EUROBANK ERGASIAS S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

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General Commercial Registry No: 000223001000

Balance Sheet

	Note	31 December 2017 € million	2016 Restated [1] € million
ASSETS			
Cash and balances with central banks	17	**372**	371
Due from credit institutions	19	**2,867**	3,490
Derivative financial instruments	20	**1,884**	1,985
Loans and advances to customers	21	**30,866**	31,908
Investment securities	23	**6,616**	11,066
Shares in subsidiary undertakings	24	**1,814**	2,224
Property, plant and equipment	25	**237**	238
Investment property	26	**22**	59
Intangible assets	27	**105**	80
Deferred tax assets	16	**4,846**	4,902
Other assets	28	**1,621**	1,598
Assets classified as held for sale	29	**198**	-
Total assets		**51,448**	57,921
LIABILITIES			
Due to central banks	30	**9,994**	13,906
Due to credit institutions	31	**7,168**	11,089
Derivative financial instruments	20	**1,850**	2,448
Due to customers	32	**25,015**	23,678
Debt securities in issue	33	**503**	60
Other liabilities	34	**476**	528
Total liabilities		**45,006**	51,709
EQUITY			
Ordinary share capital	36	**656**	656
Share premium	36	**8,056**	8,056
Reserves and retained earnings		**(3,263)**	(3,493)
Preference shares	37	**950**	950
Total equity attributable to shareholders of the Bank		**6,399**	6,169
Hybrid capital	38	**43**	43
Total equity		**6,442**	6,212
Total equity and liabilities		**51,448**	57,921

[1] *The comparative information has been restated due to change in accounting policy (note 47).*

Notes on pages 6 to 111 form an integral part of these financial statements

Income Statement

	Note	Year ended 31 December 2017 € million	2016 Restated [1] € million
Interest income		**1,782**	1,862
Interest expense		**(682)**	(770)
Net interest income	8	**1,100**	1,092
Banking fee and commission income		**212**	212
Banking fee and commission expense		**(85)**	(104)
Net banking fee and commission income	9	**127**	108
Income from non banking services		**6**	6
Dividend income	10	**132**	62
Net trading income	11	**58**	5
Gains less losses from investment securities	11	**65**	113
Other income/(expenses)	16,21,24	**19**	260
Operating income		**1,507**	1,646
Operating expenses	12	**(672)**	(687)
Profit from operations before impairments, provisions and restructuring costs		**835**	959
Impairment losses on loans and advances	22	**(716)**	(836)
Impairments on shares in subsidiary undertakings and joint ventures	24	**(105)**	(85)
Other impairment losses and provisions	14	**(27)**	(33)
Restructuring costs	14	**(11)**	(47)
Profit/(Loss) before tax		**(24)**	(42)
Income tax	15	**35**	21
Tax adjustments	15	**-**	31
Net profit		**11**	10

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Statement of Comprehensive Income

		Year ended 31 December		
		2017		2016 Restated [1]
		€ million		€ million
Net profit		**11**		10
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	**30**		16	
- transfer to net profit, net of tax	**(11)**	**19**	(5)	11
Available for sale securities				
- changes in fair value, net of tax (note 5)	**238**		29	
- transfer to net profit, net of tax (note 23)	**(36)**	**202**	1	30
		221		41
Items that will not be reclassified to profit or loss:				
-Actuarial losses on post employment benefit obligations, net of tax		**(2)**		(4)
Other comprehensive income		**219**		37
Total comprehensive income		**230**		47

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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
Restatement due to charge in accounting policy (note 47)	-	-	-	34	-	-	34
Balance at 1 January 2016, as restated	656	8,056	7,544	(11,084)	950	43	6,165
Net profit (restated, note 47)	-	-	-	10	-	-	10
Other comprehensive income	-	-	37	-	-	-	37
Total comprehensive income for the year ended 31 December 2016	-	-	37	10	-	-	47
Transfers between reserves	-	-	(41)	41	-	-	-
Balance at 31 December 2016	656	8,056	7,540	(11,033)	950	43	6,212
Balance at 1 January 2017	**656**	**8,056**	**7,540**	**(11,033)**	**950**	**43**	**6,212**
Net profit	-	-	-	11	-	-	**11**
Other comprehensive income	-	-	219	-	-	-	**219**
Total comprehensive income for the year ended 31 December 2017	**-**	**-**	**219**	**11**	**-**	**-**	**230**
Transfers between reserves	-	-	(4)	4	-	-	**-**
Balance at 31 December 2017	**656**	**8,056**	**7,755**	**(11,018)**	**950**	**43**	**6,442**
	Note 36	Note 36	Note 39		Note 37	Note 38	

Notes on pages 6 to 111 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2017 € million	2016 Restated [1] € million
Cash flows from operating activities			
Profit/(loss) before income tax		**(24)**	(42)
Adjustments for :			
Impairment losses on loans and advances	22	**716**	836
Other impairment losses, provisions and restructuring costs	14	**143**	159
Depreciation and amortisation	12	**38**	38
Other (income)/losses on investment securities	18	**(123)**	(179)
(Gain)/ loss on sale of subsidiary undertakings, associates and joint ventures	24	**(19)**	(208)
Dividends from subsidiaries, associates and joint ventures	10	**(131)**	(60)
Other adjustments	18	**(1)**	(49)
		599	495
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**13**	(7)
Net (increase)/decrease in due from credit institutions		**592**	1,375
Net (increase)/decrease in loans and advances to customers		**156**	349
Net (increase)/decrease in derivative financial instruments		**(183)**	(35)
Net (increase)/decrease in other assets		**6**	212
Net increase/(decrease) in due to central banks and credit institutions		**(7,833)**	(6,526)
Net increase/(decrease) in due to customers		**1,337**	877
Net increase/(decrease) in other liabilities		**(63)**	(22)
		(5,975)	(3,777)
Net cash from/(used in) operating activities		**(5,376)**	(3,282)
Cash flows from investing activities			
Acquisition of fixed and intagible assets		**(70)**	(42)
Proceeds from sale of fixed and intangible assets		**52**	2
(Purchases)/sales and redemptions of investment securities		**4,796**	3,821
Acquisition of subsidiaries, associates, joint ventures and participations in capital increases	24,28	**(62)**	(99)
Disposal/liquidation/capital decrease of holdings in subsidiaries, associates and joint ventures	24	**177**	332
Dividends from investment securities, subsidiaries, associates and joint ventures		**94**	62
Net cash from/(used in) investing activities		**4,987**	4,076
Cash flows from financing activities			
(Repayments)/proceeds from debt securities in issue	18	**441**	(839)
Expenses paid for share capital increase		**-**	(6)
Net cash from/(used in) financing activities		**441**	(845)
Net increase/(decrease) in cash and cash equivalents		**52**	(51)
Cash and cash equivalents at beginning of year	18	**454**	505
Cash and cash equivalents at end of year	18	**506**	454

[1] *The comparative information has been restated due to change in accounting policy (note 47).*

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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 financial statements were approved by the Board of Directors on 28 March 2018. The Independent Auditor's Report of the Financial Statements is included in the section III of the Annual Financial Report for the year ended 31 December 2017.

2. Basis of preparation and principal accounting policies

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

2.1 Basis of preparation

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

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

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

The Bank's presentation currency is the Euro (€). Except as indicated, financial information presented in Euro has been rounded to the nearest million.

Going concern considerations

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

Macroeconomic environment

Greece's real GDP grew by 1.4% in 2017, according to the Hellenic Statistical Authority's (ELSTAT) first estimate from -0.02% in 2016, while the real GDP growth consensus forecast for 2018 is at 2.1% (compared to an official target of 2.5%). The unemployment rate in December 2017 was 20.8%, based on ELSTAT data (31 December 2016: 23.5%). On the fiscal front, Greece's primary surplus for 2017 is expected at 2.44% of GDP, according to the 2018 Budget data, outperforming the respective Third Economic Adjustment Program (TEAP) primary balance target of 1.75%. According to Bank of Greece and ELSTAT data the current account deficit decreased at -0.8% of GDP in 2017 (2016: -1.1%).

Greece, following the conclusion of the TEAP second review in June 2017 and the consequent release of the € 8.5 bn loan tranche, reached a staff level agreement with the European institutions on the policy package of the third review on 4 December 2017 and implemented all prior actions by early 2018, which paved the way for the disbursement of the first sub-tranche of € 5.7 bn in the second half of March 2018. The second sub-tranche of € 1 bn will be disbursed in the second quarter of 2018 subject to positive reporting by the European institutions on the clearance of net arrears and the unimpeded flow of e-auctions. On the back of the aforementioned positive developments, Greece returned to the financial markets through the issue of a € 3 bn five-year bond at a yield of 4.625% on 24 July 2017 (for the first time since July 2014) and a € 3 bn seven-year bond at a yield of 3.5% on 8 February 2018. The proceeds of the bond issues are used for further liability/debt management and for the build-up of a state cash buffer that would facilitate the country's market access after the end of the program in August 2018.

The completion of the fourth and final review of the TEAP, which will be carried out by June 2018 according to the implementation plan, an expected significant rise in investments (2018 Budget estimate at 11.4% compared to 9.6% increase in 2017), and a forecasted strong tourism season support expectations for a further improvement in domestic economic activity in 2018. 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 will 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.

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 possible delays in the agreement of the post-program relation between Greece and the Institutions, (c) the impact on the level of economic activity and on the attraction of direct investments from the fiscal and social security-related measures agreed under the reviews of the TEAP, (d) the ability to attract new investments in the country, (e) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (f) the possible slow pace of deposits inflows and/ or possible delays in the effective management of non-performing exposures (NPEs) as a result of the challenging macroeconomic conditions in Greece and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

Liquidity risk

In accordance with the agreement with the European partners the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the European Stability Mechanism (ESM) program. The gradual stabilisation of the macroeconomic environment, following the completion of the second and the third review of the TEAP, has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits as well as the further relaxation of capital controls. The successful completion of the fourth review of the TEAP and an agreement on the post-program relation of Greece with its official creditors will help further reinstating depositors' confidence and thus accelerate the return of deposits, and it will positively influence the financing of the economy.

In 2017, the Group's deposits inflows of € 1.8 bn (of which € 1.2 bn in Greece), along with the increased market repos on covered bonds and Greek Treasury bills, a € 500 million covered bond issue to international and domestic investors and the assets deleveraging resulted in the significant decrease of the Bank's dependency from the Eurosystem to € 10 bn at the end of December 2017, of which € 7.9 bn funding from ELA, (31 December 2016: € 13.9 bn, of which € 11.9 bn from ELA) and the elimination of the Bank's participation in the second stream of the Hellenic Republic liquidity support program at the end of October 2017 (31 December 2016: bonds guaranteed by the Greek Government of € 2.5 bn). On 28 February 2018, the Eurosystem funding further declined to € 7.1 bn, of which € 5.7 bn from ELA (notes 4 and 30).

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 key priority is the active management of NPEs, 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. As at 31 December 2017, the Bank has reduced its NPEs stock by € 2.4 bn to € 18.1 bn, outperforming the respective initial SSM target of € 18.8 bn (note 7.2).

In parallel, the Group recorded a net profit attributable to shareholders of € 104 million for 2017 (Bank net profit of 11 million) on the back of higher net interest and commission income from both Greek and international activities. In the context of its strategic plan, the Bank has undertaken significant initiatives towards the fulfillment of the remaining commitments of the restructuring plan (note 6) and it proceeded with the redemption of the preference shares by issuing Tier 2 bonds at early 2018, which count in its total capital adequacy ratio (note 37). The Group's Common Equity Tier 1 (CET1) ratio stood at 17.9 % (Bank 18.9%) at 31 December 2017, while the respective pro-forma ratio with the redemption of preference shares/issue of Tier 2 bonds and the completion of the sale transaction in Romania would be 15.8% (note 6). The impact of the adoption of IFRS 9 on Group's CET1 as at the end of 2018, according to the transitional arrangements for the 5-year phase in period, is estimated to be approximately 20 bps.

Eurobank, along with the other three Greek systemic banks directly supervised by the European Central Bank (ECB), undergoes the 2018 EU-wide stress test launched by the European Banking Authority (EBA) on 31 January 2018. The results for the Greek systemic banks are expected to be published in May 2018 (note 6).

Within an environment of positive growth, the Group is well on track to achieve the 2018 NPE reduction targets, maintain profitability, continue the creation of organic capital and strengthen its position in the Greek market and abroad.

