EUROBANK ERGASIAS S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2017

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Interim Balance Sheet

	Note	30 June 2017 € million	31 December 2016 € million
ASSETS			
Cash and balances with central banks		**508**	371
Due from credit institutions		**3,104**	3,490
Derivative financial instruments		**1,698**	1,985
Loans and advances to customers	13	**31,477**	31,908
Investment securities	14	**9,775**	11,011
Shares in subsidiary undertakings	15	**2,062**	2,224
Property, plant and equipment		**231**	238
Investment property		**66**	59
Intangible assets		**90**	80
Deferred tax assets	11	**4,875**	4,918
Other assets	16	**1,579**	1,598
Assets classified as held for sale		**160**	-
Total assets		**55,625**	57,882
LIABILITIES			
Due to central banks	17	**13,839**	13,906
Due to credit institutions	18	**9,011**	11,089
Derivative financial instruments		**2,069**	2,448
Due to customers	19	**23,969**	23,678
Debt securities in issue	20	**7**	60
Other liabilities	21	**442**	528
Total liabilities		**49,337**	51,709
EQUITY			
Ordinary share capital	22	**656**	656
Share premium	22	**8,056**	8,056
Reserves and retained earnings		**(3,417)**	(3,532)
Preference shares	23	**950**	950
Total equity attributable to shareholders of the Bank		**6,245**	6,130
Hybrid Capital	24	**43**	43
Total equity		**6,288**	6,173
Total equity and liabilities		**55,625**	57,882

Notes on pages 6 to 35 form an integral part of these condensed interim financial statements

Interim Income Statement

	Note	Six months ended 30 June		Three months ended 30 June	
		2017	2016	**2017**	2016
		€ million	€ million	**€ million**	€ million
Net Interest income		**543**	538	**276**	270
Net banking fee and commission income		**62**	45	**29**	23
Income from non banking services		**3**	3	**1**	1
Dividend income	7	**12**	40	**8**	34
Net trading income	5	**27**	(8)	**4**	(2)
Gains less losses from investment securities	14	**33**	51	**18**	50
Net other operating income	13,15	**0**	54	**1**	0
Operating income		**680**	723	**337**	376
Operating expenses	8	**(334)**	(346)	**(168)**	(171)
Profit from operations before impairments, provisions and restructuring costs		**346**	377	**169**	205
Impairment losses on loans and advances	9	**(311)**	(315)	**(154)**	(172)
Other impairment losses and provisions	10	**(6)**	(2)	**(7)**	(0)
Restructuring costs	10	**(1)**	(28)	**(1)**	(27)
Profit before tax		**28**	32	**7**	6
Income tax	11	**(10)**	(3)	**1**	6
Tax adjustments	11	**-**	31	**-**	31
Net profit		**18**	60	**8**	43

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Interim Statement of Comprehensive Income

	Six months ended 30 June				Three months ended 30 June			
		2017		2016		**2017**		2016
		€ million		€ million		**€ million**		€ million
Net profit		**18**		60		**8**		43
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	**20**		(3)		**8**		(4)	
- transfer to net profit, net of tax	**(4)**	**16**	(3)	(6)	**(3)**	**5**	(1)	(5)
Available for sale securities								
- changes in fair value, net of tax	**103**		5		**82**		23	
- transfer to net profit, net of tax	**(22)**	**81**	(0)	5	**(15)**	**67**	(0)	23
		97		(1)		**72**		18
Items that will not be reclassified to profit or loss:								
-Actuarial gains/(losses) on post employment benefit obligations, net of tax		**-**		(2)		**-**		(2)
Other comprehensive income		**97**		(3)		**72**		16
Total comprehensive income		**115**		57		**80**		59

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Interim Statement of Changes in Equity

	Total equity attributable to shareholders of the Bank						
	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Hybrid capital € million	Total € million
Balance at 1 January 2016	656	8,056	7,544	(11,118)	950	43	6,131
Net profit	-	-	-	60	-	-	60
Other comprehensive income	-	-	(3)	-	-	-	(3)
Total comprehensive income for the six months ended 30 June 2016	-	-	(3)	60	-	-	57
Balance at 30 June 2016	656	8,056	7,541	(11,058)	950	43	6,188
Balance at 1 January 2017	**656**	**8,056**	**7,540**	**(11,072)**	**950**	**43**	**6,173**
Net profit				18			**18**
Other comprehensive income	-	-	97	-	-	-	**97**
Total comprehensive income for the six months ended 30 June 2017	**-**	**-**	**97**	**18**	**-**	**-**	**115**
Balance at 30 June 2017	**656**	**8,056**	**7,637**	**(11,054)**	**950**	**43**	**6,288**
	Note 22	Note 22			Note 23	Note 24	

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	Note	Six months ended 30 June 2017 € million	2016 € million
Cash flows from operating activities			
Profit before income tax		**28**	32
Adjustments for :			
Impairment losses on loans and advances	9	**311**	315
Other impairment losses, provisions and restructuring costs	10	**7**	25
Depreciation and amortisation	8	**19**	20
Other (income)/losses on investment securities	26	**(47)**	(61)
(Gain)/ loss on sale of subsidiary undertakings, associates and joint ventures		**(2)**	(0)
Dividends from subsidiaries, associates and joint ventures	7	**(12)**	(40)
Other adjustments	26	**4**	(52)
		308	239
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**(142)**	(191)
Net (increase)/decrease in due from credit institutions		**347**	896
Net (increase)/decrease in loans and advances to customers		**121**	188
Net (increase)/decrease in derivative financial instruments		**(34)**	39
Net (increase)/decrease in other assets		**14**	70
Net increase/(decrease) in due to central banks and credit institutions		**(2,146)**	(1,718)
Net increase/(decrease) in due to customers		**291**	386
Net increase/(decrease) in other liabilities		**(78)**	(65)
		(1,627)	(395)
Net cash from/(used in) operating activities		**(1,319)**	(156)
Cash flows from investing activities			
Acquisition of fixed and intangible assets		**(28)**	(20)
(Purchases)/sales and redemptions of investment securities		**1,352**	1,209
Acquisition of subsidiaries, associates, joint ventures and participations in capital increases	16	**(8)**	(95)
Disposal/liquidation of holdings in subsidiaries, associates and joint ventures		**-**	8
Dividends from investment securities, subsidiaries, associates and joint ventures		**12**	40
Net cash from/(used in) investing activities		**1,328**	1,142
Cash flows from financing activities			
(Repayments)/proceeds from debt securities in issue		**(53)**	(838)
Expenses paid for share capital increase		**-**	(6)
Net cash from/(used in) financing activities		**(53)**	(844)
Net increase/(decrease) in cash and cash equivalents		**(44)**	142
Cash and cash equivalents at beginning of period	26	**454**	505
Cash and cash equivalents at end of period	26	**410**	647

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1. General information

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

These condensed interim financial statements were approved by the Board of Directors on 29 August 2017.

2. Principal accounting policies

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and they should be read in conjunction with the Bank's published annual financial statements for the year ended 31 December 2016. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. Except as indicated, financial information presented in euro has been rounded to the nearest million.

Going concern considerations

The interim 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

Greece's real GDP is expected to grow by 2.1% in 2017, according to the May 2017 forecast by European Commission (2016: GDP growth rate at 0.0%). On the fiscal front, the 2016 Greece's primary balance registered a surplus of 4.2% of GDP outperforming the 0.5%-of-GDP Third Economic Adjustment Program (TEAP) target. According to the TEAP the primary surplus for 2017 and 2018 is expected at 1.8% and 3.5% of GDP respectively.

