shares	Treasury shares	Net
Balance at 1 January 2015	14,707,876,542	(1,241,629)	14,706,634,913
Share capital decrease through reverse split	(14,560,797,777)	-	(14,560,797,777)
Share capital increase	2,038,920,000	-	2,038,920,000
Purchase of treasury shares	-	(25,687,364)	(25,687,364)
Sale of treasury shares	-	26,148,100	26,148,100
Balance at 31 December 2015	2,185,998,765	(780,893)	2,185,217,872
Balance at 1 January 2016	**2,185,998,765**	**(780,893)**	**2,185,217,872**
Purchase of treasury shares	-	(3,006,180)	**(3,006,180)**
Sale of treasury shares	-	2,299,502	**2,299,502**
Balance at 31 December 2016	**2,185,998,765**	**(1,487,571)**	**2,184,511,194**

Following the announcement of the results of the Comprehensive Assessment (CA), performed by the European Central Bank (ECB) on 31 October 2015, and according to Law 4340/2015 reforming the banks' recapitalization framework, on 3 November 2015, the Bank's Board of Directors, resolved to call an Extraordinary General Meeting on 16 November 2015 to approve a share capital increase (SCI) of the Bank. In combination with the SCI, a Liability Management Exercise (LME) was launched by the Bank on 29 October 2015.

On 16 November 2015, the Extraordinary General Meeting of the Bank's Shareholders, approved:

(a) the decrease of the ordinary share capital, amounting to € 4,412 million by the amount of € 4,368 million with concurrent (i) increase of the nominal value of each ordinary registered share of the Bank and the decrease of the total number of the Bank's ordinary registered shares through a reverse split at a ratio of one hundred (100) existing to one (1) new ordinary registered share, and (ii) the decrease of the new nominal value of the ordinary registered shares (as it would result after the reverse split) to € 0.30, aiming at offsetting equal losses carried forward by forming of a special reserve of an equal amount.

(b) the increase of the Bank's share capital up to € 2,039 million, through payment in cash and/or contribution in kind, the abrogation of the pre-emption rights of its ordinary shareholders, including the Hellenic Financial Stability Fund (the HFSF), and its sole preference shareholder, namely the Greek State, and the issuance of new ordinary registered shares, each having a nominal value of € 0.30.

On 23 November 2015, following the completion of the SCI of a total amount of € 2,039 million, the Bank announced that the 2,038,920,000 new ordinary registered shares were allocated as follows: (a) 1,621,150,153 of the new shares (80% of all new shares) to qualified investors, eligible institutional and other investors who met certain criteria and (b) 417,769,847 of the new shares (20% of total of all new shares) to investors whose securities had been finally accepted for purchase in accordance with the terms and conditions of the Bank's LME.

Incremental costs directly attributable to the aforementioned capital increase amounted to € 75 million (€ 53 million, net of tax) of which an amount of € 69 million had been paid by 31 December 2015.

Treasury shares

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

In the ordinary course of business, subsidiaries of the Group may acquire and dispose of treasury shares.

40. Preference shares

Preference Shares		
Number of shares	2016 € million	2015 € million
345,500,000	950	950

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

The preference shares pay a non-cumulative coupon of 10% of the issue price of each of the preference shares, subject to meeting minimum capital adequacy requirements, set by Bank of Greece (BoG), availability of distributable reserves in accordance with article 44A of Company Law 2190/1920 and the approval of the Annual General Meeting. Five years after the issue of the preference shares, the Bank may redeem the preference shares at their nominal value. If such redemption is not possible, because the Bank's capital adequacy ratio would fall below the minimum requirements set by the BoG, the preference shares will be converted into ordinary shares or shares of any other class existing at the time of the conversion following a decision of the Minister of Finance and after a recommendation by the Governor of the BoG and on condition that at the expiry of the five year period, the Bank will have submitted, and the Minister of Finance will have approved, further to a recommendation by the Governor of the BoG, a restructuring plan of the Bank pursuant to the legislation as in force. The conversion ratio will take into account the average market price of the Bank's ordinary shares during the calendar year preceding such conversion. In case of non-redemption of the preference shares by the Bank at the expiration of the five year period, the abovementioned coupon is increased by 2% each year, following relevant decision by the Minister of Finance, upon recommendation of the BoG.

Based on the 2016 results and Law 3723/2008 in combination with article 44A of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted.

41. Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier I capital for the Group (Tier I Series A). As at 31 December 2016 the outstanding amount of Series A was € 2 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter and are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier I capital for the Group (Tier I Series B). As at 31 December 2016 the outstanding amount of Series B was € 4 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter and are listed on the London Stock Exchange.

On 9 November and on 21 December 2005 the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 150 million and € 50 million preferred securities respectively, which represent Lower Tier I capital for the Group (Tier I, form a single

Series C). As at 31 December 2016 the outstanding amount of Series C was € 18 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 29 July 2009, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 300 million preferred securities which represent Tier I capital for the Group (Tier I Series D). As at 31 December 2016 the outstanding amount of Series D was € 19 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue after five years from the issue date and annually thereafter. In addition the securities, subject to certain conditions, are convertible at the option of the bondholder and the issuer after October 2014 into Eurobank ordinary shares at the lower of an exchange ratio based on (a) a 12% discount to the share market price during the period preceding the exchange or (b) the nominal value of Bank's ordinary share. The preferred securities are listed on the London Stock Exchange.