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the Bank's capital position, the outperformance of NPEs reduction targets and its anticipated continued access to Eurosystem funding over the foreseeable future, has been satisfied that the financial statements of the Bank can be prepared on a going concern basis.

2.1.1 New and amended standards and interpretations

The policies set out below have been consistently applied to the years 2017 and 2016, except as described below as well as in note 2.2.5. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Amendments to standards adopted by the Bank

The following amendments to standards, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply from 1 January 2017:

IAS 7, Amendment-Disclosure Initiative

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The Bank has implemented the disclosure requirement in note 18.

IAS 12, Amendment-Recognition of Deferred Tax Assets for Unrealized Losses

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

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

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 12 'Disclosure of Interests in Other Entities': It is clarified that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate classified as held for sale except for the requirement for summarized financial information.

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

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

A number of new standards, amendments to existing standards and interpretations are effective after 2017, as they have not yet been endorsed by the European Union or have not been early applied by the Bank. Those that may be relevant to the Bank are set out below (except for IFRS 9, which is presented in section 2.1.2):

IAS 19, Amendment –Plan Amendment, Curtailment or Settlement (effective 1 January 2019, not yet endorsed by EU)

The amendment clarifies that when a change to a defined benefit plan i.e an amendment, curtailment or settlement takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

IAS 28, Amendment – Long Term Interests in Associates and Joint Ventures (effective 1 January 2019, not yet endorsed by EU)

The amendment clarifies that IFRS 9 'Financial Instruments' including its impairment requirements, applies to long term interests in associates or joint ventures that form part of the entity's net investment in the associate or joint venture but are not accounted for using equity accounting.

According to the amendment, any adjustments to the carrying amount of long term interests resulting from the application of IAS 28 should not be considered when applying the IFRS 9 requirements which apply to long term interests before applying the loss allocation and impairment requirements of IAS 28.

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

IAS 40, Amendment-Transfers of Investment Property (effective 1 January 2018)

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

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

IFRS 2, Amendment-Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)

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

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

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

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

IFRS 4, Amendment-Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)

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

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

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

The amendment is not relevant to the Bank's activities, other than through its associate Eurolife ERB Insurance Group Holdings S.A., which has elected the optional temporary exemption from IFRS 9.

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments (effective 1 January 2018)

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

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

• Financial instruments and other contractual rights or obligations within the scope of IFRS 9 'Financial Instruments', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures';

• Lease contracts within the scope of IAS 17 'Leases' (or IFRS 16 'Leases'); and

• Insurance contracts within the scope of IFRS 4 'Insurance Contracts'.

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

IFRS 15 specifies that revenue should be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services. It introduces the concept of recognizing revenue for performance obligations as they are satisfied and the control of a good or service (i.e. the ability to direct the use of and obtain the benefits from them), is obtained by the customer. For services provided over time, such as management fee income earned for asset management services provided and variable performance fee income based on the return of the underlying asset at a particular date, consideration is recognized as the service is provided to the customer provided that it is probable that a significant reversal of consideration will not occur.

Extensive disclosures will be required in relation to revenue recognized and expected from existing contracts.

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

The Bank, is currently in the process of finalizing the impact assessment of IFRS 15, however the adoption of the standard is not expected to have a significant impact on the Bank's financial statements as net interest income, which is a primary revenue stream of the Bank, is not impacted by the adoption of IFRS 15 and the existing Bank accounting treatment for revenue from contracts with customers is generally in line with IFRS 15.

IFRS 16, Leases (effective 1 January 2019)

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

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

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

The Bank is currently assessing the impact of IFRS 16 on its financial statements, which is impracticable to quantify as at the date of the publication of these financial statements. Operating lease commitments currently in place are set out in note 42.

IFRS 17, Insurance Contracts (effective 1 January 2021, not yet endorsed by EU)

IFRS 17, which supersedes IFRS 4 'Insurance Contracts' provides a comprehensive and consistent accounting model for insurance contracts. It applies to insurance contracts issued, all reinsurance contracts and to investment contracts with discretionary participating features that an entity issues provided it also issues insurance contracts. Financial guarantee contracts are allowed to be within the scope of IFRS 17 if the entity has previously asserted that it regarded them as insurance contracts.

According to IFRS 17 general model, groups of insurance contracts which are managed together and are subject to similar risks, are measured based on building blocks of discounted, probability-weighted future cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contracts. Under the model, estimates are remeasured in each reporting period. A simplified measurement approach may be used if it is expected that doing so a reasonable approximation of the general model is produced or if the contracts are of short duration.

Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides during the period, claims are presented when incurred and any investment components i.e amounts repaid to policyholders even if the insured event does not occur, are not included in revenue and claims. Insurance services results are presented separately from the insurance finance income or expense.

IFRS 17 is not relevant to the Bank's activities, other than through its associate Eurolife ERB Insurance Group Holdings S.A.

Annual Improvements to IFRSs 2014-2016 Cycle (effective 1 January 2018)

IAS 28 'Investments in Associates and Joint Ventures': It is clarified that venture capital organizations, mutual funds, unit trusts and similar entities are allowed to elect measuring their investments in associates or joint ventures at fair value through profit or loss.

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

Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019, not yet endorsed by EU)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2015-17 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements': It is clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.
  - If a party obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party remeasures the entire previously held interest in the assets and liabilities of the joint operation at fair value.
  - If a party obtains joint control, then the previously held interest is not remeasured.
- IAS 12 'Income Taxes': It is clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, depending on where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.
- IAS 23 'Borrowing costs': It is clarified that any borrowing originally made to develop a qualifying asset should be treated as part of general borrowings when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

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

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

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

IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019, not yet endorsed by EU)

The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. In such a circumstance, recognition and measurement of current or deferred tax asset or liability according to IAS 12 is based on taxable profit (tax loss), tax bases, unused tax losses and tax credits and tax rates determined applying IFRIC 23.

According to the interpretation, each uncertain tax treatment is considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty and the entity should assume that a tax authority with the right to examine tax treatments will examine them and will have full knowledge of all relevant information.

If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it should determine its accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, the effect of the uncertainty in its income tax accounting should be reflected in the period in which that determination is made, using the method that best predicts the resolution of the uncertainty (ie the most likely amount or the expected value method).

Judgments and estimates made for the recognition and measurement of the effect of uncertain tax treatments should be reassessed whenever circumstances change or new information that affects those judgments arise (eg actions by the tax authority, evidence that it has taken a particular position in connection with a similar item or the expiry of its right to examine a particular tax treatment).

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

2.1.2 Transition to IFRS 9 'Financial Instruments' and impact assessment

In July 2014, the IASB published the final version of IFRS 9 *'Financial Instruments'* effective 1 January 2018, 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 establishes 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 principal 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 principal 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;
- past experience on how the cash flows from those portfolios were collected and how the Bank's stated objective for managing the financial assets is achieved; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Irrespective of their frequency and value, sales due to an increase in the financial assets' credit risk and sales made due to liquidity needs in case of an unexpected stress case scenario, are consistent with a hold-to-collect business model.

SPPI assessment

In assessing whether the contractual cash flows are solely payments of principal 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.

Assessment of changes to the classification and measurement on transition

For the purpose of the transition to IFRS 9, the Bank is carrying out a business model assessment across various portfolios and a detailed review of the contractual terms (SPPI review) for its debt instruments portfolios to determine any potential changes to the classification and measurement. The assessment is being performed based on the facts and circumstances that exist at the date of initial application i.e. 1 January 2018. Furthermore, it is performed on a sample basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio is being performed on an individual basis. The business model assessment and the SPPI review are not expected to result in any significant changes compared to how financial assets are measured under IAS 39, except where noted below. In particular:

- loans and advances to banks and customers that are measured at amortized cost under IAS 39, are also expected to be measured at amortized cost under IFRS 9;
- the majority of debt securities classified as available-for-sale under IAS 39, are expected to be measured at FVOCI ;
- held-to-maturity investment securities and assets in the debt securities lending portfolio that are measured at amortized cost under IAS 39, are expected to be measured at amortized cost or FVOCI depending on the business model within which they are held;
- limited cases of debt instruments that are expected to fail the SPPI test which are measured at FVTPL;
- trading and derivative assets that are measured at FVTPL under IAS 39 are also expected to be measured at FVTPL under IFRS 9;
- equity securities classified as available-for-sale under IAS 39 are expected to be measured at FVTPL under IFRS 9; and
- financial liabilities that are designated at FVTPL under IAS 39 (structured notes, structured deposits) are expected to be measured at amortized cost, while any embedded derivatives will be separated from the host contracts where appropriate.

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, which introduces a "three stage approach" that will reflect changes in credit quality since initial recognition, will apply to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. Accordingly, no impairment loss will be recognized on equity investments.

Upon initial recognition of instruments in scope of the new impairment principles, the Bank will record a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk since initial recognition, a loss allowance equal to lifetime ECL will be recognized, arising from default events that are possible over the expected life of the instrument. Financial assets for which 12-month ECL are recognized will be considered to be in 'stage1'; financial assets which are considered to have experienced a significant increase in credit risk will be allocated in 'stage2', while financial assets that are considered to be credit impaired will be in 'stage3'. The loss allowance for purchased or originated credit impaired (POCI) financial assets will always be measured at an amount equal to lifetime ECL, as explained below.

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 as evidenced by the change in the risk of default occurring on these financial assets since initial recognition.

To determine the risk of default, the Bank applies a default definition for accounting purposes, which is consistent with the EBA definitions. In particular, the Bank will determine that financial instruments are in stage 3 by applying as consistent measures of default across all of its portfolios:

- the objective criterion of 90 days past due and;
- the existence of unlikeness to pay (UTP) criteria.

Accordingly, upon transition, the Bank considers all non-performing exposures in accordance with EBA definitions as credit-impaired and classifies those exposures at stage 3 for financial reporting purposes.

Purchased or originated credit impaired (POCI) financial assets, which include assets purchased at a deep discount and substantially modified assets arising from derecognition of the original asset and are considered originated credit impaired, are not subject to stage allocation and are always measured on the basis of lifetime ECL. The Bank will recognize interest income of financial assets at stage 3 as well as POCI by applying the effective interest rate (EIR) or the credit-adjusted EIR respectively on their net carrying amount.

Financial assets that experience a significant increase in credit risk since initial recognition will be in stage 2. 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;
- relative changes on credit risk ratings;
- watch list status;
- forbearance; and
- 30 days past due as backstop indicator.

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.

Hence, upon transition, the Bank, considers all performing forborne loans as stage 2, along with any performing exposures that have been assessed to have experienced a significant increase in credit risk since initial recognition.

The Bank will classify all remaining financial assets which are not classified at stage 2, 3 or POCI in stage 1, measured based on 12-month ECL. The Bank will recognize interest income of financial assets at stage 2 and at stage 1, by applying the EIR on their gross carrying amount.

When the criteria for stage 2 classification are no longer met, and the financial asset is not credit impaired, it will be reclassified to stage 1. In addition, subsequent transfers from stage 3 to stage 2 will take place when the financial asset ceases to be credit impaired based on the assessment as described above.

Measurement of expected credit losses

As described above, if the credit risk of a financial instrument that is not classified as POCI has not increased significantly at the reporting date compared to its origination date, the loss allowance will be measured at an amount equal to 12 – month ECLs. The 12 – month ECLs represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months.

In cases where a significant increase in credit risk on a financial instrument has been identified at the reporting date since initial recognition date, the measurement of ECLs will be conducted on a lifetime basis. Lifetime ECLs represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.

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.

For the purposes of measuring ECL, the Bank will estimate expected cash shortfalls, which reflect the cash flows expected from all possible sources including collateral and other credit enhancements that are part of the contractual terms and are not recognized separately. In the case of a collateralized financial instrument, the estimated expected cashflows related to the collateral 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 credit impaired loans, above pre-defined materiality thresholds set in accordance with the Bank's risk management policy are measured individually. For the remaining retail exposures and some exposures to small and medium-sized enterprises, ECLs will be measured on a collective basis. This incorporates borrower specific information, collective historical experience of losses and forward-looking macroeconomic information.

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 liquidation. 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, LGD 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 is jointly led by the Chief Risk Officer (CRO) and Chief Financial Officer (CFO) and 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 including all key judgments and assumptions used in the ECL model.

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 two external consultancy firms. Internal Audit is involved in the IFRS 9 implementation program, through attendance at Management meetings and Committees, training and performance of audit work.