On 22 May 2017, a preliminary technical agreement was reached between Greece and the Institutions in the context of the second review of the TEAP, which had officially started in October 2016. On 15 June 2017, the Eurogroup welcomed the Staff Level Agreement (SLA) reached between Greece and the Institutions after the implementation of a series of prior actions including structural reforms and fiscal structural measures amounting to ca 2% of GDP for the post program period. The SLA paved the way for the release of the next loan tranche to Greece under the existing adjustment program, amounting to € 8.5 bn in two sub-tranches, for debt servicing needs and arrears clearance. The first sub-tranche of € 7.7 bn has already been disbursed. The second sub-tranche of € 0.8 bn will be disbursed in September 2017 conditional on the significant progress by the Greek authorities towards the clearance of the general government arrears to the private sector. On 25 July 2017 the Greek government, on the back of the aforementioned positive developments, issued a € 3 bn five-year syndicated bond at a yield of 4.625% for the first time since July 2014. The proceeds of the bond issue will be used for further liability /debt management and for the build-up of a state cash buffer in the context of the 15 June 2017 Eurogroup's decisions.

The completion of the second program review has reduced the uncertainties that prevailed during the first months of the year and improved expectations for an increase in the domestic economic activity in the second half of 2017. The decisive implementation of the reforms agreed in the context of the TEAP, the implementation of further debt relief measures in accordance with 24 May 2016 Eurogroup decisions, the mobilization of European Union (EU) funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model 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 strong and sustainable growth path.

Currently, the main risks and uncertainties are associated with (a) the possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, (b) the impact on the level of economic activity from the fiscal and social security-related measures agreed under the reviews of the TEAP, (c) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (d) the possible slow pace of deposits inflows and/ or possible delays in the effective management of non-performing exposures as a result of the challenging macroeconomic conditions in Greece and (e) 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 successful completion of the second review of the TEAP has enhanced Greece's credibility towards the international markets and improved the domestic economic sentiment, which along with the return to positive economic growth rate will facilitate in turn the deposits inflows in the banking system, the faster relaxation of capital controls and the further access to the markets for liquidity.

As at 30 June 2017, the Bank's dependency on Eurosystem financing facilities stood at € 13.8 bn, of which € 11.2 bn funding from Emergency Liquidity Assistance (ELA) (31 December 2016: € 13.9 bn, of which € 11.9 bn from ELA). As at 31 July 2017, the Eurosystem funding decreased further to € 12.5 bn, of which € 9.9 bn funding from ELA, mainly as a result of selective asset deleveraging, increased repo transactions and deposit inflows (note 17). In the same context, the Bank also reduced 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 € 2.5 bn on 31 December 2016 to a face value of € 1.5 bn on 30 June 2017 (notes 4 and 20).

Solvency risk

The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk (note 5). A major area 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 important legislative changes and the external partnerships that have taken or are expected to take place (note 13).

The Group remains 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. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.4 % at 30 June 2017 and the net profit attributable to shareholders amounted to € 76 million for the period ended 30 June 2017, while the Bank's CET1 ratio stood at 18.9% and the net profit amounted to € 18 million, respectively (note 6).

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the Bank's capital position and its anticipated continued access to Eurosystem funding over the foreseeable future, as well as the completion of the second review of Greece's current economic adjustment program that reduced the level of uncertainty associated with the domestic macroeconomic environment, has been satisfied that the financial statements of the Bank can be prepared on a going concern basis.

The accounting policies and methods of computation in these condensed interim financial statements are consistent with those in the published annual financial statements for the year ended 31 December 2016. There are no new standards, amendments to standards and interpretations issued by the International Accounting Standard Board (IASB) and endorsed by the European Union (EU) applicable to the Bank from 1 January 2017.

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 through 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 Bank manages the assets in order to generate cash flows. That is, whether the Bank'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 managed on a fair value basis will be measured at FVTPL.

The Bank'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 Bank 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 Bank'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 Bank 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.

Initial assessment of changes to the classification and measurement

In 2017, the Bank carried out an initial business model assessment across various portfolios and a detailed review of the contractual terms for its debt instruments portfolios to determine any potential changes to the classification and measurement. The majority of the Bank's debt instruments portfolios satisfied the SPPI criterion. Accordingly, based on its existing business models as at 30 June 2017, the Bank's current expectation is that generally:

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

- assets in the debt securities lending portfolio (note 14) that are measured at amortized cost under IAS 39, would 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 continue to be measured at FVTPL under IFRS 9;
- trading 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 be measured at FVTPL under IFRS 9.

IFRS 9 requires the business model assessment to be made based on the facts and circumstances that exist at the date of initial application, therefore, the Bank will carry a roll forward assessment during 2017 to determine the actual impact taking into account the business model strategies and the composition of its portfolios as at 31 December 2017.

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 instruments 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 twelve 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 ECLs 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 for which 12-month ECL are recognized will be considered to be in 'stage 1'; financial assets which have experienced a significant increase in credit risk will be in 'stage 2' and financial assets that are credit impaired will be in 'stage 3'.

Measurement of expected credit losses

The measurement of ECLs will be a probability-weighted average estimate of credit losses that will reflect the time value of money. A credit loss is the difference between the cash flows that are due to the Bank in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets (POCI). 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 Bank compared to IAS 39.

For the purposes of measuring ECL, the Bank will estimate expected cash shortfalls, which reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognized separately. The estimate of expected cash shortfalls on a collateralized financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the discounted costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable.

ECLs will be calculated over the maximum contractual period over which the Bank is exposed to credit risk. The maximum contractual period is defined based on the substantive terms of the instrument, including the Bank's ability to demand repayment or cancellation and the customer's ability to require extension. However, for revolving credit facilities (i.e. those that include both a loan and an undrawn commitment component) the period of exposure is determined in accordance with the Bank's expected credit risk management actions to mitigate credit risk, including terminating or limiting credit exposure. In doing so, the Bank will consider its normal credit risk mitigation process, its past practice, future intentions and expected credit risk mitigation actions, the period over which the Bank was exposed to credit risk on similar instruments, and the length of time for defaults to occur on similar instruments following a significant increase in credit risk.

ECLs on individually large exposures and credit-impaired loans are measured individually. For retail exposures and some exposures to small and medium-sized enterprises, ECLs will be measured on a collective basis. This incorporates borrower specific information, such as delinquency, collective historical experience of losses and forward-looking macroeconomic information.

Allocation of Exposures to Stages

The Bank will distinguish financial assets between those which are measured based on 12-month ECLs (stage 1) and those that carry lifetime ECLs (stage 2 and 3), depending on whether there has been a significant increase in credit risk on the financial asset since initial recognition. In assessing whether a financial asset has experienced a significant increase in credit risk since initial recognition, the Bank intends to use a combination of quantitative, qualitative and backstop criteria including:

- relative changes on the residual lifetime probability of default;
- absolute thresholds on the residual lifetime probability of default; and
- days past due.

Management may apply temporary individual or collective overlays on exposures sharing the same credit risk characteristics to take into account specific situations which otherwise would not be fully reflected in the impairment models.

Financial assets that experience a significant increase in credit risk since initial recognition will be classified to stage 2. When the criteria for stage 2 classification are no longer met, financial assets will be reclassified to stage 1. Financial assets will be classified to stage 3 when they are considered to be credit impaired. Subsequent transfers from stage 3 to stage 2 will take place when the financial asset ceases to be credit impaired.

ECL Key inputs

The ECL calculations are based on the term structures of the probability of default (PD), the loss given default (LGD), the exposure at default (EAD) and other input parameters such as the credit conversion factor (CCF) and the prepayment rate. Generally, the Bank intends to derive these parameters from internally developed statistical models and observed point-in-time and historical data, leveraging the existing infrastructure development for the regulatory framework and risk management practices.

The PD represents the likelihood of a borrower defaulting on its financial obligations either on the next twelve months or over the remaining lifetime. In accordance with IFRS 9, the Bank will use point-in-time unbiased PDs that will incorporate forward looking information and macroeconomic scenarios.