All obligations of the issuer, in respect of the aforementioned issues of preferred securities, are guaranteed on a subordinated basis by the Bank. The analytical terms of each issue along with the rates and/or the basis of calculation of preferred dividends are available at the Bank's website. The preferred dividends must be declared and paid if the Bank declares a dividend. In 2016 and 2015, the Bank did not distribute any dividend (note 51). Accordingly, ERB Hellas Funding Ltd announced the non payment of the non cumulative preferred dividend of the above series of preferred securities.

The movement of preferred securities issued by the Group through its Special Purpose Entity, ERB Hellas Funding Limited, is as follows:

	Series A	Series B	Series C	Series D	Total
	€ million	€ million	€ million	€ million	€ million
Balance at 1 January 2015	2	5	49	21	77
Purchase of preferred securities (LME)	(0)	(1)	(31)	(2)	(34)
Balance at 31 December 2015	2	4	18	19	43
Balance at 31 December 2016	**2**	**4**	**18**	**19**	**43**

On 29 October 2015, the Bank launched a Liability Management Exercise (LME), in combination with its share capital increase (note 39). On 23 November 2015, the Bank announced the aggregate purchase proceeds of the securities accepted as part of the LME amounted to € 418 million of which Tier I securities € 17 million, corresponding to face value of € 34 million. Accordingly, the LME of preferred securities generated a gain of € 17 million (€ 12 million after tax), which was recognized directly in the Group's equity, for the year ended 31 December 2015.

In addition, in October 2015, the Bank proceeded with the buy-back and the subsequent cancelation of its hybrid instruments of face value of € 325 million, previously held by its subsidiary ERB Hellas Cayman with a resulting gain of € 252 million (€ 175 million after tax and related costs), which was recorded directly in the Bank's equity. The effect of the transaction in the Group's equity referred to the recognition of the related deferred tax liability of € 73 million, for the year ended 31 December 2015.

42. Special reserves

	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January 2015	445	960	(142)	2,030	3,293
Share capital decrease (note 39)	-	-	-	4,368	4,368
Transfers between reserves	11	4	-	(3)	12
Available-for-sale securities					
- changes in fair value, net of tax	-	-	98	-	98
- transfer to net profit, net of tax	-	-	(10)	-	(10)
Cash flow hedges					
- changes in fair value, net of tax	-	-	32	-	32
- transfer to net profit, net of tax	-	-	6	-	6
Currency translation differences, net of hedging	-	-	-	(13)	(13)
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	0	0
Value of employee services	-	-	-	0	0
Balance at 31 December 2015	456	964	(16)	6,382	7,786
Balance at 1 January 2016	**456**	**964**	**(16)**	**6,382**	**7,786**
Transfers between reserves [(1)]	(48)	(7)	(2)	(36)	**(93)**
Available-for-sale securities					
- changes in fair value, net of tax	-	-	76	-	**76**
- transfer to net profit, net of tax	-	-	(112)	-	**(112)**
Cash flow hedges					
- changes in fair value, net of tax	-	-	11	-	**11**
- transfer to net profit, net of tax	-	-	(1)	-	**(1)**
Currency translation differences, net of hedging	-	-	-	50	**50**
Associated undertakings and joint ventures					
-changes in the share of other comprehensive income, net of tax	-	-	2	-	**2**
Actuarial gains/(losses) on post employment benefit obligations, net of tax	**-**	**-**	**-**	**(4)**	**(4)**
Value of employee services	**-**	**-**	**-**	**0**	**0**
Balance at 31 December 2016	**408**	**957**	**(42)**	**6,392**	**7,715**

[(1)] *It includes also the amounts related to the discontinued operations (Insurance and Ukraine operations), which were disposed of in 2016 (note 17).*

As at 31 December 2016, included in other reserves: (a) a Bank's special reserve amounted to € 5,579 million (2015: € 5,579 million), which can be only either capitalized or offset against losses carried forward pursuant to article 4, par. 4a of Law 2190/1920, and (b) currency translation reserve, net of hedging amounted to € 234 million loss (2015: € 284 million loss). Included in IAS 39 reserves as at 31 December 2016 is € 59 million loss (2015: € 69 million loss) relating to cash flow hedging reserve.

Statutory reserves and IAS 39 reserves are not distributable while non-taxed reserves are taxed when distributed.

43. Transfers of financial assets

The Group enters into transactions by which it transfers recognized financial assets directly to third parties or to Special Purpose Entities (SPEs).

(a) The Group sells, in exchange for cash, securities under an agreement to repurchase them (repos) and assumes a liability to repay to the counterparty the cash received. In addition, the Group pledges, in exchange for cash, securities and loans and receivables and assumes a liability to repay to the counterparty the cash received. The Group has determined that it retains substantially all the risks, including associated credit and interest rate risks, and rewards of these financial assets and therefore has not derecognized them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of the transaction. The related liability is recognized in Due to central banks and credit institutions (notes 33 and 34) and Due to customers (note 35), as appropriate.