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 Bank has largely completed the IFRS 9 accounting policies, key processes and process flows and the ECL methodologies while further refinements will continue during 2018. Educational workshops to the involved stakeholders are conducted on an ongoing basis 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 across the Bank. The implementation of an IT system for the calculation of ECL has progressed to productive runs for the last quarter of 2017.

In addition, the Bank is currently participating 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.

Comparative information on 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.

Impact assessment

The impact of transitioning to IFRS 9, before tax, is estimated to be € 981 million at 1 January 2018, as depicted in the table below per IFRS 9 area. The estimated impact is mainly attributed to the Bank's lending portfolio which amounts to € 917 million. The above impact is expected to decrease shareholder's equity by the same amount as no deferred tax asset is expected to be recognized by the Bank on IFRS 9 impact.

Impact attributed to :	**IFRS 9 impact € million**	
Impairment		
- Loans and advances to customers	(917)	***(a)***
- Other financial assets	(62)	***(b)***
Total impairment	(979)	
Classification & Measurement	(2)	***(c)***
Hedging	-	
Total IFRS 9 impact	**(981)**	

Further analysis of the IFRS 9 impact is presented below.

(a) Impairment allowance for ECL –Loans & Advances to Customers

The following table presents the IFRS 9 impact analysis per stage and type of lending exposure according to EBA classification (note 7.2.1.2) as of 1 January 2018.

	Total gross loans € million	Of which : Performing Exposure € million	Non-performing exposure € million	IAS 39 Impairment allowance € million	IFRS 9 Allowance for ECL € million	IFRS 9 impact € million
Stage 1	14,963	14,963	-	159	138	21
Stage 2	6,821	6,821	-	319	770	(451)
Credit Impaired	18,099	-	18,099	8,539	9,026	(487)
Total	**39,883**	**21,784**	**18,099**	**9,017**	**9,934**	**(917)**

In terms of impact per stage of lending exposures, the outcome of the exercise demonstrated a minor positive effect of € 21 million in Stage 1, a negative impact of € 451 million in Stage 2 and a negative impact of € 487 million in credit impaired loans.

(b) Impairment allowance for ECL – Investment securities

The estimated impact of other financial assets is expected to be € 62 million. This is primarily attributed to ECL impairment of investment securities which amounts to € 55 million.

The following table presents the ECL allowance of debt securities i.e. investment securities carried at amortized cost and FVOCI, per IFRS 9 portfolio:

	Total gross amount [(1)] € million	Allowance for ECL: Investment securities at amortized cost € million	Investment securities at FVOCI € million	Total € million	IFRS 9 impact € million
Stage 1	5,402	(2)	(11)	(13)	(2)
Stage 2	769	(53)	(1)	(54)	(53)
Stage 3	-	-	-	-	-
Total	**6,171**	**(55)**	**(12)**	**(67)**	**(55)**

[(1)] *Total gross amount is defined as the amortized cost of investment securities before any loss allowance and excluding fair value adjustments for FVOCI portfolio.*

ECL allowance for investment securities at FVOCI that amounts to € 12 million is recognized within OCI therefore, it does not impact shareholders' equity.

Out of the total allowance for ECL of € 67 million, € 54 million is attributed to ECL for stage 2 instruments, while the rest is attributed to stage 1.

(c) Classification and Measurement

The estimated impact from the classification and measurement of IFRS 9 is expected to be € 2 million as of 1 January 2018. This amount includes an immaterial effect from:

- debt instruments that have failed the SPPI test and measured at FVTPL; and
- reclassification of debt securities due to business model changes, as described in the classification and measurement section above.

Regulatory capital

The Bank's estimation of the capital impact from the initial application of IFRS 9 as shown in the table below:

Capital impact from the initial application of IFRS 9	As at		
	31 December 2017 IAS 39 € million	1 January 2018 IFRS 9 full impact € million	1 January 2018 IFRS 9 transitional arrangements € million
Common equity Tier 1 Capital	6,173	5,189	6,049
Risk weighted assets	32,689	32,293	32,445
	%	%	%
Common equity Tier 1 (CET 1) Ratio	18.9	16.1	18.6

The Bank's estimation of the capital impact on the fully loaded CET 1 ratio as at 1 January 2018, based on the full implementation of the Basel III rules in 2024 is shown in the table below:

Capital impact from the initial application of IFRS 9	01 January 2018		
	Fully loaded € million	Post IFRS 9 fully loaded € million	IFRS 9 impact € million
Common equity tier 1 Capital	4,934	3,950	(984)
Risk weighted assets	32,441	32,045	(396)
	%	%	%
Common equity Tier 1 (CET 1) Ratio	15.2	12.3	(2.9)

The Bank has elected to apply the phase in approach as per EU legislation (Regulation EU 2017/2395) for mitigating the impact of IFRS 9 transition on the regulatory capital. The transition period is for five years, with the proportion of the impact to be included being 5% in 2018 and 15%, 30%, 50% and 75% in the subsequent four years. The full impact is expected to be depicted as of 1 January 2023. As a consequence, CET 1 ratio is expected to be reduced approximately by 25 basis points on the first year of IFRS 9 adoption, corresponding to a reduction of approximately € 120 million in regulatory capital by applying regulatory transitional arrangements.

All the assumptions, accounting policies and calculation techniques used by the Bank for the estimation of the IFRS 9 impact will continue to be subject to reviews and refinements and therefore the estimated impact may change until the Bank finalizes its financial statements for the year ending 31 December 2018.

IFRS 9, Amendment–Prepayment Features with Negative Compensation (effective 1 January 2019)

The amendment changes IFRS 9 requirements in order to allow measurement of a financial asset at amortized cost or at FVOCI, depending on the business model, even in the case of prepayment options which could result in the party that triggers the early termination receiving compensation from the other party (negative compensation).Therefore, measurement of these financial assets will be regardless of the event or circumstance that caused the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination. Applying IFRS 9 before the amendment would probably result in the measurement of these financial assets at FVTPL.

The amendment also confirms the modification accounting of financial liabilities under IFRS 9. In specific, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in profit or loss.

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

2.2 Principal accounting policies

2.2.1 Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures, including investments acquired through common control transactions, are accounted at cost less any impairment losses. Cost is the fair value of the consideration given being the amount of cash or shares issued, or if that cannot be determined reliably, the consideration received together with any directly attributable costs.

As an exception to the above measurement basis, when the Bank transfers an existing Group entity to a newly formed subsidiary in a share for share exchange that does not have commercial substance, the Bank's investment in that newly formed subsidiary is recognized at the carrying amount of the transferred entity.

Legal mergers that involve the combination of the Bank with one or more of its subsidiaries are accounted in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" with reference to the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework and comply with the IFRS general principles.

In such transactions, the Bank incorporates the acquired assets and liabilities of the merged subsidiary at their carrying amounts in the consolidated financial statements as of the date of the legal merger without any fair value adjustments. Any difference between the carrying amount of the investment in the merged subsidiary before the legal merger, and the carrying amount of net assets acquired is recognized in the Bank's equity.

A listing of Bank's associates and joint ventures is set out in note 28.

2.2.2 Foreign currencies

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

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

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

2.2.3 Derivative financial instruments and hedging

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

Fair values of derivatives are determined based on quoted market prices, including recent market transactions, or by using other valuation techniques, as appropriate. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 2.2.11 and 7.3. The Bank designates certain derivatives as: (a) hedges of the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments (fair value hedge) or (b) hedges of the exposure to variability in cash flows of recognized assets or liabilities or highly probable forecasted transactions (cash flow hedge).

The Bank applies hedge accounting for transactions that meet specified criteria. Accordingly, at the inception of the hedge accounting relationship, the Bank documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Bank also documents its assessment, both at inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and whether the actual results of each hedge are within a range of 80-125%. If a relationship does not meet the abovementioned hedge effectiveness criteria, the Bank discontinues hedge accounting prospectively. Similarly, if the hedging derivative expires or is sold, terminated or exercised, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

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

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

(i) Fair value hedge

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

The Bank discontinues hedge accounting in case the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the qualifying criteria for hedge accounting, or designation is revoked. In such cases, any adjustment to the carrying amount of the hedged item, for which the effective interest method is applied, is amortized to profit or loss over the period to maturity.

(ii) Cash flow hedge

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

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

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

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

(iii) Derivatives that are not designated as hedging instruments

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

The fair values of derivative instruments held for trading and hedging purposes are disclosed in note 20.

2.2.4 Offsetting financial instruments

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

2.2.5 Income statement

(i) Interest income and expense

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

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

Change in accounting policy

The Bank proceeded with retrospective change in its accounting policy for inflation-linked instruments and recognizes interest income and expense by adjusting the effective interest rate due to changes in expected future cash flows, incorporating changes in inflation expectations over the term of the instruments (note 47).

(ii) Fees and commissions

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

2.2.6 Property, plant and equipment and Investment property

(i) Property, plant and equipment

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

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

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

(ii) Investment property

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

Reclassifications between own used and investment properties may occur when there is a change in the use of such properties. Additionally, an investment property may be reclassified to 'non-current assets held for sale' category to the extent that the criteria described in note 2.2.24 are met.

2.2.7 Intangible assets

(i) Computer software

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

(ii) Other intangible assets

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

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

2.2.8 Impairment of non-financial assets

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

Impairment losses arising from the Bank's subsidiaries, associates and joint ventures are determined in accordance with this accounting policy.

2.2.9 Financial assets

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

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity

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

(iv) Available-for-sale

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

Accounting treatment and calculation

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

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

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

De-recognition of financial assets

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

2.2.10 Financial liabilities

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

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

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

De-recognition of financial liabilities

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

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

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

Similarly, when the Bank repurchases its own debt instruments, it accounts for such transactions as an extinguishment of debt.

2.2.11 Fair value measurement of financial instruments

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

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

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

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

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

For assets and liabilities that are measured at fair value on a recurring basis, the 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.

2.2.12 Impairment of financial assets

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

Impairment indicators

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

- significant financial difficulty of the borrower, significant reduction of personal and/or family income or loss of job;
- a default or breach of contract;
- significant changes in the financial performance and behavior of the borrower (for example, a number of delayed contractual payments);
- measurable decrease in the estimated future cash flows of a group of loans through a negative payment pattern such as missed payments or a decrease in property prices;
- the Bank granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider, such as a reduction of the borrower’s monthly installment for a specific period of time, or a temporary or permanent reduction of interest rate;
- it is becoming probable that the borrower will enter into bankruptcy status or other financial reorganization; and
- loss events that could affect the ability of the borrower to repay contractual obligations within the agreed time, such as serious illness, disability or death of the obligor or a family member.

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

- significant financial difficulty of the issuer or borrower;
- a default of breach of contract;
- significant changes in the financial performance of the borrower that affect the borrower’s ability to meet its debt obligations, such as:

  - operating losses;

  - working capital deficiencies; and

  - the borrower having a negative equity.

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

(i) Assets carried at amortized cost

Impairment assessment

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

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

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

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

Impairment measurement

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

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

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

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

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

Reversals of impairment

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

Write-off of loans and advances

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

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

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

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

Loan modifications

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

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

Modifications that may not result in de-recognition include:

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

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

Modifications that may result in de-recognition include:

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

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

(ii) Available-for-sale assets

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

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

2.2.13 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

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

(ii) Securities lending

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

2.2.14 Leases

(i) Accounting for leases as lessee

Finance leases:

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

Operating leases:

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

(ii) Accounting for leases as lessor

Finance leases:

When assets are leased out under finance leases, the present value of the lease payments is recognized under loans and receivables. The difference between the gross receivable (gross investment) and the present value of minimum lease payments (net investment) is recognized as unearned future finance income and is deducted from loans and advances. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance lease receivables are assessed for impairment losses in accordance with Bank's impairment policy for financial assets as describe in note 2.2.12.

Operating leases:

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

2.2.15 Income tax

Income tax consists of current and deferred tax.

(i) Current income tax

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

(ii) Deferred income tax

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

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available. The Bank recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

(iii) Uncertain tax positions

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

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

The Bank has opted 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. Further information in respect of the Annual Tax Certificate and the related tax legislation, as well as the unaudited tax years for the Bank is provided in note 15.

2.2.16 Employee benefits

(i) Short term benefits

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

(ii) Pension obligations

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

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

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

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of high quality corporate bonds. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains and losses that arise in calculating the Bank's SLSRI obligations are recognized directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

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

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

(iv) Performance-based cash payments

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

(v) Performance-based share-based payments

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

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

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

2.2.17 Repossessed properties

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

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

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

2.2.18 Related party transactions

Related parties of the Bank include:

(a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
(b) members of key management personnel of the Bank, their close family members and entities controlled or jointly controlled by the abovementioned persons;
(c) associates and joint ventures of the Bank; and
(d) subsidiaries.

Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

2.2.19 Provisions

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

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

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

2.2.20 Share capital

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

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

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

2.2.21 Hybrid Capital

Hybrid capital issued by the Bank, through its special purpose entity, is classified as equity when there is no contractual obligation to deliver to the holder cash or another financial asset.

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

Dividend distribution on hybrid capital is recognized as a deduction in the Bank's equity on the date it is due.

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

2.2.22 Financial guarantees

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

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

2.2.23 Securitizations

The Bank securitizes financial assets, which generally results in the sale of the assets to special purpose entities, which, in turn issue debt securities to investors and in some instances to Bank's subsidiaries. These securitizations are all consolidated by the Bank as it is exposed to the majority of risks and rewards of ownership in the special purpose entities.

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

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

Before their classification as held for sale, assets are remeasured in accordance with the respective accounting standard. Assets held for sale are subsequently remeasured at the lower of their carrying amount and fair value less cost to sell. Any loss arising from the above measurement is recorded in profit or loss and can be reversed in the future. When the loss relates to a disposal group, it is allocated to the assets within that disposal group.

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

(a) Represents a separate major line of business or geographical area of operations; or

(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Profit or loss from discontinued operations includes the profit or loss before tax from discontinued operations, the gain or loss on disposal before tax or measurement to fair value less costs to sell and discontinued operations tax expense. Upon classification of a component of the Bank's operations as a discontinued operation, the Bank restates prior periods in the income statement.

2.2.25 Reclassification of financial assets

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

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

2.2.26 Cash and cash equivalents

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

2.2.27 Fiduciary activities

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

3. Critical accounting estimates and judgments in applying accounting policies

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

3.1 Impairment losses on loans and advances

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

Individual impairment assessment

For loans assessed on an individual basis, mainly the Bank's wholesale lending portfolio, management uses its best estimate to determine the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the borrower's financial position and the net realizable value of any underlying collaterals. Expected recoveries from real estate collaterals may be affected from the downward trend in the properties' market value. A 5% decline in the estimated recovery values of all types of real estates' collaterals used for the measurement of the impairment allowance of the Bank's wholesale lending portfolio, would give rise to an additional impairment loss in 2017 of approximately € 93 million (2016: € 88 million).

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

Collective impairment assessment

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

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

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

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

For the Bank's mortgage portfolios, the recovery rates, which are calculated based on statistical models, reflect the management's best estimate regarding the net realizable value of residential properties held as collateral as well as the timing foreclosure is expected to occur, which in turn is impacted by the local legal framework. Both the amount and timing of expected cash flows have been affected by the reduction in the level of activity in the real estate market and the changes in the local tax and legal environment in Greece. A 3% decline in the estimated recovery rates used for the measurement of the impairment allowance of the Bank's mortgage portfolio, would give rise to an additional impairment loss in 2017 of approximately € 138 million (2016: € 124 million).

For the rest of retail portfolios, statistical analysis of historical loss experience is the primary tool used in order to determine future customer behavior and payment patterns. Due to the stressed macroeconomic environment during the last years, depending on the portfolio under examination, there is a level of uncertainty in terms of the level of future cash flows as well as the time that these cash flows will come. With regards to unsecured consumer and small business exposures, management exercises judgment to determine the assumptions underlying to the applicable recovery rates, which are calculated based on statistical models and affected by the existing economic conditions. A 5% decrease in the estimated recovery rates used for the measurement of the impairment allowance of the Bank's unsecured consumer portfolio would give rise to an additional impairment loss in 2017 of approximately € 27 million (2016: € 36 million). The same decrease in the small business lending portfolio's recovery rates would give rise to an additional impairment loss of approximately € 44 million (2016: € 65 million).

3.2 Fair value of financial instruments

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

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

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

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

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

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

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

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

3.3 Impairment of available-for-sale equity investments

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

3.4 Income taxes

The Bank is subject to income taxes and estimates are required in determining the provision for income taxes. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due or for anticipated tax disputes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Further information in relation to the above is provided in note 15.

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

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

As at 31 December 2017, the Bank revisited its estimates regarding the level of future taxable profits against which the unused tax losses and the deductible temporary differences can be utilized and evaluated accordingly the recoverability of the recognized deferred tax assets based on its three-year Business Plan, which was approved by the Board of Directors in January 2018 and has been submitted to the Hellenic Financial Stability Fund (HFSF) and to the Single Supervisory Mechanism (SSM), providing outlook of its profitability and capital position for the period up to the end of 2020. The implementation of the abovementioned Business Plan largely depends on the macroeconomic environment in Greece.

As at 31 December 2017, an amount of € 21 million has been recognized in respect to unused tax losses using the Bank's best estimation and judgment as described above. Further information in respect of the recognized deferred tax assets and the Bank's assessment for their recoverability is provided in note 16.

3.5 Retirement benefit obligations

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

The Bank determines the appropriate discount rate used to calculate the present value of the estimated retirement obligations, at the end of each year based on interest rates of high quality corporate bonds. The currency and term to maturity of the bonds used are consistent with the currency and estimated term to maturity of the retirement benefit obligations. The salary rate increase assumption is based on future inflation estimates reflecting also Bank's reward structure and expected market conditions.

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

For information in respect of the sensitivity analysis of the Bank's retirement benefit obligations to reasonably possible, at the time of preparation of these financial statements, changes in the abovementioned key actuarial assumptions, refer to note 35.

3.6 Investment properties and repossessed collateral

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

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

Further information in respect of the fair valuation of the Bank's investment properties is provided in note 26.

3.7 Provisions and contingent liabilities

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

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

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

Further information in relation to the Bank's provisions and contingent liabilities is provided in note 34 and note 43.

3.8 Other significant accounting estimates and judgments

Information in respect of other estimates and judgments that are made by the Bank is provided in notes 5 and 29.

4. Greek Economy Liquidity Support Program

The Bank participated 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 (until 17 January 2018)

345,500,000 registered non-voting, preference shares, with nominal value of € 950 million, were subscribed to by the Hellenic Republic on 21 May 2009. On 18 January 2018, the Bank announced the completion of the full redemption of the said preference shares, according to the provisions of par.1a, article 1 of Law 3723/2008 and the decisions of its Extraordinary General Meeting of the Shareholders (ordinary and preference) as of 3 November 2017 (note 37); and

(b) Second stream-bonds issued by the Bank and guaranteed by the Hellenic Republic (until 30 October 2017)

Up to 30 October 2017, the Government guaranteed bonds of face value of € 2,500 million issued and held by the Bank as of 31 December 2016 have matured and as of that date the Bank does no longer participate in the second stream of the Greek economy liquidity support program. Accordingly, the relevant Bank's expenses for the year 2017 decreased by € 62 million compared to the respective expenses in the previous year.

Following the above, the Bank is no longer subject to the provisions of Law 3723/2008 and the Hellenic Republic's right to participate through its representative in the Bank's Board of Directors has ceased to exist. Accordingly, the Bank is also no longer subject to the provisions of article 28 of Law 3756/2009, pursuant to which banks participating in the Greek Economy Liquidity Support Program are not allowed to acquire treasury shares under article 16 of the Company Law.

5. Credit exposure to Greek sovereign debt

As at 31 December 2017, the carrying value of Greek sovereign major exposures is as follows:

	2017 € million	2016 € million
Treasury bills	**1,044**	1,285
Greek government bonds (restated, note 47)	**2,530**	2,025
Derivatives with the Greek state	**1,181**	1,070
Exposure relating with Greek sovereign risk financial guarantee	**196**	194
Loans guaranteed by the Greek state	**117**	140
Loans to Greek local authorities and public organizations	**53**	75
Other receivables	**4**	19
Total	**5,125**	4,808

As at 31 December 2017, the credit risk valuation adjustment on derivatives with the Hellenic Republic has decreased by € 37 million, with a positive effect on the Bank's net trading income, as a result of the improvement in the credit spreads of the Hellenic Republic credit default swaps.

In addition, the significant decrease in the yields of the Greek government bonds (GGBs) during 2017, resulted in € 292 million gains from change in fair value of Bank's AFS GGBs, which have been recognized in the other comprehensive income.

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 2.1).

Information on the fair values of the Bank's financial instruments is provided in note 7.3.

6. Capital Management

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

	2017 € million	2016 [(2)] € million
Total equity attributable to shareholders of the Bank	**6,399**	6,130
Less: Other regulatory adjustments	**(226)**	(97)
Common Equity Tier 1 capital	**6,173**	6,033
Add: Preferred securities	**21**	26
Less: Other regulatory adjustments	**(21)**	(26)
Total Tier 1 capital	**6,173**	6,033
Tier 2 capital-subordinated debt	**-**	4
Add: Other regulatory adjustments	**5**	117
Total Regulatory Capital	**6,178**	6,154
Risk Weighted Assets	**32,689**	32,113
Ratios:	**%**	%
Common Equity Tier 1 [(1)]	**18.9**	18.8
Tier 1 [(1)]	**18.9**	18.8
Total Capital Adequacy Ratio [(1)]	**18.9**	19.2

[(1)] *The pro-forma Common Equity Tier 1, Tier 1 and Total Capital Adequacy ratios as at 31 December 2017, with the completion of the full redemption by the Bank of the preference shares owned by the Greek State and the issuance by the Bank of subordinated notes constituting Tier 2 capital instruments (note 37) would be 15.9%, 15.9% and 18.8%, respectively.*

[(2)] *The capital adequacy ratios for 31 December 2016 have not been adjusted following the change in accounting policy (note 47).*

Note: The Bank's CET1 and Total Capital Adequacy Ratio as at 31 December 2017, based on the full implementation of the Basel III rules in 2024, (fully loaded CET1) would be 15.2% (31 December 2016: 15%). The fully loaded CET1 will not be affected with the completion of the full redemption by the Bank of the preference shares owned by the Greek State/the issuance by the Bank of subordinated notes constituting Tier 2 capital instruments (note 37).

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.

Based on Council Regulation No 1024/2013, the European Central Bank (ECB) conducts annually a Supervisory Review and Evaluation Process (SREP) in order to define the prudential requirements of the institutions under its supervision. The key purpose of the SREP is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks, to which they are or might be exposed, including those revealed by stress testing and risks the institution may pose to the financial system. According to the 2017 SREP decision, starting from 1 January 2018, the Bank is required to meet on an individual basis a Common Equity Tier 1 ratio of at least 9.375% and a Total Capital Adequacy Ratio of at least 12.875% (Overall Capital Requirements including the Capital Conservation Buffer).

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 its operations, that will generate or release further capital and/or reduce risk weighted assets.

European Banking Authority 2018 Stress Test

On 31 January 2018, the European Banking Authority (EBA) launched its 2018 EU-wide stress test and released the macroeconomic scenarios. The EBA will coordinate the EU-wide stress test exercise in cooperation with the ECB and national authorities. The results of the stress test will provide stakeholders and the public with information about the resilience of banks, notably their ability to absorb shocks and meet capital requirements under adverse macroeconomic conditions.

The EU-wide stress test is conducted according to the EBA's methodology, which was published in November 2017, templates and scenarios. The exercise is carried out on the basis of year-end 2017 figures as restated with the impact of the IFRS 9 adoption and assesses the resilience of EU banks under a common macroeconomic baseline scenario and a common macroeconomic adverse scenario, covering the period 2018-2020. The baseline scenario is in line with the December 2017 forecast published by the ECB, while the adverse scenario, which has been developed by the European Systemic Risk Board (ESRB) and the ECB in close cooperation with the EBA and the competent authorities, is designed to ensure an adequate level of severity across all EU countries. No pass-fail threshold has been included as the results of the exercise are designed to serve as an input to the Supervisory Review and Evaluation Process (SREP).

Eurobank, along with the other three Greek systemic banks directly supervised by the ECB, undergoes the same stress test under the EBA scenarios and methodology. The timetable for the Greek systemic banks has been accelerated in order to complete the test before the end of the third European Stability Mechanism stability support program for Greece. The stress test process for the Greek systemic banks is currently in progress and the results are expected to be published in May 2018.