EAD represents the exposure that the Bank expects to be owed at the event of default. The EAD of a financial asset will be the gross carrying amount at default. In estimating the EAD, the Bank will use historical observations and forward looking forecasts to reflect payments of principal and interest and any potential drawdowns on lending commitments.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure and is the difference between the contractual cash flows due and those that the Bank expects to receive including any amounts from collateral. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, and is usually expressed as a percentage of EAD.

The PD, LDG and EAD used for accounting purposes may differ from those used for regulatory purposes. PD under IFRS 9 is a point-in-time estimate whereas for regulatory purposes PD is a 'through-the-cycle' estimate. In addition, LGD and EAD for regulatory purposes are based on loss severity experienced during economic downturn conditions, while under IFRS 9, LGD and EAD reflect an unbiased and probability-weighted amount.

The CCF factor is used to convert the amount of a credit line and other off-balance sheet amounts to an EAD amount. It is a modelled assumption which represents a proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. The prepayment rate is an estimate of early prepayments on loan exposure in excess of the contractual repayment according to the repayment schedule and is expressed as a percentage applied to the EAD at each period, reducing the latter amount accordingly.

Forward looking information

In assessing whether credit risk has increased significantly since initial recognition and measuring ECL the Bank will incorporate forward looking information. The Bank will evaluate a range of forward looking economic scenarios in order to achieve an unbiased and probability weighted estimate of ECL. In particular, the Bank intends to use as a minimum three macroeconomic scenarios (i.e. base, adverse and optimistic) and consider the relative probabilities of each scenario. The base scenario will represent the most likely scenario and will be aligned with the information used by the Bank for strategic planning and budgeting purposes.

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 Bank intends to elect to continue applying IAS 39. However, the Bank 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 robust and high quality implementation in compliance with the requirements of the Standard and respective regulatory guidance.

Overall governance is provided 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 Bank, is mandated to oversee the implementation in accordance with the Standard, monitors timelines and the quality of the Program's deliverables, reviews program's results, approves deliverables and changes in the scope of the program where appropriate, and regularly informs the Executive Board, the Board Risk Committee, the Audit Committee and the Board of Directors on 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, Internal Audit, Lending Business Units, Troubled Assets Group, Operations, Global Markets & Treasury and International General Division) dedicated to the various elements associated with the implementation of the Standard. These teams are supported by an external consultancy firm.

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.

The program progressed further in 2017 towards achieving key milestones across all work streams. In particular, up to date, the Bank is in the process of developing draft IFRS 9 accounting policies, key processes and process flows and the ECL methodologies. Educational workshops to the involved stakeholders are being conducted on the impact of IFRS 9 to the Bank's lending practices and day-to-day operational activities in order to ensure that the new requirements are well understood and will be applied consistently within the Bank.

The implementation phase of the IT solution has been completed and a pilot run has commenced. The Bank 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.

In addition, the Bank participates in the IFRS 9 thematic review conducted by the European Central Bank on the evaluation of the Bank's preparedness, the impact of the new accounting principles on processes, infrastructure and regulatory capital. The Bank 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, as mentioned above, that are still being analyzed by Management and their formulation is in progress.

The most significant impact on the Bank'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 Bank is in the process of finalizing models, assembling data and calibrating the impairment stage transfer criteria. 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.

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 Bank is closely monitoring the developments for the introduction of a 'phase in' approach into EU legislation for mitigating the impact of IFRS 9 transition to regulatory capital.

Transition

The new requirements of IFRS 9 will be applied retrospectively by adjusting the Bank's balance sheet on the date of transition on 1 January 2018. The Bank intends to apply the exemption not to restate comparative figures for prior periods; therefore the Bank'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 FVOCI.

3. Critical accounting estimates and judgments in applying accounting policies

In preparing these condensed interim financial statements, the significant judgments made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied to the published annual financial statements for the year ended 31 December 2016, which are those regarded by Management as the most important in applying the Bank's accounting policies.

Further information about the key assumptions and sources of estimation uncertainty are set out in notes 5, 9, 11, 21 and 25.

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 23); and

(b) Second stream-bonds issued by the Bank and guaranteed by the Hellenic Republic
As at 30 June 2017, the government guaranteed bonds, of face value of € 1,500 million, were fully retained by the Bank (note 20). During the first half of 2017, Government guaranteed bonds of face value of € 1,500 million matured, while the Bank proceeded with the issue of Pillar II bonds of face value of € 500 million. The significant decrease in the bonds issued and held by the Bank during the first half of 2017, compared to the respective amount during the first half of 2016, led to the reduction of the relative expenses recognized in the first half of 2017 by € 44 million.

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 30 June 2017, the total carrying value of Greek sovereign major exposures is as follows:

	30 June 2017 € million	31 December 2016 € million
Treasury bills	**1,493**	1,285
Greek government bonds	**2,094**	1,970
Derivatives with the Greek state	**956**	1,070
Exposure relating with Greek sovereign risk financial guarantee	**196**	194
Loans guaranteed by the Greek state	**132**	140
Loans to Greek local authorities and public organizations	**69**	75
Other receivables	**5**	19
Total	**4,945**	4,753

In the first half of 2017, the credit risk valuation adjustment on derivatives with the Hellenic Republic has decreased by € 35 million, with a positive effect on the Bank's net trading income, as a result of the improvement in the short term tenors of Greek sovereign credit default swaps.

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 Bank's impairment policy. The Bank monitors the developments for the Greek macroeconomic environment 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 Bank's financial instruments is provided in note 25.

6. Capital management

The Bank's capital adequacy position is presented in the following table:

	30 June 2017 € million	31 December 2016 € million
Total equity attributable to shareholders of the Bank	**6,246**	6,130
Less: Other regulatory adjustments	**(172)**	(97)
Common Equity Tier 1 capital	**6,074**	6,033
Add: Hybrid capital	**21**	26
Less: Other regulatory adjustments	**(21)**	(26)
Total Tier 1 capital	**6,074**	6,033
Tier II capital-subordinated debt	**-**	4
Add: Other regulatory adjustments	**103**	117
Total Regulatory Capital	**6,177**	6,154
Risk Weighted Assets	**32,124**	32,113
Ratios:	%	%
Common Equity Tier 1	**18.9%**	18.8%
Tier 1	**18.9%**	18.8%
Total Capital Adequacy Ratio	**19.2%**	19.2%

Note: The CET1 as at 30 June 2017, based on the full implementation of the Basel III rules in 2024, would have been 15.2% (31 December 2016: 15%).

The Bank has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the European Union and the Bank of Greece in supervising the Bank. The capital adequacy framework, as in force, was incorporated in the European Union (EU) legislation through the Directive 2013/36/EU (known as CRD IV), along with the Regulation No 575/2013/EU (known as CRR). Directive 2013/36/EU was transposed into Greek legislation by Law 4261/2014. Supplementary to that, in the context of Internal Capital Adequacy Assessment Process (ICAAP), the Bank considers a broader range of risk types and the Bank's risk management capabilities. ICAAP aims ultimately to ensure that the Bank has sufficient capital to cover all material risks that it is exposed to, over a three-year horizon.

To this direction, the Bank 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.

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 Hellenic Republic has committed that the Bank will implement specific measures and actions and will achieve objectives which are an integral part of the said restructuring plan.

The principal structural commitments of the revised restructuring plan relate to: (a) the reduction of the total costs and the maximum number of employees and branches for the Group's Greek activities, (b) the decrease of the cost of deposits collected in Greece, (c) the deleveraging of the portfolio of equity investments, subordinated and hybrid bonds, (d) the decrease in shareholding in specific non-banking subsidiaries, (e) the reduction of the net loans to deposits ratio for the Group's Greek banking activities, (f) the reduction of the portfolio of the Group's foreign assets (non-related to Greek clients), (g) restrictions on the capital injection to the Group's foreign subsidiaries, the purchase of non-investment grade securities, the staff remuneration, the payment of dividends, the credit policy to be adopted and other strategic decisions.