The Group enters into securitizations of various classes of loans (bond loans and credit cards), under which it assumes an obligation to pass on the cash flows from the loans to the holders of the notes. The Group has determined that it retains substantially all risks, including associated credit and interest rate risks, and rewards of these loans and therefore has not derecognized them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of their retention by the SPE. Moreover, the note holders' recourse is limited to the transferred loans. As at 31 December 2016, the securitizations' issues were fully retained by the Group (2015: liability nil) (note 36).

The table below sets out the details of Group's financial assets that have been sold or otherwise transferred, but which do not qualify for derecognition:

	Carrying amount	
	2016	2015
	€ million	€ million
Financial instruments at fair value through profit or loss	**0**	9
Loans and advances to customers	**24,786**	22,353
-securitized loans	***400***	*440*
-pledged loans under covered bond program	***2,646***	*145*
-pledged loans with central banks	***21,629***	*21,510*
-other pledged loans	***111***	*258*
Investment securities [1]	**8,179**	11,830
Total	**32,965**	34,192

[1] It includes EFSF bonds of face value € 4,076 million (2015: € 8,392 million).

(b) As at 31 December 2016 the Government guaranteed bonds issued by the Bank of total face value of € 2,500 million (2015: € 13,043 million) and cash value € 1,895 million (2015: € 7,173 million), under the second stream of Greek Economy Liquidity Support Program (note 4), were fully retained by the Bank. Of the total issue, bonds of face value of € 1,160 million and cash value € 875 million were pledged to ELA (2015: face value € 13,043 million and cash value € 7,173 million), while the remaining € 1,340 million with cash value € 1,020 million were sold under repurchase agreements (2015: face and cash value nil).

(c) In addition, the Group may sell or re-pledge any securities borrowed or obtained through reverse repos and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognized by the Group. As at 31 December 2016, the Group had not sold or re-pledged securities borrowed or obtained through reverse repos (2015: nil).

As at 31 December 2016, the cash value of the assets transferred or borrowed by the Group through securities lending, reverse repo and other agreements (points a, b and c) amounted to € 24,816 million, while the associated liability from the above transactions amounted to € 21,292 million (notes 33, 34, 35 and 36) (2015: cash value € 32,876 million and liability € 29,495 million). In addition, the Group's financial assets pledged as collaterals for repos, derivatives, securitizations and other transactions other than the financial assets presented in the table above are provided in notes 21 and 32.

44. Operating leases

The Group has entered into commercial leases for premises, equipment and motor vehicles. The majority of the Group's leases are under long-term agreements, according to the usual terms and conditions of commercial leases of each jurisdiction, including renewal options. In particular, as provided by the Greek Commercial Leases Law currently in force, the minimum lease period for commercial real estate leases starting after the end of February 2014 is three years. The Group's lease agreements, do not include any clauses that impose any restriction on the Group's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

Leases as lessee-Non-cancellable operating lease rentals are payable as follows:

	2016 € million	2015 [(1)] € million
Not later than one year	**23**	24
Later than one year and no later than five years	**14**	17
Later than five years	**1**	1
Total	**38**	42

[(1)] *For the year ended 31 December 2015, the above classification between the periods of non-cancelable operating lease rentals has been adjusted.*

There are no material future minimum sublease payments to be received under non cancellable subleases.

Leases as lessor-Non-cancellable operating lease rentals are receivable as follows:

	2016 € million	2015 € million
Not later than one year	**45**	40
Later than one year and no later than five years	**138**	114
Later than five years	**240**	258
Total	**423**	412

45. Contingent liabilities and other commitments

Credit related commitments are analyzed as follows:

	2016 € million	2015 € million
Guarantees [(1)] and standby letters of credit	**591**	575
Other guarantees (medium risk) and documentary credits	**436**	503
Commitments to extend credit	**451**	353
Total	**1,478**	1,431

[(1)] *Guarantees that carry the same credit risk as loans.*

Other commitments

(a) Pursuant to a decision of the Single Resolution Board (SRB) notified to financial institutions, the Bank signed in May 2016 an irrevocable payment commitment and collateral arrangement agreement with the SRB of an amount of € 3.7 million representing 15% of its resolution contribution payment obligation to the Single Resolution Fund (SRF) for the year 2016 (note 12).

According to the agreement, which is backed by cash collateral of an equal amount, the Bank undertook to pay to the SRB an amount up to the irrevocable payment commitment, in case of a call and demand for payment made by it, in relation to a resolution action. The said cash collateral was recognized as a financial asset as of 30 June 2016 (note 32).

(b) The Bank's subsidiary Grivalia Properties R.E.I.C., which holds the 50% of the share capital of Piraeus Port Plaza 1 Development S.A. is committed to acquire the remaining 50% of the company's share capital, following the fulfilment of certain conditions as provided in the relevant shareholders' agreement.

(c) As at 31 December 2016, the commitments related to capital expenditure amounted to € 25 million (2015: € 12 million).

Legal Proceedings

As at 31 December 2016 there were a number of legal proceedings outstanding against the Group for which a provision of € 67 million was recorded (2015: € 66 million), as set out in note 37. The said amount includes € 40 million for the outstanding litigations with DEMCO S.A., which is related to the acquisition of New TT Hellenic Postbank S.A. in 2013.