Restructuring plan

On 29 April 2014, the European Commission (EC) approved the Bank's restructuring plan, as it was submitted through the Greek Ministry of Finance on 16 April 2014. In addition, on 26 November 2015, the EC approved the Bank's revised restructuring plan in the context of the recapitalization process in 2015. The principal commitments of the Hellenic Republic for the Bank's revised restructuring plan to be implemented by 31 December 2018 (or otherwise indicated below) as well as their status as at 31 December 2017 are disclosed below:

(a) the reduction of the total costs (excluding any contribution to a deposit guarantee or resolution fund) to a maximum amount of € 750 million and the number of branches for the Group's Greek activities to a maximum of 510 on 31 December 2017 (note 12).
(b) the decrease of the cost of deposits collected in Greece, according to the Bank's own projections incorporated into the plan;
(c) the sale of a minimum 80% shareholding in the Group's insurance activities by 31 December 2016; the disposal of the 80% of the shareholding in its insurance subsidiaries was completed in August 2016 (note 24);
(d) the deleveraging of the portfolio of equity investments exceeding € 5 million, (subject to certain exceptions), subordinated and hybrid bonds to less than € 35 million by 30 June 2016;
(e) for the Group's Greek activities, the reduction of the number of employees to a maximum of 9,800 by 31 December 2017; the number of employees for the Greek activities was reduced to 9,418 for the aforementioned period through the implementation of the Voluntary Exit Schemes (VES), which are still in progress (note 34);
(f) the reduction of the net loans to deposits ratio for the Group's Greek banking activities to less than 115%; the further deleveraging of loans and the increase in deposits during 2017 have improved the loans to deposits ratio (notes 21 and 32);
(g) the reduction of the portfolio of the Group's foreign assets (non-related to Greek clients) to a maximum amount of € 8.77 bn by 30 June 2018; in 2016 the Group completed the sale of Public J.S.C. Universal Bank, its banking subsidiary in Ukraine. Moreover, the Bank, following the divestment obligation under its restructuring plan, announced on 24 November 2017, that it has reached an agreement with Banca Transilvania with regards to the sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group). The transaction is expected to be finalized shortly after all required legal procedures are completed (note 29). As at 31 December 2017, the portfolio of the Group's foreign assets, which are not related with Greek clients, amounted to € 10.2 bn (of which € 2.2 bn refers to the assets of the Romanian disposal group classified as held for sale);
(h) the sale of the 20% shareholding in its non-banking subsidiary Grivalia Properties R.E.I.C.; on 4 July 2017, the Bank announced the successful sale of its 20% shareholding in Grivalia Properties R.E.I.C. (note 24); and
(i) restrictions on the capital injection to the Group's foreign subsidiaries unless the regulatory framework of each relevant jurisdiction requires otherwise, the purchase of non-investment grade securities (subject to certain exceptions), the staff remuneration, the payment of dividends, the credit policy to be adopted and other strategic decisions.

By 31 December 2017, the Bank has already met/ respected the commitments referring to items ‘a’ to ‘e’ and ‘h’ to ‘i’, while the commitment referring to item ‘g’, is expected to be met shortly. In respect of the commitment referring to item ‘f’, which should be implemented within 2018, the Bank proceeds to all actions and initiatives required to meet it within the prescribed deadlines. Such actions have been reflected in the three-year Business Plan approved by the Board of Directors in January 2018.

The implementation of the restructuring plan streamlines the Bank’s operations and reduces the Bank’s costs thereby sustaining its profitability. However, the implementation of the commitments may have an adverse effect on Bank’s business, operating results and financial position.

In addition, in case the Bank is unable to comply with the restructuring plan’s commitments, certain measures may be imposed against the Bank, including those provided in the case of misuse of state aid, limiting the Bank’s ability to support its foreign subsidiaries or introducing additional limitations on its ability to hold and manage its securities portfolio.

Monitoring Trustee

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

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

7. Financial risk management and fair value

7.1 Use of financial instruments

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

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

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

7.2 Financial risk factors

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

Risk Management objectives and policies

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

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

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

The Group Risk and Capital Strategy, which has been formally documented, outlines the Group's overall direction regarding risk and capital management issues, including the risk management mission and objectives, risk definitions, risk management principles, risk appetite framework, risk governance framework, strategic objectives and key management initiatives. In addition, the Risk and Capital Strategy is aiming to establish an operational link between the Group's business strategy and its risk appetite.

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

Board Risk Committee (BRC)

The BRC assists the Board of Directors in risk management issues. It monitors, the issues that relate to credit and operational risks, in terms of quality and quantity, as well as market and liquidity risks. The BRC ensures that:

- The risk management strategy and the risk appetite have been defined in line with the Group's business and restructuring plan.
- The risk management framework of the Group is appropriate and integrated in the Group's decision-making process. The Committee also defines the risk management principles.
- Suitable methods, tools, models and data sources are in place, as well as competent staff who is able to identify, assess, monitor and mitigate risks.

In addition, the BRC monitors and assesses:

- The risk profile of the Group and the efficiency of the risk management policies it implements.
- The stress tests implementation, for all major Group risks at least annual basis.
- The compliance with the approved risk tolerance levels, the appropriateness of risk limits and the adequacy of provisions, as well as capital adequacy, in relation to the risks undertaken by the Group.

The BRC updates the Board of Directors on risk management issues and recommends to the Board of Directors the future risk management strategy. It consists of five non-executive directors, meets at least on a monthly basis and reports to the BoD on a quarterly basis and on ad hoc instances.

Management Risk Committee

Management Risk Committee (MRC) is a management committee established by the CEO in 2016. It operates as a consulting committee to the BRC.

The main responsibility of the MRC is to oversee the risk management framework of the Group. As a part of its responsibility, the MRC facilitates reporting to the Board Risk Committee on the range of risk-related topics under its purview. The MRC ensures that material risks are identified and promptly escalated to the BRC and that the necessary policies and procedures are in place to prudently manage risks and to comply with regulatory requirements. Additionally, the MRC determines appropriate management actions which are discussed and presented to the Executive Board ('EXBO') for information and submitted to BRC for approval.

Group Risk Management General Division

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

Sector (GMCRS), the Group Credit Control Sector (GCCS), the Capital Adequacy Control (Credit Risk) and Regulatory Framework Sector the Group Operational Risk Sector and the SSM office (dual reporting also to Group CFO).

Non-Performing Exposures (NPEs) management

Following the Bank of Greece (BoG) Executive Committee's Act No.42/30.05.2014 as amended by Act No.47/9.2.2015 and Act No. 102/30.08.2016 that details the supervisory directives for the administration of exposures in arrears and non-performing loans, the Bank has proceeded with a number of initiatives to adopt the regulatory requirements and empower the management of troubled assets. In particular, the Bank transformed its troubled assets operating model into a vertical organizational structure through the establishment of the Troubled Assets Committee (TAC) and Troubled Assets Group General Division (TAG).

Troubled Assets Committee (TAC)

The TAC with a direct reporting line to the BRC oversees and monitors the Group's troubled assets' management. In particular, the main competencies that have been delegated to TAC relate to the monitoring of loans in arrears and the management of non-performing loans, the determination and implementation of the troubled assets' management strategy, as well as approving and assessing the sustainability of the forbearance and closure procedure measures.

Troubled Assets Group General Division (TAG)

The TAG, which has been established as an independent body, is headed by the Deputy Chief Executive Officer and Executive member of the BoD, and is the overall responsible body for the management of the Group's troubled assets portfolio, including forborne loans, for the whole process, from the pre-delinquency status in case of high risk exposures up to legal workout. It ensures close monitoring, tight control and course adjustment taking into account the continuous developments in the macro environment, the regulatory and legal requirements, the international best practices and new or evolved internal requirements.

TAG comprises the Retail Remedial General Division, the Corporate Special Handling Sector, the Collaterals Recovery Sector, the TAG Business Planning Sector and the TAG Risk Management and Business Policies Sector. TAG structure is completely segregated from the Bank's business units both in terms of account management, as well as credit approval process, which ensures transparency, flexibility, better prioritization and management accountability, and shifts the management from bad debt minimization to bad debt value management, in line with the Group's risk appetite.

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

The key governing principles of the TAG are to:

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

Operational targets for Non-Performing Exposures (NPEs)

In line with the national strategy for the reduction of NPEs, the BoG, in cooperation with the supervisory arm of the ECB, has designed an operational targets framework for NPEs management, supported by several key performance indicators. Pursuant to the said framework, the Greek banks submitted at the end of September 2016 a set of NPEs operational targets together with a detailed NPE management strategy with a 3-year time horizon, which were formed on the basis of key macroeconomic assumptions. In September 2017, the Greek banks submitted an updated set of NPEs operational targets, together with an updated NPEs management strategy, for the years 2017-2019.

In accordance with the latest relevant BoG report issued in December 2017, Greek banks have set a revised target of a 37% reduction of NPEs for the period from June 2017 up to December 2019, corresponding to a decrease by € 37.2 bn of the total NPEs stock (excluding off-balance sheet items), i.e., from € 101.8 bn in June 2017 to € 64.6 bn in end 2019. The NPEs of the sector as a percentage of total loan exposure will gradually decelerate and reach 35.2% in 2019. Specifically the Bank, as at 31 December 2017, has reduced the stock of NPEs by € 2.4 bn since 31 December 2016 outperforming the respective initial target submitted to SSM by € 0.7 bn.

In the above context, the Bank has developed strategic objectives and targets, together with a set of corresponding actions across client segments, and a timetable for implementation. The actions have been cascaded to a segment level for retail portfolio and to a borrower level for corporate portfolio together with corresponding targets and monitoring indicators. The Bank has developed a detailed NPE forecasting model, the results of which have been used to calibrate both the targets and the monitoring indicators. The strategy and the objectives are based on a set of assumptions regarding the macro-economic outlook and the legal and tax framework in Greece. The planned actions and initiatives are not expected to require increases in currently planned provisioning levels and additional capital requirements. The key risks for potential deviation from the targets are primarily related with the delays in the macroeconomic recovery (note 2.1).

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

Legal framework

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 16), 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.

7.2.1 Credit Risk

Credit risk is the risk that a counterparty will be unable to fulfill its payment obligations in full, when due.

Country risk is the risk of losses arising from economic difficulties or political unrest in a country, including the risk of losses following nationalization, expropriation and debt restructuring.

Settlement risk is the risk arising when payments are settled, for example for trades in financial instruments, including derivatives and currency transactions. The risk arises when the Bank remits payments before it can ascertain that the counterparties' payments have been received.

Credit risk arises principally from the corporate and retail lending activities of the Bank, including from credit enhancement provided, such as financial guarantees and letters of credit. The Bank is also exposed to credit risk arising from other activities such as investments in debt securities, trading activities, capital markets and settlement activities. Taking into account that credit risk is the principal risk the Bank is exposed to, it is rigorously managed and is monitored by centralized dedicated risk units, reporting to the GCRO.

(a) Credit approval process

The credit approval and credit review processes are centralized both in Greece and in the International operations. The segregation of duties ensures independence among executives responsible for the customer relationship, the approval process and the loan disbursement, as well as monitoring of the loan during its lifecycle.

Credit Committees

The credit approval process in Corporate Banking is centralized through establishment of Credit Committees with escalating Credit Approval Levels, in order to manage the corporate credit risk. Main Committees of the Bank are considered to be the following:

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

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

Credit Sector

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

- Review and evaluation of credit requests of:
  (a) Domestic large and medium scale corporate entities of every risk category;
  (b) Specialized units, such as Shipping and Structured Finance; and
  (c) Retail sector's customers (small business and individual banking) above a predetermined threshold.
- Issuance of an independent risk opinion for each credit request, which includes:
  (a) Assessment of the customer credit profile based on the risk factors identified (market, operations, structural and financial);
  (b) A focused sector analysis; and
  (c) Recommendations to structure a bankable, well-secured and well-controlled transaction.
- Confirmation of the ratings of each separate borrower, to reflect the risks acknowledged;
- Participation with voting rights in all credit committees, as per the credit approval procedures (except for Special Handling Committee I- no voting rights);
- Active participation in all external/regulatory audits of the Bank;
- Preparation of specialized reports to Management on a regular basis, with regards to Top 25 biggest Borrower groups and statistics on the new approved financings;
- Safeguarding compliance of the Lending Units with specialized policies (e.g. SPPI process for the corporate portfolio, environmental and social policy); and
- Provision of specialized knowledge, expertise and support to other divisions of the Bank, in relation to operational and credit procedures, security policies, new lending products and restructuring schemes.

Credit Sector through its specialized Early Warning Unit (EWU), is also responsible to assess the wholesale portfolio and detect distress signals for specific borrowers. EWS has developed a multi-criterion delinquency application that is operating in parallel to the Bank's rating systems and targets to identify those borrowers whose financial performance may deteriorate significantly in the future and for whom the Bank should take actions for close monitoring and effective management.