By 30 June 2017, the Group has already met/ respected the commitments referring to items 'a' to 'c' and 'g'. In the first half of 2017, the number of employees for the Greek activities was reduced to 9,710 below the Plan's target of 9,800 employees by 31 December 2017. Concerning item 'd': the Group has already completed the disposal of 80% of the shareholding in its insurance subsidiaries in August 2016 while on 4 July 2017, it announced the successful sale of its 20% shareholding in Grivalia Properties R.E.I.C. (note 12). In respect of the remaining commitments that should be implemented within 2018, referred to items 'e' and 'f', the Group proceeds to all actions and initiatives required to meet them within the prescribed deadlines, as reflected in the three-year Business Plan approved by the Board of Directors in January 2017.

Further information on the principal structural commitments to be implemented and the potential effect on the Bank's business is presented in note 6 of the financial statements for the year ended 31 December 2016.

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. Dividend income

During the period, the Bank recognized dividend income mainly resulting from shares in subsidiaries and investments in associates, amounting to € 12 million (30 June 2016: € 40 million).

The analysis of the aforementioned dividends per entity is as follows:

	30 June 2017 € million	30 June 2016 € million
Eurolife ERB Insurance Group Holdings S.A.	**8**	34
Grivalia Properties R.E.I.C.	**4**	6
Total	**12**	40

8. Operating expenses

	30 June 2017 € million	30 June 2016 € million
Staff costs	**(201)**	(194)
Administrative expenses	**(68)**	(80)
Contributions to resolution and deposit guarantee funds	**(25)**	(31)
Depreciation of property, plant and equipment	**(11)**	(13)
Amortisation of intangible assets	**(8)**	(7)
Operating lease rentals	**(21)**	(21)
Total	**(334)**	(346)

Staff costs

The average number of employees of the Bank during the period was 8,693 (June 2016: 9,091). As at 30 June 2017, the number of branches and business/private banking centers of the Bank amounted to 461.

9. Impairment allowance for loans and advances to customers

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

	30 June 2017				
	Wholesale € million	**Mortgage € million**	**Consumer [1] € million**	**Small business € million**	**Total € million**
Balance at 1 January	**3,710**	**2,152**	**2,572**	**1,870**	**10,304**
Impairment loss for the period	60	139	71	41	**311**
Recoveries of amounts previously written off	0	-	2	-	**2**
Amounts written off	(320)	(41)	(19)	(3)	**(383)**
NPV unwinding	(40)	(29)	(17)	(36)	**(122)**
Sales transactions (note 13)	(47)	-	-	-	**(47)**
Foreign exchange differences and other movements	(10)	(24)	(18)	(13)	**(65)**
Balance at 30 June	**3,353**	**2,197**	**2,591**	**1,859**	**10,000**

[1] *Credit cards balances are included.*

10. Other impairments, restructuring costs and provisions

	30 June 2017 € million	30 June 2016 € million
Impairment losses and valuation losses on investment and repossessed properties	**(5)**	(1)
Other impairment losses and provisions [(1)]	**(1)**	(1)
Other impairment losses and provisions	**(6)**	(2)
Provision for Voluntary Exit Scheme (Note 21)	**-**	(23)
Restructuring costs	**(1)**	(5)
Restructuring costs	**(1)**	(28)
Total	**(7)**	(30)

[(1)] *Includes impairment losses on subsidiaries, investment securities, other assets and provisions on litigations and other operational risk events.*

11. Income tax and tax adjustments

	30 June 2017 € million	30 June 2016 € million
Current tax	**(9)**	(5)
Deferred tax	**(1)**	2
Income tax	**(10)**	(3)
Tax adjustments	**-**	31
Total tax (charge)/income	**(10)**	28

According to Law 4172/2013 currently in force, the nominal Greek corporate tax rate is 29%. 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. In May 2017, according to article 14 of Law 4472/2017, which amended Law 4172/2013, the Greek corporate tax rate for entities other than credit institutions, will decrease from 29% to 26% for the tax years starting from 1 January 2019 and onwards, subject to certain preconditions in the context of the Third Economic Adjustment Program of Greece.

In the first half of 2016 following a favorable court decision, the Bank 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.

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 Bank will obtain such certificate.

The Bank has been audited by tax authorities up to 2010. Furthermore, the Bank has obtained by external auditors unqualified tax certificates for years 2011-2016. 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.

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.

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:

	30 June 2017 € million
Balance at 1 January	**4,918**
Income statement credit/(charge)	(1)
Available for sale investment securities	(35)
Cash flow hedges	(6)
Other	(1)
Balance at 30 June	**4,875**

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

	30 June 2017 € million	31 December 2016 € million
PSI+ tax related losses	**1,226**	1,251
Loan impairment and accounting write-offs	**3,170**	3,134
Unused tax losses	**39**	30
Losses from disposals and crystallized write-offs of loans	**20**	8
Valuations through the income statement	**313**	341
Costs directly attributable to equity transactions	**35**	38
Cash flow hedges	**18**	25
Valuations directly to available-for-sale revaluation reserve	**(34)**	1
Fixed assets	**(5)**	(3)
Defined benefit obligations	**12**	12
Other	**81**	81
Net deferred income tax	**4,875**	4,918

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

	30 June 2017 € million	30 June 2016 € million
Loan impairment and accounting write-offs	**37**	40
Unused tax losses	**9**	(1)
Tax deductible PSI+ losses	**(25)**	(25)
Change in fair value and other temporary differences	**(22)**	(12)
Deferred income tax (charge)/credit	**(1)**	2

As at 30 June 2017, the Bank recognized net deferred tax assets amounting to € 4.9 bn as follows:

(a) € 1,226 million refer to losses resulted from the Bank's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;

(b) € 3,170 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 and to accounting debt write-offs according to Law 4172/2013 as amended by Law 4465/2017 in March 2017;

(c) € 20 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 Law 4172/2013 as amended by Law 4465/2017 in March 2017;

(d) € 39 million refer to unused tax losses. The ability to utilize tax losses carried forward mainly expires in 2020;

(e) € 35 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) € 385 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.

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 30 June 2017, that the Bank 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, the eligibility of carried forward losses for offsetting with future taxable profits, the actual tax results for the year ended 31 December 2016 and the extrapolated tax results for the year ended 31 December 2017 using the actual tax results for the period ended 30 June 2017.

Additionally, the Bank'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 Bank 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 the Bank's performance in combination with the previous years' tax losses caused by one off or non-recurring events.

For the period ended 30 June 2017 the Bank has conducted a deferred tax asset (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 the 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 Bank itself.

The level of the abovementioned projections adopted in the Bank's Business Plan is mainly based on assumptions and estimates regarding (a) the further reduction of its funding cost driven by the 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 Bank 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 (note 2).

Legal framework for tax credit against the Greek State and tax regime for loan losses

According to article 27A of Law 4172/2013, 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 period ended 30 June 2017, the Bank's after tax result amounted to a gain of € 18 million, while deferred tax assets eligible for conversion to tax credits amounted to € 3,989 million.

According to article 43 of Law 4465/2017 (voted by the Greek Parliament in March 2017), which amended Law 4172/2013 with effect from 2016 onwards, 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 (case (b) above) was revised and tax regime for loan losses was reformed. 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, i.e. 29%) 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 twenty-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.

In May 2017, according to article 82 of Law 4472/2017, which further amended article 27A of Law 4172/2013, an annual fee of 1.5% is imposed on the excess amount of deferred tax assets guaranteed by the Greek State, stemming from the difference between the current tax rate (i.e. 29%) and the tax rate applicable on 30 June 2015 (i.e. 26%). For the period ended 30 June 2017, an amount of € 10 million has been recognized in the income statement of which an amount of € 7 million refers to the respective fee for the year 2016.