Against the Bank various remedies have been filed in the form of lawsuits, applications for injunction measures and motions to vacate payment orders in relation to the contractual clauses of mortgage loans granted by the Bank in Swiss Francs (CHF) and the conditions under which the loans were granted. A class action has also been filed. To date there exist only first instance court judgments. In this sense it may be contended that the legal issue of the validity of the loans in CHF has not been finally resolved since this requires a judgment at a supreme court level. On the class action a judgment was issued which accepted it, the Bank, though, has already filed an appeal against the first instance judgment scheduled to be heard in September 2017. In relation to the individual lawsuits the majority of the judgments issued are in favor of the Bank.

Furthermore, the Group is involved in a number of legal proceedings, in the normal course of business, which may be in early stages, their settlement may take years before they are resolved or their final outcome may be considered uncertain. For such cases, after considering the opinion of Legal Services, Management does not expect that there will be an outflow of resources and therefore no provision is recognized.

The Management of the Bank is closely monitoring any developments to the relevant cases to determine potential accounting implications in accordance with the Group's accounting policies.

46. Segment information

Management has determined the operating segments based on the internal reports reviewed by the Strategic Planning Committee that are used to allocate resources and to assess their performance in order to make strategic decisions. The Strategic Planning Committee considers the business both from a business unit and geographic perspective. Geographically, management considers the performance of its business in Greece and other countries in Europe (International). Greece is further segregated into retail, wholesale, wealth management, global and capital markets. International is monitored and reviewed on a country basis. The Group aggregates segments when they exhibit similar economic characteristics and profile and are expected to have similar long-term economic development.

The Group is organized in the following reportable segments:

- Retail: incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate: incorporating current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities, custody, equity brokerage, cash management and trade services.
- Wealth Management: incorporating private banking services, including total wealth management, to medium and high net worth individuals, insurance services until early August 2016, mutual fund and investment savings products, and institutional asset management.
- Global and Capital Markets: incorporating investment banking services including corporate finance, merger and acquisitions advice, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialized financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- International: incorporating operations in Romania, Bulgaria, Serbia, Cyprus, Ukraine (until its disposal in December 2016) and Luxembourg.

From the fourth quarter of 2015, the equity brokerage and custody services of the Group's operations in Greece are incorporated in the Corporate segment, instead of Global and Capital Markets segment. Other operations of the Group comprise mainly investing activities, including property management and investment and the management of unallocated capital.

The Group's management reporting is based on International Financial Reporting Standards (IFRS). The accounting policies of the Group's operating segments are the same with those described in the principal accounting policies.

Revenues from transactions between business segments are allocated on a mutually agreed basis at rates that approximate market prices.

46.1 Operating segments

	31 December 2016						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Net interest income	578	351	7	190	420	2	1,548
Net commission income	52	70	28	(12)	102	4	244
Other net revenue	39	2	0	22	41	166	270
Total external revenue	669	423	35	200	563	172	2,062
Inter-segment revenue	28	34	(23)	(37)	(1)	(1)	-
Total revenue	697	457	12	163	562	171	2,062
Operating expenses	(493)	(118)	(28)	(77)	(265)	(11)	(992)
Impairment losses on loans and advances	(407)	(216)	(5)	-	(147)	-	(775)
Other impairment losses and provisions (note 14)	(0)	(14)	(2)	(1)	(14)	(34)	(65)
Share of results of associated undertakings and joint ventures	(1)	(0)	(3)	-	(1)	1	(4)
Profit/(loss) before tax from continuing operations before restructuring costs	(204)	109	(26)	85	135	127	226
Restructuring costs (note 14)	(53)	(8)	(2)	(1)	(9)	7	(66)
Profit/(loss) before tax from continuing operations	(257)	101	(28)	84	126	134	160
Profit/(loss) before tax from discontinued operations	-	-	31	-	(68)	58	21
Non controlling interests	-	-	-	-	(1)	(26)	(27)
Profit/(loss) before tax attributable to shareholders	(257)	101	3	84	57	166	154

	31 December 2016						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center (2) € million	Total € million
Segment assets	21,755	11,591	227	13,351	13,201	6,268	66,393
Segment liabilities	18,662	2,642	1,519	24,640	11,540	35	59,038

The International segment is further analyzed as follows:

	31 December 2016						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	Total € million
Net interest income	107	157	58	76	-	22	420
Net commission income	19	36	14	25	-	8	102
Other net revenue	27	12	1	1	-	0	41
Total external revenue	153	205	73	102	-	30	563
Inter-segment revenue	0	(0)	(0)	0	-	(1)	(1)
Total revenue	153	205	73	102	-	29	562
Operating expenses	(97)	(81)	(44)	(27)	-	(16)	(265)
Impairment losses on loans and advances	(55)	(61)	(17)	(14)	-	(0)	(147)
Other impairment losses and provisions	(6)	(8)	(0)	(0)	-	(0)	(14)
Share of results of associated undertakings and joint ventures	(1)	-	(0)	-	-	-	(1)
Profit/(loss) before tax from continuing operations before restructuring costs	(6)	55	12	61	-	13	135
Restructuring costs	(1)	(8)	(0)	-	-	(0)	(9)
Profit/(loss) before tax from continuing operations	(7)	47	12	61	-	13	126
Profit/(loss) before tax from discontinued operations	(1)	-	-	-	(67)	-	(68)
Non controlling interests	(1)	(0)	(0)	-	-	-	(1)
Profit/(loss) before tax attributable to shareholders	(9)	47	12	61	(67)	13	57