Retail Banking approval process

The approval process for loans to small businesses (turnover up to € 5 million) is centralized following specific guidelines for eligible collaterals as well as the 'four-eyes' principle. The assessment is based on an analysis of the borrower's financial position and statistical scorecards.

The credit approval process for Individual Banking (consumer and mortgage loans) is also centralized. It is based on specialized credit scoring models and credit criteria taking into account the payment behavior, personal wealth and financial position of the borrowers, including the existence of real estate property, the type and quality of securities and other factors as well. The ongoing monitoring of the portfolio quality and of any other deviations that may arise, leads to an immediate adjustment of the credit policy and procedures, when deemed necessary.

International Credit Sector

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

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

- Participation with voting right in all International Committees (Regional, Country and Special Handling) and Chairmanship in Country Risk Committees (CRCs);
- Participation in the sessions of Monitoring Committees which monitor and decide on the strategy of problematic corporate relationships with loan outstanding exceeding a certain threshold, that is jointly set by ICS and Country TAG;
- Advice on best practices to the Credit Risk Units of international subsidiaries
- and implementation of Group's credit related special projects ; and
- In cooperation with Group Credit Control Sector (GCCS), it conducts reviews of loan quality and specific loan segments (e.g. Real Estate portfolios and agribusiness).

(b) Credit risk monitoring

Group Credit Control Sector

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

The main responsibilities of the GCCS are to:

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

Capital Adequacy Control (Credit Risk) and Regulatory Framework Sector

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

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

- manage the external Asset Quality Reviews (Bank of Greece, ECB);
- implement the IRB roll-out plan of the Group;
- manage the models implementation activities and validation of the IRB models of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for evaluating credit risk;

- measure, monitor and backtest the risk parameters (PD, LGD, EAD) for the purposes of capital adequacy calculations, as well as, for provisioning purposes;
- prepare monthly capital adequacy calculations (Pillar 1) and relevant management, as well as, regulatory reports (COREPs, SREP) on a quarterly basis;
- perform stress tests, both internal and external (EBA/SSM), and to maintain the credit risk stress testing infrastructure;
- manage the implementation / validation of the forecasting models linking macroeconomic factors of credit quality (PD, LGD) for the loan portfolios of the Group;
- prepare the credit risk analyses for Internal Capital Adequacy Assessment (ICAAP)/ Pillar 2 purposes;
- prepare the Basel Pillar 3 disclosures for credit risk;
- participate in the preparation of the business plan, the restructuring plan and the recovery plan of the Group in relation to asset quality and capital requirements for the loan book (projected impairments and RWAs), as well as participate in the relevant committees;
- support the business units in the use of IRB models in business decisions and the development and usage of risk related metrics such as Risk Adjusted Return On Capital (RAROC) etc.;
- monitor the regulatory framework in relation to the above, to perform impact assessment, to initiate and manage relevant projects;
- regularly report to the GCRO, to the Management Risk Committee and to the Board Risk Committee on the following topics: risk models performance, risk parameters (PD, LGD, EAD), updates on regulatory changes and impact assessment, stress testing and asset quality reviews.
- provide risk related parameters (forecast 12-m PD, forecast lifetime PD, forecast EAD) in the context of IFRS 9 implementation;
- provide risk data and use of IRB models to support the Funding strategy of the Group;
- support the Strategy Division of the Group to assess the capital impact of strategic projects relating to the loans portfolio of the Group;
- develop and maintain the IRB IT and Data management infrastructure (Basel data warehouse, Risk scoring engine, Capital adequacy Reporting Tool); and
- guide, monitor and supervise the Basel/Capital Adequacy (Credit Risk) divisions of Romania and Bulgaria on modeling, credit stress testing and other credit risk related regulatory issues.

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

Furthermore, information on credit risk monitoring of troubled assets is also provided in the section of Non-Performing Exposures (NPEs) management.

Group Market and Counterparty Risk Sector

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

The Group sets limits on the level of counterparty risk (see also below 7.2.1 (f) credit risk mitigation) that may be undertaken based mainly on the counterparty's credit rating, as provided by international rating agencies, and the product type (e.g. control limits on net open derivative positions by both amount and term, sovereign bonds exposure, asset backed securities). The utilization of the abovementioned limits, any excess of them, as well as the aggregate exposure per Group's entity, counterparty and product type are monitored by GMCRS on a daily basis. Risk mitigation contracts are taken into account for the calculation of the final exposure.

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

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

(c) Credit related commitments

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

(d) Concentration risk

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

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

(e) Rating systems

Rating of wholesale lending exposures

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

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

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

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

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

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

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

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

Rating of retail lending exposures

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

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

The models are applied in the credit approval process, the credit limits management, as well as the collection process for the prioritization of the accounts in terms of handling. Furthermore, the models are often used for the risk segmentation of the customers and the risk based pricing of particular segments or new products introduced as well as in the calculation of the Economic Value Added (EVA) and Risk Adjusted Return on Capital (RaRoC) measures

The rating systems employed by the Bank meets the requirements of the Basel III-Internal Ratings Based (IRB) approach. The Bank is IRB certified since 2008 for the Greek portfolios, both wholesale and retail (as detailed in Basel III, Pillar 3 disclosures available at the Bank's website).

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

(f) Credit risk mitigation

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

Types of collateral commonly accepted by the Bank

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

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

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

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

Valuation principles of collaterals

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

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

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

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

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

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

Collateral policy and documentation

Regarding collaterals, Bank's policy emphasizes the need that collaterals and relevant processes are timely and prudently executed, in order to ensure that collaterals and relevant documentation are legally enforceable at any time. The Bank holds the right to liquidate collateral in the event of the obligor's financial distress and can claim and control cash proceeds from the liquidation process.

Guarantees

The guarantees used as credit risk mitigation by the Bank are largely issued by the government. The National Fund for Entrepreneurship and Development (ETEAN SA) and similar funds, banks and insurance companies are also important guarantors of credit risk.

Management of repossessed properties

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

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

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

Counterparty risk

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

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

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

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

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

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

7.2.1.1 Maximum exposure to credit risk before collateral held

	2017 € million	2016 € million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from credit institutions	**2,867**	3,490
Derivative financial instruments	**1,884**	1,985
Loans and advances to customers:		
- Wholesale lending	**14,053**	14,692
- Mortgage lending	**15,298**	16,098
- Consumer lending	**4,212**	5,059
- Small business lending	**6,320**	6,363
Less: Impairment allowance	**(9,017)**	(10,304)
Investment securities:		
- Debt securities (restated, note 47)	**6,554**	10,969
Other assets	**1,314**	1,292
Credit risk exposures relating to off-balance sheet items (note 43)	**1,485**	1,438
Total	**44,970**	51,082

The above table represents the Bank’s maximum credit risk exposure as at 31 December 2017 and 31 December 2016 respectively, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Bank's financial statements.

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

7.2.1.2 Loans and advances to customers

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

(a) Credit quality of loans and advances to customers

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

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

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

For loans in the above categories, although not considered impaired, the Bank recognizes a collective impairment loss (as set out in note 2.2.12 'Impairment of financial assets').

'Impaired' loans that are individually assessed include all wholesale exposures as well as small business and mortgage loans which carry an individual impairment allowance. The rest of retail exposures are considered impaired when they are in arrears for more than 90 days or earlier in case there is an objective evidence of impairment and carry a collective impairment allowance. Furthermore, impaired retail loans under forbearance measures may include loans in arrears less than 90 days.

The evidence considered by the Bank in determining whether there is objective evidence of impairment is set out in note 2.2.12.

'Default exposures', in line with the regulatory definition of default as adopted by the Bank, include material exposures that are past due more than 90 days, exposures that are assessed by Bank as unlikely to pay as well as those that are assessed for impairment individually and carry an individual impairment allowance. As at 31 December 2017, the Bank's default exposures amounted to € 16,682 million (2016: € 18,326 million).

'Non-performing exposures' as currently monitored and reported by the Bank, in line with the guidelines set by the European Banking Authority (EBA Implementing Technical Standards), include material exposures that are in arrears for more than 90 days or assessed as unlikely to pay, impaired exposures under individual or collective impairment assessment exposures categorized as defaulted for regulatory purposes, as well as forborne non performing exposures. As at 31 December 2017, the Bank's non-performing exposures amounted to € 18,099 million (2016: € 20,510 million). Correspondingly, 'Performing exposures' include exposures without arrears, those that are less than 90 days past due or are not assessed as unlikely to pay, non-impaired and non-defaulted exposures. As at 31 December 2017, the Bank's performing exposures amounted to € 21,784 million (31 December 2016: € 21,702 million).

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

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

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

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

	31 December 2017								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million	Total gross amount € million	Individually assessed € million	Collectively assessed € million	Total net amount € million	Value of collateral € million
Retail Lending	**10,587**	**2,646**	**198**	**12,399**	**25,830**	**(98)**	**(5,909)**	**19,823**	**15,523**
- Mortgage	*7,391*	*1,756*	*145*	*6,006*	15,298	*(78)*	*(2,133)*	*13,087*	*11,847*
- Consumer	*916*	*270*	-	*2,003*	3,189	-	*(1,607)*	*1,582*	*128*
- Credit card	*547*	*41*	-	*435*	1,023	-	*(313)*	*710*	*34*
- Small business	*1,733*	*579*	*53*	*3,955*	6,320	*(20)*	*(1,856)*	*4,444*	*3,514*
Wholesale Lending	**7,205**	**761**	**5,502**	**-**	**13,468**	**(2,792)**	**(209)**	**10,467**	**6,098**
- Large corporate	*5,667*	*676*	*2,456*	-	8,799	*(1,323)*	*(133)*	*7,343*	*3,816*
- SMEs	*1,538*	*85*	*3,046*	-	4,669	*(1,469)*	*(76)*	*3,124*	*2,282*
Public Sector	**585**	**-**	**0**	**-**	**585**	**(0)**	**(9)**	**576**	**4**
- Greece	*585*	-	*0*	-	*585*	*(0)*	*(9)*	*572*	*4*
Total	**18,377**	**3,407**	**5,700**	**12,399**	**39,883**	**(2,890)**	**(6,127)**	**30,866**	**21,625**

	31 December 2016								
	Non impaired		Impaired			Impairment allowance			
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million	Total gross amount € million	Individually assessed € million	Collectively assessed € million	Total net amount € million	Value of collateral € million
Retail Lending	11,107	2,484	227	13,702	27,520	(88)	(6,506)	20,926	16,218
- Mortgage	*8,014*	*1,726*	*187*	*6,171*	*16,098*	*(72)*	*(2,080)*	*13,946*	*12,430*
- Consumer	*948*	*276*	-	*2,687*	*3,911*	-	*(2,164)*	*1,747*	*120*
- Credit card	*538*	*43*	-	*567*	*1,148*	-	*(408)*	*740*	*32*
- Small business	*1,607*	*439*	*40*	*4,277*	*6,363*	*(16)*	*(1,854)*	*4,493*	*3,636*
Wholesale Lending	6,839	714	6,581	-	14,134	(3,577)	(125)	10,432	6,195
- Large corporate	*5,369*	*575*	*2,811*	-	*8,755*	*(1,636)*	*(74)*	*7,045*	*3,570*
- SMEs	*1,470*	*139*	*3,770*	-	*5,379*	*(1,941)*	*(51)*	*3,387*	*2,625*
Public Sector	558	-	0	-	558	(0)	(8)	550	4
- Greece	*558*	-	*0*	-	*558*	*(0)*	*(8)*	*550*	*4*
Total	18,504	3,198	6,808	13,702	42,212	(3,665)	(6,639)	31,908	22,417

Loans and advances neither past due nor impaired

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

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

	31 December 2017				
	Strong € million	**Satisfactory (risk) € million**	**Watch list (higher risk) € million**	**Total neither past due nor impaired € million**	**Value of collateral € million**
Retail Lending	**-**	**10,587**	**-**	**10,587**	**7,425**
- Mortgage	-	*7,391*	-	*7,391*	*6,280*
- Consumer	-	*916*	-	*916*	-
- Credit card	-	*547*	-	*547*	-
- Small business	-	*1,733*	-	*1,733*	*1,145*
Wholesale Lending	**5,489**	**1,500**	**216**	**7,205**	**3,157**
- Large corporate	*4,426*	*1,104*	*137*	*5,667*	*2,320*
- SMEs	*1,063*	*396*	*79*	*1,538*	*837*
Public Sector	**205**	**380**	**-**	**585**	**4**
- Greece	*205*	*380*	-	*585*	*4*
Total	**5,694**	**12,467**	**216**	**18,377**	**10,586**