12. Discontinued operations

Investment in Grivalia Properties R.E.I.C. classified as held for sale

In June 2017, the Bank's entire holding of 20% in the share capital of Grivalia Properties R.E.I.C., was classified as held for sale, as its sale was considered highly probable.

The fair value less costs to sell of the Bank's share in Grivalia Properties R.E.I.C., which was determined by reference to the share price of Grivalia Properties R.E.I.C in the Athens Stock Exchange as at 30 June 2017 (i.e. € 9.15 per share resulting in a market value of € 185 million for the Bank's share), exceeded the respective carrying amount of € 160 million, therefore no impairment loss was recognized upon the remeasurement of the Bank's investment at the lower of its carrying amount and fair value less costs to sell. This is a non-recurring fair value measurement, categorized as Level 1 in the fair value hierarchy.

Post balance sheet event

On 4 July 2017, the Bank announced the successful sale of its shareholding in Grivalia Properties R.E.I.C., via an institutional private placement by way of an accelerated bookbuild offering to institutional investors at a price of € 8.80 per share, for a total cash consideration of € 178 million. The disposal of the Bank's holding in Grivalia Properties R.E.I.C., which was in line with the Bank's restructuring plan, resulted to € 11 million gain after tax, including selling costs of € 2.9 million, out of which € 0.4 million refer to intragroup selling costs.

13. Loans and advances to customers

	30 June 2017 € million	31 December 2016 € million
Wholesale lending	**14,447**	14,692
Mortgage lending	**15,743**	16,098
Consumer lending [(1)]	**4,942**	5,059
Small business lending	**6,345**	6,363
	41,477	42,212
Less: Impairment allowance (note 9)	**(10,000)**	(10,304)
Total	**31,477**	31,908

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

As at 30 June 2017, the Bank's non performing exposures amounted to € 19,750 million (31 December 2016: € 20,510 million).

As of 30 September 2014, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', the Bank 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 Bank 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 € 550 million less fair value adjustment of € 400 million), which became their amortized cost at the reclassification date.

In addition, in December 2014 the Bank acquired a fully impaired bond loan of € 42 million, previously held by a subsidiary and guaranteed by the Bank itself. The said loan was presented within Loans and advances to customers on a gross basis and therefore the gross balance of Loans and advances to customers and the impairment allowance have increased by the fair value adjustment of € 42 million.

As at 30 June 2017, the carrying amount of these loans is € 87 million which approximates their fair value. No amounts would have been recognized in the OCI had these financial assets not been reclassified.

In the first half of 2017, the Bank proceeded with the sale of wholesale Non-Performing loan portfolios of € 75 million (€ 28 million, net of impairment allowance) to its subsidiary ERB New Europe Funding II B.V. The transaction had no effect in the Bank's income statement.

Operational targets for Non-Performing Exposures (NPEs)

In line with the national strategy for the reduction of NPEs, the Bank of Greece (BoG), in cooperation with the supervisory arm of the European Central Bank (ECB), has designed an operational targets framework for NPE 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. The supervisory authority reviews the course to meeting the operational targets on a quarterly basis.

In accordance with the latest BoG report issued in June 2017, the Greek banks managed in total to meet the targets for the reduction in the stock of NPEs. More specifically, at the end of March 2017, the stock of NPEs (excluding off-balance sheet items) amounted to € 103.9 bn or € 1.4 bn lower than the targeted amount. With respect to the target for the stock of NPLs (90 days past due loans), their balances stood at € 75.2 bn slightly higher by approximately € 0.5 bn than the targeted amount.

In the first months of 2017, significant legislative changes towards the reduction of NPEs include the amendment of Law 4172/2013 for lifting tax-related impediments (note 11), the voting of Law 4469/2017 for the out-of-court workout mechanism for businesses, as well as a law (Law 4472/2017) on e-auctions and on the regulation of the Bank Executives' legal responsibilities for NPEs workouts.

Further information in relation to the NPE operational targets of the Greek banking system, the key risks and the Bank's NPE strategy is provided in the note 7.2 of the financial statements for the year ended 31 December 2016.

14. Investment securities

	30 June 2017 € million	31 December 2016 € million
Available-for-sale investment securities	**3,907**	2,791
Debt securities lending portfolio	**5,751**	8,094
Held-to-maturity investment securities	**117**	126
Total	**9,775**	11,011

The investment securities per category are analyzed as follows:

	30 June 2017			
	Available-for-sale securities € million	**Debt securities lending portfolio € million**	**Held-to-maturity securities € million**	**Total € million**
Debt securities				
- EFSF bonds	**51**	**4,551**	**-**	**4,602**
- Greek government bonds	**1,187**	**902**	**-**	**2,089**
- Greek government treasury bills	**1,493**	**-**	**-**	**1,493**
- Other government bonds	**959**	**298**	**-**	**1,257**
- Other issuers	**152**	**0**	**117**	**269**
	3,842	**5,751**	**117**	**9,710**
Equity securities	**65**	**-**	**-**	**65**
Total	**3,907**	**5,751**	**117**	**9,775**

	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	1,285	-	-	1,285
- Other government bonds	207	307	-	514
- Other issuers	163	15	126	304
	2,694	8,094	126	10,914
Equity securities	97	-	-	97
Total	2,791	8,094	126	11,011

In 2008 and 2010, in accordance with the amendments to IAS 39 'Financial Instruments: Recognition and Measurement', the Bank 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 30 June 2017, the carrying amount of the reclassified securities was € 858 million. Had the financial assets not been reclassified, changes in the fair value for the period from the reclassification date until 30 June 2017 would have resulted in € 335 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

During the first half of 2017, the Bank proceeded with the deleveraging of its equity investments portfolio, recognizing a gain of € 24 million, presented in line 'Gains less losses from investment securities'. In the comparative period, a total gain of € 37 million was recognized following the completion of the acquisition of Visa Europe Ltd by Visa Inc.

Sale of European Financial Stability Facility (EFSF) notes

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, along with the other three systemic Greek banks, has 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 EFSF floating rate notes, which had been used for the recapitalization of the Greek banking system. This agreement aims to reduce Greece's interest rate risk and smoothen its debt repayment profile. Particularly, the said EFSF notes will be exchanged at their book value with either cash or fixed rate ones with a longer maturity, which would be sold back, after a short holding period, to EFSF. The exchange is expected to take place gradually within the next months and will be implemented through a series of separate monthly transactions, which will ultimately result in the sale of the Bank's EFSF floating rate notes at their book value.

In this context, in the first half of 2017 and in July 2017, the Bank exchanged floating rate EFSF notes of face value of € 2.5 bn and € 955 million, respectively, with fixed rate EFSF notes of equivalent face value. Up to 30 June 2017 and until the end of August 2017, exchanged EFSF notes of face value of € 2.1 bn and € 1.4 bn respectively, were sold back to the EFSF. The above transactions had no effect in the Bank's income statement.

In January 2017, prior to the aforementioned BoD decision and in line with the relevant EFSF decision in April 2016 that allowed Greek banks to sell the said notes to the members of the Eurosystem in accordance with the conditions applicable to the Public Sector Asset Purchase Program (PSPP), the Bank proceeded with the sale of EFSF notes of face value of € 187 million, recognizing a gain of € 5 million in 'Gains less losses from investment securities'.

15. Shares in subsidiary undertakings

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 Bank's subsidiary finance lease arrangement.

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.

Anaptyxi II Holdings Ltd and Anaptyxi II Plc, United Kingdom

In March 2017, the liquidation of the companies was completed.

Daneion Holdings Ltd, Daneion 2007-1 Plc and Daneion APC Ltd, United Kingdom

In March 2017, the liquidation of the companies was completed.

Byzantium II Finance Plc, United Kingdom

In April 2017, the company was revived and is under liquidation.