	31 December 2016						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	International € million
Segment assets(3)	2,901	3,366	1,306	4,461	-	1,458	13,201
Segment liabilities(3)	2,724	2,900	928	4,048	-	1,230	11,540

	31 December 2015						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Net interest income	584	379	10	134	410	(54)	1,463
Net commission income	42	79	35	(56)	94	(2)	192
Other net revenue	2	3	2	2	10	88	107
Total external revenue	628	461	47	80	514	32	1,762
Inter-segment revenue	64	23	(58)	(20)	(1)	(8)	-
Total revenue	692	484	(11)	60	513	24	1,762
Operating expenses	(479)	(110)	(32)	(108)	(264)	(24)	(1,017)
Impairment losses on loans and advances	(1,665)	(823)	(13)	0	(164)	-	(2,665)
Other impairment losses and provisions (note 14)	(0)	(39)	(3)	8	(8)	(45)	(87)
Profit/(loss) before tax from continuing operations before restructuring costs	(1,452)	(488)	(59)	(40)	77	(45)	(2,007)
Restructuring costs (note 14)	(3)	(2)	(0)	-	(1)	(73)	(79)
Profit/(loss) before tax from continuing operations [(1)]	(1,455)	(490)	(59)	(40)	76	(118)	(2,086)
Profit/(loss) before tax from discontinued operations	-	-	65	-	(116)	-	(51)
Non controlling interests	-	-	-	-	(1)	(29)	(30)
Profit/(loss) before tax attributable to shareholders	(1,455)	(490)	6	(40)	(41)	(147)	(2,167)

	31 December 2015						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center [(2)] € million	Total € million
Segment assets	22,501	11,889	2,097	14,209	12,740	10,117	73,553
Segment liabilities	18,003	2,485	2,912	32,543	11,411	(933)	66,421

	31 December 2015						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	Total € million
Net interest income	119	142	68	59	-	22	410
Net commission income	21	31	13	22	-	7	94
Other net revenue	7	1	1	0	-	1	10
Total external revenue	147	174	82	81	-	30	514
Inter-segment revenue	(0)	(0)	(0)	0	-	(1)	(1)
Total revenue	147	174	82	81	-	29	513
Operating expenses	(101)	(77)	(46)	(25)	-	(15)	(264)
Impairment losses on loans and advances	(45)	(64)	(40)	(15)	-	(0)	(164)
Other impairment losses and provisions	(3)	(5)	0	-	-	-	(8)
Profit/(loss) before tax from continuing operations before restructuring costs	(2)	28	(4)	41	-	14	77
Restructuring costs	(0)	(1)	0	-	-	-	(1)
Profit/(loss) before tax from continuing operations[(1)]	(2)	27	(4)	41	-	14	76
Profit/(loss) before tax from discontinued operations	1	-	-	-	(117)	-	(116)
Non controlling interests	(1)	-	(0)	-	(0)	-	(1)
Profit/(loss) before tax attributable to shareholders	(2)	27	(4)	41	(117)	14	(41)

	31 December 2015						
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Ukraine € million	Luxembourg € million	International € million
Segment assets[(3)]	3,235	3,186	1,254	3,724	130	1,405	12,740
Segment liabilities[(3)]	3,042	2,834	881	3,360	197	1,166	11,411

[(1)] Income/(loss) from associated undertakings and joint ventures is included.
[(2)] Interbank eliminations between International and the other Group's segments are included.
[(3)] Intercompany balances among the Countries have been excluded from the reported assets and liabilities of International segment.

Note: In the second quarter of 2015, the Bank transferred its operations in United Kingdom (London branch) to its subsidiary Eurobank Private Bank Luxembourg S.A. In particular, at the date of transfer total assets of London branch amounted to € 198 million and total liabilities amounted to € 196 million.

46.2 Entity wide disclosures

Breakdown of the Group's revenue from continuing operations for each group of similar products and services is as follows:

	2016 € million	2015 € million
Lending related activities	**2,061**	2,135
Deposits, network and asset management activities	**(124)**	(244)
Capital markets	**9**	(192)
Non banking and other services	**116**	63
Total	**2,062**	1,762

Information on the Country by Country Reporting based on Law 4261/2014 are provided in the Appendix.

47. Acquisition of Alpha Bank's Branch in Bulgaria by Eurobank Bulgaria A.D.

On 1 March 2016, the acquisition of the entirety of the operations of Alpha Bank's Bulgarian Branch ('Branch') by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria A.D. ('Postbank'), was completed after obtaining the relevant regulatory approvals. The consideration for the acquisition of the Branch was € 1. The acquisition of the Branch was accounted for as a business combination using the purchase method of accounting.