	31 December 2016				
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € million	Value of collateral € million
Retail Lending	-	11,107	-	11,107	7,899
- Mortgage	-	*8,014*	-	*8,014*	*6,835*
- Consumer	-	*948*	-	*948*	-
- Credit card	-	*538*	-	*538*	-
- Small business	-	*1,607*	-	*1,607*	*1,064*
Wholesale Lending	5,304	1,406	129	6,839	3,046
- Large corporate	*4,403*	*872*	*94*	*5,369*	*2,220*
- SMEs	*901*	*534*	*35*	*1,470*	*826*
Public Sector	436	122	-	558	4
- Greece	*436*	*122*	-	*558*	*4*
Total	5,740	12,635	129	18,504	10,949

Loans and advances past due but not impaired

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

	31 December 2017							
	Retail lending				Wholesale lending		Public sector	Total past due but not impaired
	Mortgage	Consumer	Credit card	Small business	Large corporate	SMEs	Greece	
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
up to 29 days	**1,411**	**235**	**31**	**475**	**564**	**39**	**-**	**2,755**
30 to 59 days	**247**	**24**	**7**	**65**	**47**	**17**	**-**	**407**
60 to 89 days	**98**	**11**	**3**	**39**	**65**	**29**	**-**	**245**
Total	**1,756**	**270**	**41**	**579**	**676**	**85**	**-**	**3,407**
Value of collateral	**1,427**	**-**	**-**	**353**	**448**	**63**	**-**	**2,291**

	31 December 2016							
	Retail lending				Wholesale lending		Public sector	Total past due but not impaired
	Mortgage	Consumer	Credit card	Small business	Large corporate	SMEs	Greece	
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
up to 29 days	1,391	229	32	322	397	55	-	2,426
30 to 59 days	252	36	8	65	50	34	-	445
60 to 89 days	83	11	3	52	128	50	-	327
Total	1,726	276	43	439	575	139	-	3,198
Value of collateral	1,375	-	-	268	241	92	-	1,976

Impaired loans and advances

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

	31 December 2017							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
Balance at 31 December 2016	**6,358**	**2,687**	**567**	**4,317**	**2,811**	**3,770**	**0**	**20,510**
Transfers among product lines	-	-	-	-	245	(245)	-	**-**
Balance at 1 January	**6,358**	**2,687**	**567**	**4,317**	**3,056**	**3,525**	**0**	**20,510**
Impaired exposures for the year	656	126	14	299	136	96	0	**1,327**
Transferred to non-impaired	(716)	(133)	(15)	(555)	(221)	(94)	-	**(1,734)**
Repayments	(83)	(61)	(15)	(44)	(104)	(97)	-	**(404)**
Amounts written off	(41)	(113)	(64)	(3)	(291)	(355)	-	**(867)**
Disposals	-	(546)	(62)	-	(68)	(24)	-	**(700)**
Foreign exchange differences and other movements	(23)	43	10	(6)	(52)	(5)	-	**(33)**
Balance at 31 December	**6,151**	**2,003**	**435**	**4,008**	**2,456**	**3,046**	**0**	**18,099**
Cumulative impairment allowance	**(2,057)**	**(1,510)**	**(303)**	**(1,824)**	**(1,376)**	**(1,469)**	**(0)**	**(8,539)**
Net balance at 31 December	**4,094**	**493**	**132**	**2,184**	**1,080**	**1,577**	**0**	**9,560**

	31 December 2016							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
Balance at 31 December 2015	5,468	2,576	589	4,212	4,803	2,155	-	19,803
Transfers among product lines	-	-	-	0	(1,774)	1,775	(0)	1
Balance at 1 January	5,468	2,576	589	4,212	3,029	3,930	(0)	19,804
Impaired exposures for the year	1,248	279	18	448	322	138	0	2,453
Transferred to non-impaired	(370)	(146)	(37)	(310)	(183)	(56)	-	(1,102)
Repayments	(26)	(22)	(3)	(50)	(54)	(57)	-	(212)
Amounts written off	(14)	(2)	(0)	(11)	(164)	(187)	-	(378)
Disposals	-	-	-	-	(150)	-	-	(150)
Foreign exchange differences and other movements	52	2	0	28	11	2	-	95
Balance at 31 December	6,358	2,687	567	4,317	2,811	3,770	0	20,510
Cumulative impairment allowance	(1,973)	(2,066)	(391)	(1,830)	(1,635)	(1,941)	(0)	(9,836)
Net balance at 31 December	4,385	621	176	2,487	1,176	1,829	0	10,674

Note: For 2016, the disposals have been adjusted to include gross balances of loans and advances (before impairment). The amounts written off have equally decreased.

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

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

	31 December 2017							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
up to 29 days	**785**	**96**	**1**	**368**	**767**	**256**	**-**	**2,273**
30 to 59 days	**182**	**18**	**0**	**55**	**1**	**7**	**-**	**263**
60 to 89 days	**138**	**7**	**0**	**79**	**53**	**42**	**-**	**319**
90 to 179 days	**225**	**16**	**3**	**85**	**44**	**54**	**-**	**427**
180 to 360 days	**200**	**16**	**2**	**94**	**35**	**44**	**-**	**391**
more than 360 days	**2,564**	**340**	**126**	**1,503**	**180**	**1,174**	**-**	**5,887**
Total	**4,094**	**493**	**132**	**2,184**	**1,080**	**1,577**	**-**	**9,560**
Value of collateral	**4,140**	**128**	**34**	**2,016**	**1,048**	**1,382**	**-**	**8,748**

	31 December 2016							
	Retail lending				Wholesale lending		Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Total impaired € million
up to 29 days	1,186	163	3	675	714	460	-	3,201
30 to 59 days	194	30	0	76	3	5	-	308
60 to 89 days	127	6	0	82	68	58	-	341
90 to 179 days	215	18	2	98	44	35	-	412
180 to 360 days	238	16	3	98	54	45	-	454
more than 360 days	2,425	388	168	1,458	293	1,226	-	5,958
Total	4,385	621	176	2,487	1,176	1,829	-	10,674
Value of collateral	4,220	120	32	2,304	1,109	1,707	-	9,492

(b) Collaterals and repossessed assets

Collaterals

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

The LTV ratio of the mortgage portfolio is presented below:

	2017 € million	2016 € million
Mortgages		
Less than 50%	**3,248**	3,250
50%-70%	**2,021**	2,119
71%-80%	**1,012**	1,084
81%-90%	**921**	985
91%-100%	**900**	961
101%-120%	**1,676**	1,765
121%-150%	**2,071**	2,214
Greater than 150%	**3,449**	3,720
Total exposure	**15,298**	16,098
Average LTV	**101.39%**	103.38%

The breakdown of collateral and guarantees is presented below:

	31 December 2017				
	Value of collateral received				Guarantees received
	Real Estate € million	Financial € million	Other € million	Total € million	€ million
Retail Lending	**15,054**	**245**	**224**	**15,523**	**162**
Wholesale Lending [1]	**2,937**	**101**	**3,060**	**6,098**	**179**
Public sector	**2**	**2**	**-**	**4**	**1**
Total	**17,993**	**348**	**3,284**	**21,625**	**342**

	31 December 2016				
	Value of collateral received				Guarantees received
	Real Estate € million	Financial € million	Other € million	Total € million	€ million
Retail Lending	15,822	188	208	16,218	138
Wholesale Lending [1]	3,019	129	3,047	6,195	170
Public sector	2	2	0	4	8
Total	18,843	319	3,255	22,417	316

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

Repossessed assets

The Bank recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Bank repossesses against repayment or reduction of the outstanding loan is real estate, which is recognized within repossessed assets and carried at the lower of cost or net realizable value (see also notes 2.2.17 and 28). In cases where the Bank makes use of repossessed properties as part of its operations, they are classified as own-used or investment properties, as appropriate (notes 2.2.6, 25 and 26).

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

	31 December 2017						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/ (loss) on sale € million
Real estate auction items	**359**	**30**	**(97)**	**(10)**	**262**	**20**	**(2)**
- Residential	*237*	*12*	*(65)*	*(5)*	*172*	*17*	*(2)*
- Commercial	*122*	*18*	*(32)*	*(5)*	*90*	*3*	(0)

	31 December 2016						
	Gross amount € million	Of which: added this year € million	Accumulated impairment € million	Of which: arising this year € million	Net amount € million	Net Sale Price € million	Net gain/ (loss) on sale € million
Real estate auction items	360	3	(88)	(4)	272	19	(3)
- Residential	*252*	*1*	*(61)*	*(4)*	*191*	*14*	*(2)*
- Commercial	*108*	*2*	*(27)*	*(0)*	*81*	*5*	*(1)*

There are no properties classified as investment property or own used, as a result of repossession or transfer from repossessed properties categories in 2017 and 2016. In addition, in 2017 the Bank acquired repossessed securities amounting to € 20 million (2016: nil), which have been classified as available for sale investment securities.

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

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

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

	31 December 2017								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	**25,830**	**12,597**	**(6,007)**	**-**	**-**	**-**	**-**	**-**	**-**
-Mortgage	*15,298*	*6,151*	*(2,211)*	-	-	-	-	-	-
-Consumer	*3,189*	*2,003*	*(1,607)*	-	-	-	-	-	-
-Credit card	*1,023*	*435*	*(313)*	-	-	-	-	-	-
-Small business	*6,320*	*4,008*	*(1,876)*	-	-	-	-	-	-
Wholesale Lending	**12,154**	**5,092**	**(2,690)**	**331**	**247**	**(177)**	**983**	**163**	**(134)**
-Commerce and services	*6,363*	*2,598*	*(1,511)*	*159*	*132*	*(90)*	*160*	*102*	*(95)*
-Manufacturing	*2,287*	*906*	*(452)*	*2*	*1*	*(0)*	-	-	-
-Shipping	*91*	*31*	*(18)*	*120*	*68*	*(61)*	*822*	*60*	*(39)*
-Construction	*1,912*	*1,036*	*(553)*	*41*	*37*	*(19)*	*1*	*1*	*(0)*
-Tourism	*1,305*	*510*	*(144)*	-	-	-	-	-	-
-Energy	*191*	*9*	*(11)*	*4*	*4*	*(4)*	-	-	-
-Other	*5*	*2*	*(1)*	*5*	*5*	*(3)*	-	-	-
Public Sector	**585**	**0**	**(9)**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**38,569**	**17,689**	**(8,706)**	**331**	**247**	**(177)**	**983**	**163**	**(134)**

	31 December 2016								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: impaired amount € million	Impairment allowance € million
Retail Lending	27,520	13,929	(6,594)	-	-	-	-	-	-
-Mortgage	*16,098*	*6,358*	*(2,152)*	-	-	-	-	-	-
-Consumer	*3,911*	*2,687*	*(2,164)*	-	-	-	-	-	-
-Credit card	*1,148*	*567*	*(408)*	-	-	-	-	-	-
-Small business	*6,363*	*4,317*	*(1,870)*	-	-	-	-	-	-
Wholesale Lending	12,564	5,893	(3,171)	639	517	(402)	931	171	(129)
-Commerce and services	*6,689*	*3,074*	*(1,941)*	*314*	*219*	*(177)*	*185*	*105*	*(98)*
-Manufacturing	*2,401*	*1,006*	*(485)*	*49*	*48*	*(47)*	-	-	-
-Shipping	*103*	*43*	*(18)*	*97*	*80*	*(63)*	*745*	*65*	*(31)*
-Construction	*1,780*	*1,117*	*(571)*	*164*	*155*	*(105)*	*1*	*1*	*(0)*
-Tourism	*1,306*	*643*	*(145)*	-	-	-	-	-	-
-Energy	*283*	*8*	*(10)*	*4*	*4*	*(4)*	-	-	-
-Other	*2*	*2*	*(1)*	*11*	*11*	*(6)*	-	-	-
Public Sector	558	0	(8)	-	-	-	-	-	-
Total	40,642	19,822	(9,773)	639	517	(402)	931	171	(129)

(d) Forbearance practices on lending activities

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

Forbearance practices' classification

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

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

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

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

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

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

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

Forbearance programs

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

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

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

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

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

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

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

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

Impairment assessment

Where forbearance measures are extended, the Bank performs an assessment of the borrower's financial condition and its ability to repay, under the Bank's impairment policies, as described in notes 2.2.12 and 7.2.1. Specifically, the retail loans are segregated from other loan portfolios and the collective impairment assessment reflects the risk of higher losses, resulting in higher provision charges/coverage relative to non-modified loans. The impairment assessment of the wholesale exposures is performed on an individual basis taking into consideration various risk aspects (such as borrower's rating, financial position, adherence to the forbearance program and level of collaterals) and the respective impairment charge is calculated.