Eurobank Business Services S.A., Greece

In April 2017, the disposal of the company was completed for a total cash consideration of € 2.1 million.

ERB Leasing A.D. Beograd, Serbia

In May 2017, the Bank's participation in the company decreased from 25.81% to 17.51%, following a share capital increase of the company in favor of the other shareholder, Eurobank A.D. Beograd. In June 2017, the liquidation of the company was decided.

Eurobank Bulgaria A.D., Bulgaria

In the context of the acquisition of Alpha Bank's Branch in Bulgaria by Eurobank Bulgaria A.D. (Postbank), on 2 March 2016 the Bank acquired € 55 million of Postbank's liabilities to Alpha Bank Group for a consideration of € 1. The resulting gain of € 55 million, which was attributed to the particular circumstances of the acquisition in line with the restructuring plans for Alpha Bank and the Bank, has been recognized in 'Other operating income'.

Post balance sheet events

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

On 4 July 2017, the Bank announced the completion of the sale of 20% of Grivalia Properties R.E.I.C. (note 12).

Eurobank ERB Mutual Funds Mngt Company S.A., Greece

In July 2017, the liquidation of the company was completed.

ERB Hellas (Cayman Islands) Ltd, Cayman Islands

In July 2017, the Bank acquired from its subsidiary ERB New Europe Funding III Ltd 100% of the shares and voting rights of ERB Hellas (Cayman Islands) Ltd.

Eurobank FPS Loans and Credits Claim Management S.A., Greece

In August 2017, Eurobank FPS Loans and Credits Claim Management S.A. merged with Eurobank Remedial Services S.A.

16. Other assets

	30 June 2017 € million	31 December 2016 € million
Receivable from Deposit Guarantee and Investment Fund	**700**	695
Repossessed properties and relative prepayments	**270**	277
Pledged amount for a Greek sovereign risk financial guarantee	**242**	242
Income tax receivable	**153**	163
Other guarantees	**37**	38
Prepaid expenses and accrued income	**61**	40
Investments in associates and joint ventures (see below)	**34**	27
Financial instruments at fair value through profit or loss	**8**	8
Other assets	**74**	108
Total	**1,579**	1,598

As at 30 June 2017, other assets amounting to € 74 million include, among others, receivables related to (a) public entities and (b) legal cases, net of provisions.

The following is the listing of the Bank's associates and joint ventures as at 30 June 2017:

Name	Note	Country of incorporation	Line of business	Percentage Holding
Femion Ltd		Cyprus	Special purpose investment vehicle	66.45
Tefin S.A. [(1)]		Greece	Dealership of vehicles and machinery	50.00
Sinda Enterprises Company Ltd		Cyprus	Special purpose investment vehicle	48.00
Alpha Investment Property Kefalariou S.A.	a	Greece	Real estate	41.67
Global Finance S.A. [(2)]		Greece	Investment financing	9.91
Famar S.A.	b	Luxembourg	Holding company	23.55
Odyssey GP S.a.r.l.		Luxembourg	Special purpose investment vehicle	20.00
Eurolife ERB Insurance Group Holdings S.A. [(3)]		Greece	Holding company	20.00

[(1)] In December 2013, the Extraordinary General Meeting of shareholders of the company decided its liquidation.
[(2)] Global Finance group (Global Finance S.A. and its subsidiaries) is considered as a Bank's associate.
[(3)] Eurolife Insurance group (Eurolife ERB Insurance Group Holdings S.A. and its subsidiaries) is considered as a Bank's associate.

(a) 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.

(b) 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). The Bank's participation in the company's share capital was subsequently 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. Furthermore, new funds equal to € 40 million were made available to Famar S.A. by the Greek Banks (Eurobank participated at a proportion of 24.37%) and the outstanding senior debt facility of Famar Holding was 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.

Based on the terms of the shareholders' agreement, the Bank has significant influence over Famar S.A. and at the same time remains the beneficiary of the share pledge agreement in relation to the aforementioned loans.

17. Due to central banks

	30 June 2017 € million	31 December 2016 € million
Secured borrowing from ECB and BoG	**13,839**	13,906

As at 30 June 2017, the Bank's dependency on Eurosystem financing facilities stood at € 13.8 bn (of which € 11.2 bn funding from ELA). Furthermore the Bank replaced € 1.3 bn funding from ECB's main refinancing operations (MROs) with ECB's targeted longer-term refinancing operations (TLTROs). As at 31 July 2017, the Eurosystem funding reduced further to € 12.5 bn, of which € 9.9 bn funding from ELA, mainly as a result of selective asset deleveraging (note 14), increased repo transactions and deposit inflows.

18. Due to credit institutions

	30 June 2017 € million	31 December 2016 € million
Secured borrowing from credit institutions	**7,846**	10,007
Borrowings from international financial and similar institutions	**264**	190
Interbank takings	**765**	863
Current accounts and settlement balances with banks	**136**	29
Total	**9,011**	11,089

As at 30 June 2017, 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 14 and 20). As at 30 June 2017, borrowings from international financial and similar institutions include borrowings from European Investment Bank, European Bank for Reconstruction and Development and other similar institutions.

19. Due to customers

	30 June 2017 € million	31 December 2016 € million
Savings and current accounts	**13,658**	13,424
Term deposits	**10,258**	10,169
Repurchase agreements	**53**	53
Other term products (note 20)	**-**	32
Total	**23,969**	23,678

The other term products concern subordinated notes held by the Bank's customers, which matured in June 2017.

20. Debt securities in issue

	30 June 2017 € million	31 December 2016 € million
Subordinated - Lower Tier II (note 19)	**-**	43
Medium-term notes (EMTN) (note 19)	**7**	17
Total	**7**	60

Subordinated (Lower TIER II)

In the first half of 2017, the subordinated notes issued by the Bank of face value of € 75 million, € 32 million of which were held by Bank's customers (note 19), matured.

Government guaranteed and covered bonds

As at 30 June 2017, 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 € 1,500 million and € 2,275 million, respectively, were retained by the Bank.

During the first half of 2017, Government guaranteed bonds of face value of € 1,500 million matured, while the Bank proceeded with the issue of Pillar II bonds of face value of € 500 million.

Post balance sheet event

In July 2017, the Bank proceeded with the issue of covered bonds of face value of € 475 million. The total issue was held by the Bank.

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).

21. Other liabilities

	30 June 2017 € million	31 December 2016 € million
Balances under settlement [(1)]	**108**	162
Other provisions	**89**	99
Deferred income and accrued expenses	**80**	45
Standard legal staff retirement indemnity obligations	**42**	40
Sovereign risk financial guarantee	**46**	48
Other liabilities	**77**	134
Total	**442**	528

[(1)] *Includes settlement balances relating to bank cheques and remittances, credit card transactions and other banking activities.*

As at 30 June 2017, other liabilities amounting to € 77 million mainly consist of payables relating with (a) suppliers and creditors, (b) contributions to insurance organizations and (c) duties and other taxes.

As at 30 June 2017, other provisions amounting to € 89 million mainly include € 54 million for outstanding litigations and claims in dispute (note 27), € 25 million for restructuring costs related to the Voluntary Exit Scheme (VES) and € 9 million for other operational risk events.

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.

22. Ordinary share capital and share premium

The par value of the Bank's shares is € 0.30 per share. All shares are fully paid. The balance of ordinary share capital, share premium and the number of ordinary shares issued by the Bank, are as follows:

	Ordinary Share capital € million	Share premium € million	Number of issued ordinary shares
Balance at 30 June 2017	**656**	**8,056**	**2,185,998,765**

Treasury shares

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

23. Preference shares

Preference Shares		
Number of shares	30 June 2017 € million	31 December 2016 € 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 (further information on the preference shares is presented in note 38 of the financial statements for the year ended 31 December 2016).