The fair values of the assets and liabilities acquired are presented in the table below:

	Fair Value € million
Assets	
Cash and balances with central banks	**148**
Due from credit institutions	**30**
Net loans and advances to customers	**266**
Gross contractual amount: € 394 million	
Other assets [(1)]	**6**
Total Assets [(2)]	**450**
Liabilities	
Due to credit institutions	**162**
Due to customers	**283**
Other liabilities	**2**
Total Liabilities	**447**

[(1)] *Includes property, plant and equipment, intangibles assets and other assets.*
[(2)] *Includes cash and cash equivalents of € 40 million.*

In addition, in the context of the business combination, on 2 March 2016 the Bank acquired € 55 million of Postbank's liabilities to Alpha Bank Group for a consideration of € 1.

The resulting total gain on the acquisition of the Branch, amounting to € 55 million net of acquisition-related costs of € 3 million, is attributed to the particular circumstances of the acquisition in line with the restructuring plans for Alpha Bank and Eurobank and has been recognized in 'Other operating income'.

The results of the Branch were incorporated in the Group's financial statements prospectively, as of 1 March 2016. If the acquisition had occurred on 1 January 2016, the Branch would have contributed revenue of € 2.71 million and net loss of € 0.26 million to the Group for the period from 1 January 2016 up to the date of acquisition.

The acquisition of the Branch constitutes a step forward for Postbank to further strengthen its position in the Bulgarian banking sector and expand its customer base in both the retail and corporate business segments. Postbank is expected to benefit from significant synergies, while maintaining its strong capital ratios and substantial liquidity buffers.

48. Other significant and post balance sheet events

Framework for the sale and servicing of loans-Law 4354/2015

The Greek Law 4354/2015 as amended in 2016 and in force established an integrated and flexible framework for the outsourcing of management and transfer of claims from loans and credits granted by credit and financial institutions. Following the amendments of the above law, which were enacted in the second quarter of 2016, it is provided among others that (a) two new types of companies are introduced in the Greek legal system: (i) Loans Management Companies (L.M.C.), which should be licensed by the Bank of Greece and are exclusively entrusted for the management of claims from loans and credits and (ii) Loans Transfer Companies (L.T.C.), which must have entered into a servicing agreement with a L.M.C., (b) in addition to non-performing loans, performing loans can also independently be managed or transferred to the above companies, (c) the terms and conditions for the management and transfer of claims from loans and credits are further specified, (d) the refinancing of loans from L.M.C. is introduced, subject to the appropriate preconditions and (e) a specific tax regime is introduced for the above companies.

Agreement with KKR and EBRD on management of Large Corporate Non-Performing exposures

On 17 May 2016 Alpha Bank, Eurobank and KKR Credit reached a binding agreement to assign the management of credit and equity exposures to a selected number of Greek companies into a platform managed by Pillarstone. Subject to final Board approval, the European Bank for Reconstruction and Development (EBRD) is considering co-investing in partnership with KKR and the banks.

The platform will provide new long-term capital and operational expertise to large Greek corporate borrowers helping them stabilize, recover and grow for the benefit of all stakeholders. The Greek banks will participate in the upside potential of the businesses as performance recovers.

Bulgarian National Bank's (BNB) assessment of Bulgarian banking system

On 13 August 2016, the BNB published the results from the Asset Quality Review (AQR) and Stress Test (ST) of the Bulgarian banks. In particular, the BNB carried out:

(a) an AQR completed in June 2016, for the asset classes with a high risk of potential misstatement in the balance sheet, using as reference the data as at 31 December 2015 and
(b) a forward looking ST in July 2016, to assess the resilience of the banks to absorb shocks from hypothetical negative financial and macro economical developments.

The ST was based on the AQR-adjusted capital and risk-weighted assets. It applied two macroeconomic scenarios over a three-year horizon until 2018: (i) a baseline scenario which corresponded to the BNB macroeconomic forecast as of March 2016, and (ii) an adverse scenario which represented a simulation of plausible but low-probable hypothetical developments. In line with the latest European Banking Authority (EBA) practices, the ST did not contain a pass/fail threshold.

Eurobank Bulgaria A.D. ('Postbank') AQR results

The post AQR Common Equity Tier 1 (CET1) ratio of Postbank stands at 21.2% against a pre AQR CET1 ratio of 22.2%, well above the 4.5% regulatory minimum, which is indicative of the strong capital position of the bank. The AQR of Postbank was a prudential exercise that did not have a significant impact on the Group's financial statements.

Postbank Stress test results

The CET1 ratio of Postbank under the baseline scenario stands at 27.1%, while under the adverse scenario stands at 19.7%, well above the minimum regulatory requirements.

Legislation on the conversion of CHF denominated loans to Romanian Leu

On 18 October 2016, the Romanian parliament unanimously passed a bill that allowed borrowers to convert Swiss franc-denominated loans into local currency 'Leu' using the exchange rate prevailing on the date they were originated. On 7 February 2017, the Romanian Constitutional Court (RCC) ruled that the above legislation is unconstitutional. The Court decision was grounded mainly on the breach of the principle of 'bicameralism' (i.e. the bill, in the form adopted by the Chamber of Deputies, is significantly different to the one adopted by the Senate) and the introduction of an 'automatic hardship' mechanism which is unfair to creditors.