The payment of the non-cumulative coupon on the preference shares is subject to meeting the minimum capital adequacy requirements, set by Bank of Greece (BoG), the availability of distributable reserves in accordance with article 44A of Company Law 2190/1920 and the approval of the Annual General Meeting. Taking into account that the Bank has accumulated losses at the end of 2016, the distribution of dividends to either ordinary or preference shareholders is not permitted.

Furthermore, pursuant to the provisions of article 80 of the new Law 4484/2017 (Government Gazette A' 110, 1 August 2017), five years after their issue, the redemption of the preference shares in whole or in part is allowed, in consideration for cash or Tier II capital instruments as defined in Regulation 575/2013, or a combination thereof, having received the supervisory authority's consent. In case the issuance of Tier II capital instruments is opted for the redemption (exchange), they should satisfy the following conditions:

(a) their nominal value should be calculated on the basis of the initial offer price of the preference shares;

(b) their features should satisfy the conditions of Regulation 575/2013 applicable to Tier II instruments, and especially article 63 thereof;

(c) they have a maturity of ten years and the issuer has an option, exercisable at the issuer's sole discretion, to call or redeem or repurchase or early repay the instruments after five years from their issuance with the approval of the regulatory authority;

(d) they may be early repaid prior to five years from their issue date subject to approval by the regulatory authority and provided a tax event or a regulatory event, as defined in article 78 par. 4 of Regulation 575/2013, has occurred;

(e) their repayment after five years from their issue date and until maturity, as well as in the circumstances contemplated in (d) above, shall be made at their nominal value;

(f) upon redemption or early repayment of the instruments, accrued interest thereon in respect of the relevant interest period shall always be payable;

(g) their nominal interest rate (coupon) shall be fixed and interest shall be payable semi-annually at the last day of the sixth and twelfth month each year. In relation to the first payment, the interest rate is calculated by reference to the time period remaining until the end of the earlier of any of the above dates, if it is less than six (6) months;

(h) the interest rate is calculated on the basis of the average yield of the ten-year reference bond of the Hellenic Republic at the first fifteen (15) days of June 2017 plus fifty (50) basis points and cannot be lower than 6%; and

(i) they will be freely transferable and may be listed on a regulated market.

The request to redeem the preference shares in accordance with the above mentioned conditions is submitted to the Minister of Finance, who issues a relevant decision in compliance with the state-aid rules of the E.U. If the redemption is made through an exchange with Tier II capital instruments, an agreement signed between the Minister of Finance and the Bank is entered into to provide for, among others, the specific terms of such instruments, and any other detail relevant to the above transaction.

Taking into consideration that under the existing regulatory framework, the preference shares of the Greek State will cease to account for in the Bank's regulatory capital from 1 January 2018 onwards, the Bank decided, pursuant to the decision of its BoD dated on 29 August 2017, to make use of the abovementioned ability provided for in the new legislative framework (article 80 of Law 4484/2017) and to proceed to the redemption of the full amount of outstanding preference shares, in consideration for Tier II capital instruments of the same value. In this context, the Bank decided to submit a request to:

(a) the ECB/SSM for the purpose of (i) obtaining permission to reduce the own funds of the Bank as a result of redemption of preference shares of an aggregate nominal value of € 950,125,000, in accordance with article 77 et seq. of Regulation 575 and (ii) qualifying the subordinated notes issuable by the Bank as Tier II capital instruments, in accordance with article 63 et seq. of Regulation 575; and

(b) the Minister of Finance for the redemption of the preference shares in consideration for subordinated notes having an aggregate nominal value of € 950,125,000 issuable by the Bank, which constitutes Tier II capital instruments, in accordance with article 80 of Law 4884/2017. In case the Minister of Finance approves the Bank's request, the General Assembly will convene to resolve on the redemption of the preference shares, the cancellation of the titles of the preference shares and the amendment of the relevant articles of the Bank's Articles of Association referring to the shares and the share capital.

24. Hybrid capital

The outstanding amount of hybrid capital issued by the Bank, in the form of preferred securities, through its Special Purpose Entity, ERB Hellas Funding Limited, as at 30 June 2017 is analyzed as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 30 June 2017	**2**	**4**	**18**	**19**	**43**

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. For the period ended 30 June 2017 and in 2016, the Bank did not distribute any dividend. Accordingly, ERB Hellas Funding Ltd announced the non payment of the non cumulative preferred dividend of the above series of preferred securities.

25. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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 Bank'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 Bank 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 Bank.

(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 Bank's financial assets and liabilities carried at fair value is presented in the following tables:

	30 June 2017			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	5	2	1	8
Derivative financial instruments	0	1,696	2	1,698
Available-for-sale investment securities	3,864	0	43	3,907
Total financial assets	3,869	1,698	46	5,613
Financial liabilities measured at fair value:				
Derivative financial instruments	0	2,069	-	2,069
Due to customers:				
- Structured deposits	-	4	-	4
Trading liabilities	2	-	-	2
Total financial liabilities	2	2,073	-	2,075

	31 December 2016			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial assets measured at fair value:				
Financial instruments held for trading	6	1	1	8
Derivative financial instruments	0	1,983	2	1,985
Available-for-sale investment securities	2,746	0	45	2,791
Total financial assets	2,752	1,984	48	4,784
Financial liabilities measured at fair value:				
Derivative financial instruments	0	2,448	-	2,448
Due to customers:				
- Structured deposits	-	4	-	4
Trading liabilities	3	-	-	3
Total financial liabilities	3	2,452	-	2,455

The Bank recognizes transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected. There were no transfers between Level 1 and 2 and vice versa, as well as, no changes in valuation techniques used, during the period ended 30 June 2017.

Reconciliation of Level 3 fair value measurements

	30 June 2017 € million
Balance at 1 January	**48**
Transfers into Level 3	**0**
Transfers out of Level 3	**(0)**
Additions, net of disposals and redemptions	**(1)**
Total gain/(loss) for the period included in profit or loss	**(0)**
Total gain/(loss) for the period included in other comprehensive income	**0**
Foreign exchange differences and other	**(1)**
Balance at 30 June	**46**

Bank's valuation processes and techniques

The Bank's processes and procedures governing the fair valuations are established by the Group Market Counterparty Risk Sector in line with the Bank's accounting policies. The Bank 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. Specifically, 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 Bank and the counterparty, where appropriate.

Valuation controls applied by the Bank 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 Bank and its counterparties under the relevant terms of the derivative instruments and the effect of the credit risk on the valuation of these cash flows. As appropriate in circumstances, the Bank considers also the effect of any credit risk mitigating arrangements, including collateral agreements and master netting agreements on the calculation of credit risk valuation adjustments (CVAs). CVA calculation uses probabilities of default (PDs) based on observable market data as credit default swaps (CDS) spreads, where appropriate, or based on internal rating models. The Bank applies similar methodology for the calculation of debit-value-adjustments (DVAs), when applicable. Where valuation techniques are based on internal rating models and the relevant CVA is significant to the entire fair value measurement, such derivative instruments are categorized as Level 3 in the fair value hierarchy. 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 Bank 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 Bank and designated at FVTPL, fair values are determined by discounting the expected cash flows at a risk-adjusted rate, where the Bank's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Bank or other Greek issuers.

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

	30 June 2017	
	Carrying amount € million	**Fair value € million**
Loans and advances to customers	**31,477**	**31,390**
Investment securities		
- Debt securities lending portfolio	**5,751**	**5,274**
- Held-to-maturity investment securities	**117**	**109**
Total financial assets	**37,345**	**36,773**
Debt securities in issue held by third party investors (note 20)	-	-
Total financial liabilities	-	-

	31 December 2016	
	Carrying amount € million	Fair value € million
Loans and advances to customers	31,908	31,970
Investment securities		
- Debt securities lending portfolio	8,094	7,623
- Held-to-maturity investment securities	126	117
Total financial assets	40,128	39,710
Debt securities in issue held by third party investors	43	36
Total financial liabilities	43	36

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 Bank 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 Bank's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Bank or other Greek issuers.

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.

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

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

	30 June 2017 € million	31 December 2016 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**340**	345
Due from credit institutions	**70**	109
Total	**410**	454

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

	30 June 2017 € million	30 June 2016 € million
Amortisation of premiums/discounts and accrued interest	**(14)**	(10)
(Gains)/losses from investment securities	**(33)**	(51)
Total	**(47)**	(61)

For the period ended 30 June 2016, other adjustments on profit before income tax included a gain of € 55 million related to the acquisition of the Alpha Bank's Branch in Bulgaria by Eurobank Bulgaria A.D. (Postbank) (note 15).

27. Contingent liabilities and other commitments

Credit related commitments are analyzed as follows:

	30 June 2017 € million	31 December 2016 € million
Guarantees [(1)] and standby letters of credit	**1,043**	832
Guarantees to Bank's SPV's issuing EMTNs	**112**	121
Other guarantees (medium risk) and documentary credits	**378**	383
Commitments to extend credit	**125**	102
Total	**1,658**	1,438

[(1)] *Guarantees that carry the same credit risk as loans.*

Legal Proceedings

As at 30 June 2017 there were a number of legal proceedings outstanding against the Bank for which a provision of € 54 million was recorded (31 December 2016: € 55 million), as set out in note 21. 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.

Furthermore, the Bank 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 General Division, Management does not expect that there will be an outflow of resources and therefore no provision is recognized.

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. From a Courts view point it may be sustained that the issue is presently found at a premature stage, considering that a substantial number of first instance Courts judgments has been issued, the majority of which are in favor of the Bank. Furthermore, there are six appellate Courts judgments in cases concerning the Bank, which have been in favor of the validity of the loans. To date no judgment of the Areios Pagos, being the supreme civil Court, has been passed. 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.

The Management of the Bank is closely monitoring any developments to the relevant cases to determine potential accounting implications in accordance with the Bank's accounting policies.

28. Post balance sheet events

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

Note 2-Principal accounting policies
Note 6-Capital management
Note 12-Discontinued operations
Note 14-Investment securities
Note 15-Shares in subsidiary undertakings
Note 17-Due to central banks
Note 20-Debt securities in issue
Note 23-Preference shares
Note 30-Board of Directors

29. 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 Bank at times may hold positions in debt and equity instruments of related parties.

The outstanding balances of the transactions with (a) the subsidiaries, (b) the key management personnel (KMP) and the entities controlled or jointly controlled by KMP and (c) the associates and joint ventures, as well as the relating income and expenses, are as follows:

	30 June 2017			31 December 2016		
	Subsidiaries [2] € million	KMP [1] and entities controlled or jointly controlled by KMP € million	Associates and joint ventures € million	Subsidiaries [2] € million	KMP [1] and entities controlled or jointly controlled by KMP € million	Associates and joint ventures [3] € million
Due from credit institutions	**1,341.46**	**-**	**-**	1,521.76	-	-
Financial instruments at fair value through profit and loss	**1.73**	**-**	**-**	1.03	-	-
Derivative financial instruments assets	**23.33**	**-**	**0.02**	7.00	-	-
Investment securities	**0.12**	**-**	**-**	1.70	-	-
Loans and advances to customers, net of provision	**1,497.59**	**6.92**	**6.35**	1,501.24	7.12	5.67
Other assets	**5.64**	**-**	**2.62**	8.12	-	6.08
Due to credit institutions	**3,699.66**	**-**	**-**	3,658.26	-	-
Derivative financial instruments liabilities	**1.22**	**-**	**-**	10.09	-	-
Due to customers	**350.87**	**2.30**	**46.38**	336.01	2.29	99.73
Debt securities in issue	**6.57**	**-**	**-**	16.29	-	-
Other liabilities	**8.72**	**-**	**4.16**	14.89	-	2.97
Guarantees issued	**493.32**	**-**	**0.04**	394.21	-	-
Guarantees received	**-**	**0.04**	**-**	-	0.05	-
	Six months ended 30 June 2017			Six months ended 30 June 2016		
Net interest income	**1.29**	**0.02**	**(0.33)**	11.91	0.02	(0.04)
Net banking fee and commission income	**2.14**	**-**	**3.32**	4.37	-	-
Dividend income	**3.77**	**-**	**7.83**	40.00	-	-
Net trading income	**(1.34)**	**-**	**0.02**	3.40	-	-
Other operating income/(expenses)	**(6.28)**	**-**	**(6.34)**	(12.83)	-	-
Impairment losses on loans and advances and collectors' fees	**(6.27)**	**-**	**(0.87)**	(8.89)	-	(0.01)

[1] Includes the key management personnel of the Bank and their close family members.
[2] Equity contributions and other transactions with subsidiaries are presented in notes 15 and 13 respectively.
[3] As of 4 August 2016, Eurolife insurance group has been accounted for as an associate.

For the period ended 30 June 2017, there were no material transactions with the HFSF.

In addition, as at 30 June 2017 the loans, net of provisions, granted to entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements (note 15) amounted to € 4.7 million (31 December 2016: € 5.3 million).

As at 30 June 2017, the impairment allowance for loans and receivables with the Bank's consolidated subsidiaries, associates and joint ventures amounted to € 197 million (31 December 2016: € 209 million).

In relation to the guarantees issued, the Bank has received cash collateral of € 62 million as at 30 June 2017 (31 December 2016: € 60 million), which is included in Due to customers.

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

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 2.60 million (30 June 2016: € 2.04 million) and long-term employee benefits (excluding share-based payments) of € 0.35 million (30 June 2016: € 0.25 million). In addition, the Bank has formed a defined benefit obligation for the KMP amounting to € 0.85 million as at 30 June 2017 (31 December 2016: € 0.81 million), while the respective cost for the period amounts to € 0.03 million (30 June 2016: € 0.03 million).

30. Board of Directors

The Board of Directors (BoD) was elected by the Annual General Meeting held on 27 June 2013 for a three years term of office. Its term of office, following the resolution of the Bank's Annual General Meeting held on 26 June 2015, expires on 27 June 2018 and in any case until the date the Bank's Annual General Meeting for the year 2018 will take place.

On 26 October 2016, the Bank's Board appointed Mr. George E. Myhal as new independent non-executive member of the Board, in replacement of the resigned on the same day independent non-executive member Mr. Jon Steven B.G. Haick, for an equal term to the remaining term of the resigned member, while on 12 January 2017, the BoD appointed Mr. Richard P. Boucher as new independent non-executive Board member in replacement of the resigned on 3 November 2016 independent non-executive member Mr. Spyridon Lorentziadis, for an equal term to the remaining term of the resigned member. The appointment of the two new Board members was announced to the General Meeting of the Shareholders of the Bank which took place on 16 June 2017 and their term of office will expire concurrently with the term of office of the other members of the BoD.

Mr. Wade Sebastian Burton non-executive member of the BoD of the Bank submitted his resignation from the BoD effective as of 5 April 2017. On 14 July 2017 the Bank announced that Ms. Androniki Boumi has been appointed as representative of the Greek State to the Bank's Board according to the provisions of L.3723/2008, in replacement of Ms. Christina Andreou who informed the Bank on her resignation on 26 May 2017.

Following the above, the BoD 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
G. Chryssikos	Non-Executive
R. Boucher	Non-Executive Independent
G. Myhal	Non-Executive Independent
B. P. Martin	Non-Executive Independent
S. Johnson	Non-Executive Independent
J. Mirza	Non-Executive Independent
L. Reichlin	Non-Executive Independent
A. Boumi	Non-Executive (Greek State representative under Law 3723/2008)
K. H. Prince - Wright	Non-Executive (HFSF representative under Law 3864/2010)

Athens, 29 August 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