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

Note 2 - Principal accounting policies
Note 7.2.3 - Liquidity risk
Note 12 - Operating expenses
Note 16 - Deferred income taxes
Note 26 - Investment securities
Note 27 - Shares in subsidiary undertakings
Note 32 - Other Assets
Note 33 - Due to central banks
Note 50 - Board of Directors

49. Related parties

In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others the percentage of the Bank's ordinary shares with voting rights held by the HFSF decreased from 35.41% to 2.38%.

Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over the Bank. In particular, in the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014, which regulates, among others, (a) the Bank's corporate governance, (b) the restructuring plan and its monitoring, (c) the monitoring of the implementation of the Bank's Non-Performing Loans (NPLs) management framework and of the Bank's performance on NPLs resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the Bank's actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for the Bank's Group Risk and Capital Strategy and for the Bank's Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in the Bank's Board.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.

The outstanding balances of the transactions with (a) the key management personnel (KMP) and the entities controlled or jointly controlled by KMP as well as (b) the associates and joint ventures, and the relating income and expenses are as follows:

	31 December 2016		31 December 2015	
	KMP[1] and Entities controlled or jointly controlled by KMP	Associates [2] and joint ventures	KMP[1] and Entities controlled or jointly controlled by KMP	Associates and joint ventures
	€ million	€ million	€ million	€ million
Loans and advances to customers net of provision	**7.16**	**23.20**	6.81	5.91
Other assets	**-**	**6.14**	-	-
Due to customers	**5.68**	**102.74**	5.28	8.57
Debt securities in issue	**-**	**12.07**	-	-
Other liabilities	**0.02**	**4.03**	0.14	-
Net interest income	**0.03**	**(0.24)**	0.04	0.11
Net banking fee and commission income	**0.01**	**5.84**	0.01	-
Net trading income	**-**	**(1.29)**	-	-
Gains less losses from investment securities[3]	**-**	**0.16**	-	-
Impairment losses on loans and advances	**-**	**(0.08)**	-	-
Other operating income/(expenses)	**-**	**(5.93)**	(0.20)	0.22
Guarantees issued	**-**	**-**	-	-
Guarantees received	**0.05**	**-**	0.10	-

[1] *Includes the key management personnel of the Group and their close family members.*
[2] *As of 4 August 2016, Eurolife insurance Group has been accounted for as an associate (note 17).*
[3] *From August to December 2016, the Bank proceeded with the sale of GTBs of € 244 million face value to the Eurolife insurance Group.*

For the year ended 31 December 2016, there were no material transactions with the HFSF. As at 31 December 2015, the Group had recorded a receivable of € 2 million from HFSF, which has been collected in the first quarter of 2016.

In addition, as at 31 December 2016 the loans, net of provisions, granted to non consolidated entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements (note 27) amounted to € 5.3 million (2015: € 4.3 million).

During the year ended 31 December 2016, an impairment loss of € 0.08 million (2015: nil) has been recorded against loan balances with Group's associates and joint venture increasing the respective impairment allowance to € 16.92 million (2015: € 16.85 million).

Key management compensation (directors and other key management personnel of the Group)
Key management personnel are entitled to compensation in the form of short-term employee benefits of € 5.66 million (2015: € 6.56 million) and long-term employee benefits (excluding share-based payments) of € 0.72 million (2015: € 0.85 million). Furthermore, the Group has recognized € 0.76 million expense relating with Grivalia Properties equity settled share based payments (2015: 0.87 million expense). In addition, the Group has formed a defined benefit obligation for the KMP amounting to € 0.81 million as at 31 December 2016 (2015: € 0.59 million), while the respective cost for the year amounts to € 0.05 million (2015: € 0.07 million).

50. Board of Directors

The Board of Directors was elected by the Annual General Meeting held on 27 June 2013 for a three years term of office. The Annual General Meeting held on 26 June 2015 approved the extension of the term of office of the current Board until 2018 and more specifically by 27 June 2018, prolonged until the end of the period the Annual General Meeting for the year 2018 will take place.

On 15 June 2016, the Annual General Meeting elected two new Board members, Mrs. Lucrezia Reichlin and Mr. Jawaid Mirza, whose term of office will expire concurrently with the term of office of the other members of the Board of Directors, and designated those new members as independent non-executive Directors.

On 26 October 2016, the Board of Directors appointed Mr. George Myhal as new Board member in replacement of the resigned Board member Mr. Jon Steven Haick, for an equal term to the remaining term of the resigned member.

On 12 January 2017, the Board of Directors appointed Mr. Richard Boucher as new Board member in replacement of Mr. Spyros Lorentziadis who resigned from the Board on 3 November 2016, for an equal term to the remaining term of the resigned member.

Following the above, the Board of Directors is as follows:

N. Karamouzis	Chairman, Non-Executive
F. Karavias	Chief Executive Officer
S. Ioannou	Deputy Chief Executive Officer
T. Kalantonis	Deputy Chief Executive Officer
W. S. Burton	Non-Executive
G. Chryssikos	Non-Executive
R. Boucher	Non-Executive Independent
G. Myhal	Non-Executive Independent
B. P. Martin	Non-Executive Independent
S. L. Johnson	Non-Executive Independent
J. Mirza	Non-Executive Independent
L. Reichlin	Non-Executive Independent
C. Andreou	Non-Executive (Greek State representative under Law 3723/2008)
K. H. Prince – Wright	Non-Executive (HFSF representative under Law 3864/2010)

51. Dividends

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

Based on the 2016 results of the Bank and in accordance with the article 1, par.3 of Law 3723/2008 in combination with article 44a of Company Law 2190/1920, the distribution of dividends to either ordinary or preference shareholders is not permitted (note 40). Under article 1 par. 3 of Law 3723/2008, during the period of the participation of the banks in the first stream of the Greek Economy Liquidity Support Program, the amount of dividends that may distributed to ordinary shareholders of the Bank cannot exceed 35% of the profits as provided in article 3 par. 1 of Law 148/1967. As per the Restructuring Plan commitments, unless the European Commission otherwise agrees to an exception, neither the Bank nor any member of the Group (other than the 100% subsidiaries of the Bank provided that the payment would not give rise to any legal obligation to make other payments that have been deferred under the Restructuring Plan's commitments) will pay any dividend until the earlier of 31 December 2017 or the date of the full repayment of the Bank's non-voting preference shares held by the Greek State, other than where there is a legal obligation to do so, while the Bank will not release reserves to put itself in such a position.

Athens, 28 March 2017

Nikolaos V. Karamouzis	**Fokion C. Karavias**	**Harris V. Kokologiannis**
I.D. No AB - 336562	I.D. No AI - 677962	I.D. No AK - 021124
CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE OFFICER	GENERAL MANAGER OF GROUP FINANCE GROUP CHIEF FINANCIAL OFFICER

APPENDIX – Disclosures under Law 4261/2014

Country by Country Reporting

Pursuant to article 81 of Law 4261/2014, which incorporated article 89 of Directive 2013/36/EC into the Greek legislation, the Group provides the following information for each country in which it has an establishment:

(i) Names, nature of activities and geographical location.

(ii) The operating income (turnover), the profit/(loss) before tax, the tax on profit/ (loss) and the current tax on a consolidated basis for each country; intercompany transactions among countries are eliminated through the line 'Intra-Group amounts'. The amounts disclosed are prepared on the same basis as the Group's financial statements for the year ended 31 December 2016.

(iii) The number of employees on a full time equivalent basis.

(iv) The public subsidies received.

For the listing of the Bank's subsidiaries at 31 December 2016, the country of their incorporation and the line of their business refer to note 27.

The information per country is set out below:

	Year ended 31 December 2016				
	Operating income € million	Profit/(loss) before tax € million	Tax on profit/(loss) € million	Current tax € million	Number of employees at 31 December
Greece	1,494.8	11.7	103.4	(24.1)	9,814
Bulgaria	218.6	62.9	(7.6)	(7.8)	2,381
Romania	128.1	(9.2)	1.7	(0.6)	2,117
Cyprus	92.8	49.3	(11.7)	(11.6)	311
Serbia	71.6	13.5	(0.4)	(0.1)	1,239
Luxembourg [(1)]	34.7	14.1	(2.7)	(3.1)	96
Turkey	12.6	12.6	(2.5)	(2.5)	-
Netherlands	18.8	9.0	0.2	0.2	-
Other countries [(2)]	0.5	0.3	(0.1)	(0.1)	-
Intra-Group amounts	(10.3)	-	-	-	
Total from continuing operations	**2,062.2**	**164.2**	**80.3**	**(49.7)**	**15,958**
Insurance operations [(3)] (note 17)		88.7	(11.9)	(20.6)	
Operations in Ukraine (note 17)		(67.1)	(0.6)	(0.1)	
Total from discontinued operations		**21.6**	**(12.5)**	**(20.7)**	
Total	**2,062.2**	**185.8**	**67.8**	**(70.4)**	**15,958**

(1) The operations of Eurobank Private Bank Luxembourg S.A.'s branch in London are included within Luxembourg.

(2) Amounts reported under 'Other countries' refer to (a) the Group's SPVs issuing EMTNs and preferred securities i.e. ERB Hellas Plc in the United Kingdom, ERB Hellas (Cayman Islands) Ltd in Cayman Islands and ERB Hellas funding Ltd in Channel Islands and (b) a holding company, Berberis investments Ltd in Channel Islands.

(3) Insurance operations included Eurolife's Romanian Life and Non Life activities up to the date of their disposal on 4 August 2016. For the period ended 31 July 2016 for these entities the profit before tax, tax on profit and current tax amounted to € 0.5 million, € 0.1 million and € 0.1 million respectively. For further details refer to note 17 'Discontinued operations'.

For the year ended 31 December 2016, none of the Bank's subsidiaries has received any public subsidy.

The Bank participates in the Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008, as in force. For further details, refer to note 4.

Article 82 of Law 4261/2014

For 2016, the Group's return on assets (RoA) was 0.36%. RoA is calculated by dividing the net profit for the year ended 31 December 2016 by the Group's average total assets for the year.