Debt for equity swaps

In wholesale portfolios, the Bank on occasion participates in debt for equity transactions as part of the businesses support process, as described in note 2.2.12. In 2017, as part of debt for equity forbearance measures, the Bank acquired a shareholding of: (a) 100% of Standard Ktimatiki S.A. (note 24), (b) 41.67% of Alpha Investment Property Kefalariou S.A. (note 28), (c) 24.37% of Famar S.A (note 28), (d) 47.66% of the non voting preferred shares of ELTER S.A. for € 0.3 million, (e) 0.86% of FRIGOGLASS S.A.I.C. for € 0.03 million and (f) 18.02% of UNISOFT S.A. for € 27. Similarly, in 2016, the Bank acquired a minority shareholding of 2.79% of Selonda Aquaculture S.A., amounting to € 0.1 million related with the debt restructuring for DIAS Aquaculture S.A.

Loan restructurings

An existing loan whose terms have been modified may be derecognized and the forborne loan may be recognized as a new loan, when changes to the original contractual terms result in the forborne loan, being considered, as a whole, a substantially different financial asset. Examples of circumstances that will likely lead to de-recognition are described in note 2.2.12. Upon de-recognition, any difference between the old loan and the fair value of the new loan is recognized in the income statement. Impaired loans that are de-recognized as a result of forbearance measures continue to be classified as impaired until there is a sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

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

	2017	2016
	€ million	€ million
Forbearance measures:		
Split balance	**3,119**	2,744
Loan term extension	**2,645**	1,831
Arrears capitalisation	**581**	732
Reduced payment below interest owed	**585**	1,657
Interest rate reduction	**451**	381
Reduced payment above interest owed	**267**	803
Arrears repayment plan	**69**	105
Interest only	**50**	111
Grace period	**106**	96
Debt/equity swaps	**53**	55
Partial debt forgiveness/write-down	**33**	34
Operational restructuring	**5**	5
Other	**55**	32
Total net amount	**8,019**	8,586

The following tables present a summary of the credit quality of forborne loans and advances to customers:

	31 December 2017		
	Total loans & advances € million	**Forborne loans & advances € million**	**% of Forborne loans and advances**
Neither past due nor impaired	**18,377**	**3,271**	**17.8**
Past due but not impaired	**3,407**	**1,439**	**42.2**
Impaired	**18,099**	**5,354**	**29.6**
Total Gross Amount	**39,883**	**10,064**	**25.2**
Individual impairment allowance	**(2,890)**	**(438)**	**15.2**
Collective impairment allowance	**(6,127)**	**(1,607)**	**26.2**
Total Net amount	**30,866**	**8,019**	**26.0**
Collateral received	**21,625**	**6,527**	

	31 December 2016		
	Total loans & advances € million	Forborne loans & advances € million	% of Forborne loans and advances
Neither past due nor impaired	18,504	3,164	17.1
Past due but not impaired	3,198	1,163	36.4
Impaired	20,510	6,304	30.7
Total Gross Amount	42,212	10,631	25.2
Individual impairment allowance	(3,665)	(500)	13.6
Collective impairment allowance	(6,639)	(1,545)	23.3
Total Net amount	31,908	8,586	26.9
Collateral received	22,417	6,355	

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

	2017 € million	2016 € million
Balance at 1 January	**8,586**	6,900
Forbearance measures in the year	**1,027**	2,127
Interest income	**181**	196
Repayment of loans (partial or total)	**(344)**	(188)
Loans & advances that exited forbearance status [1]	**(1,054)**	(106)
Impairment loss	**(191)**	(371)
Other	**(186)**	28
Net Balance at 31 December	**8,019**	8,586

[1] *For 2017, an amount of € 561 million loans and advances that exited forbearance status refers to loans that were denounced*

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

	2017 € million	2016 € million
Retail Lending	**6,664**	7,368
- Mortgage	*4,750*	*5,268*
- Consumer	*337*	*399*
- Credit card	*0*	*0*
- Small business	*1,577*	*1,701*
Wholesale Lending	**1,355**	1,218
-Large corporate	*813*	*460*
-SMEs	*542*	*758*
Total net amount	**8,019**	8,586

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

	2017 € million	2016 € million
Greece	**7,944**	8,488
Rest of Europe	**28**	52
Other countries	**47**	46
Total net amount	**8,019**	8,586

7.2.1.3 Debt Securities

The following tables present an analysis of debt securities by rating agency designation at 31 December 2017 and 2016, based on Moody's ratings or their equivalent:

	31 December 2017				
	Trading securities € million	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Aaa	**-**	**230**	**-**	**0**	**230**
Aa1 to Aa3	**-**	**742**	**362**	**45**	**1,149**
A1 to A3	**-**	**238**	**109**	**30**	**377**
Lower than A3	**11**	**3,556**	**1,153**	**33**	**4,753**
Unrated	**1**	**56**	**0**	**0**	**57**
Total	**12**	**4,822**	**1,624**	**108**	**6,566**

	31 December 2016				
	Trading securities € million	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Aaa	-	68	-	0	68
Aa1 to Aa3	-	-	6,843	53	6,896
A1 to A3	-	34	113	32	179
Lower than A3 (restated, note 47)	5	2,557	1,192	41	3,795
Unrated	1	35	1	0	37
Total	6	2,694	8,149	126	10,975

Securities rated lower than A3 include: € 3,574 million related to Greek sovereign debt (2016: € 3,310 million), € 843 million related to Eurozone members sovereign debt (2016: € 123 million) and € 134 million related to sovereign debt issued mainly by European Union members and candidate members (2016: € 187 million).

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

	31 December 2017			
	Greece € million	**Other European countries € million**	**Other countries € million**	**Total € million**
Sovereign	**3,574**	**2,541**	**16**	**6,131**
Banks	**30**	**79**	**-**	**109**
Corporate	**130**	**136**	**60**	**326**
Total	**3,734**	**2,756**	**76**	**6,566**

	31 December 2016			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign (restated, note 47)	3,310	7,343	14	10,667
Corporate	100	183	25	308
Total	3,410	7,526	39	10,975

7.2.1.4 Offsetting of financial assets and financial liabilities

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

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

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

Regarding the former, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously (the offset criteria), as also set out in Bank's accounting policy 2.2.4.

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

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

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

	31 December 2017					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Reverse repos with banks	281	(235)	46	(46)	-	-
Derivative financial instruments	1,878	-	1,878	(1,747)	(7)	124
Total	2,159	(235)	1,924	(1,793)	(7)	124

	31 December 2017					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabiltiies € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	1,849	-	1,849	(566)	(1,274)	9
Repurchase agreements with banks	5,903	(235)	5,668	(5,668)	-	-
Repurchase agreements with customers	53	-	53	(53)	-	-
Total	7,805	(235)	7,570	(6,287)	(1,274)	9

	31 December 2016					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial assets € million	Gross amounts of recognised financial liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Derivative financial instruments	1,960	-	1,960	(1,873)	(12)	75
Total	1,960	-	1,960	(1,873)	(12)	75

	31 December 2016					
				Related amounts not offset in the BS		
	Gross amounts of recognised financial liabiltiies € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	2,443	-	2,443	(806)	(1,629)	8
Repurchase agreements with banks	10,007	-	10,007	(10,007)	-	-
Repurchase agreements with customers	53	-	53	(53)	-	-
Total	12,503	-	12,503	(10,866)	(1,629)	8

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

7.2.2 Market risk

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

(a) Interest rate risk

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

(b) Currency risk

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

(c) Equity risk

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

(d) Implied volatilities

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

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

Market risk is managed and monitored using Value at Risk (VaR) methodology.

(i) VaR summary for 2017 and 2016

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

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

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

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

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

	2017 € million	2016 € million
Interest rate risk	**17**	18
Foreign Exchange Risk	**0**	0
Equities Risk	**0**	2
Total VaR	**17**	18

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

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

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

Interest rate exposure for the Bank's securities, derivatives portfolio and covered bonds can be analyzed into time bands as shown in the following tables:

	31 December 2017				
	Less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	**-**	**-**	**-**	**4**	**6**
Fixed coupon bonds	-	-	-	4	6
Investment securities	**625**	**454**	**443**	**2,311**	**1,990**
Fixed coupon bonds	389	380	428	2,311	1,990
Variable coupon bonds	236	74	15	-	-
Covered bonds	**-**	**-**	**-**	**(500)**	**-**
Fixed coupon covered bonds	-	-	-	(500)	-
Derivatives[(1)]	**362**	**(639)**	**1,227**	**13**	**(990)**

	31 December 2016				
	Less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Financial instruments at fair value through profit or loss	-	-	-	3	3
Fixed coupon bonds	-	-	-	3	3
Investment securities	413	971	7,132	806	1,514
Fixed coupon bonds	261	802	302	806	1,514
Variable coupon bonds	152	169	6,830	-	-
Derivatives[(1)]	512	(562)	879	(400)	(632)

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

(ii) Foreign exchange risk concentration

The following table presents the Bank's exposure to foreign currency exchange risk as at 31 December 2017 and 2016:

	31 December 2017							
	USD € million	**CHF € million**	**RON € million**	**RSD € million**	**BGN € million**	**OTHER € million**	**EUR € million**	**Total € million**
ASSETS								
Cash and balances with central banks	5	0	-	-	-	3	364	372
Due from credit institutions	178	171	12	0	1	37	2,468	2,867
Derivative financial instruments	9	2	-	-	0	0	1,873	1,884
Loans and advances to customers	991	3,386	-	-	-	23	26,466	30,866
Investment securities	138	-	-	0	-	2	6,476	6,616
Other assets [(1)]	59	1	-	221	192	37	8,135	8,645
Assets classified as held for sale	-	-	209	-	-	-	(11)	198
Total Assets	**1,380**	**3,560**	**221**	**221**	**193**	**102**	**45,771**	**51,448**
LIABILITIES								
Due to central banks and credit institutions	840	1	0	0	0	18	16,303	17,162
Derivative financial instruments	10	0	0	-	-	1	1,839	1,850
Due to Customers	1,248	31	1	0	0	106	23,629	25,015
Debt securities in issue	0	-	-	-	-	-	503	503
Other Liabilities	6	0	-	-	-	2	468	476
Total Liabilities	**2,104**	**32**	**1**	**0**	**0**	**127**	**42,742**	**45,006**
Net on balance sheet position	**(724)**	**3,528**	**220**	**221**	**193**	**(25)**	**3,029**	**6,442**
Derivative forward foreign exchange position	**807**	**(3,520)**	**(305)**	**-**	**(432)**	**67**	**3,350**	**(33)**
Total Foreign Exchange Position	**83**	**8**	**(85)**	**221**	**(239)**	**42**	**6,379**	**6,409**

	31 December 2016							
	USD	CHF	RON	RSD	BGN	OTHER	EUR	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
ASSETS								
Cash and balances with central banks	6	1	-	-	-	3	361	371
Due from credit institutions	233	147	21	0	1	41	3,047	3,490
Derivative financial instruments	13	2	0	-	-	0	1,970	1,985
Loans and advances to customers	914	3,864	0	-	0	29	27,101	31,908
Investment securities (restated, note 47)	129	0	1	0	-	2	10,934	11,066
Other assets [(1)] (restated, note 47)	2	1	227	221	138	37	8,475	9,101
Total Assets	1,297	4,015	249	221	139	112	51,888	57,921
LIABILITIES								
Due to central banks and credit institutions	990	2	0	0	0	8	23,995	24,995
Derivative financial instruments	21	0	(0)	-	0	0	2,427	2,448
Due to Customers	1,233	17	2	0	0	112	22,314	23,678
Debt securities in issue	0	-	-	-	-	-	60	60
Other Liabilities	12	0	-	-	-	0	516	528
Total Liabilities	2,256	19	2	0	0	120	49,312	51,709
Net on balance sheet position	(959)	3,996	247	221	139	(8)	2,576	6,212
Derivative forward foreign exchange position	962	(3,968)	(343)	-	(432)	44	3,727	(10)
Total Foreign Exchange Position	3	28	(96)	221	(293)	36	6,303	6,202

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

7.2.3 Liquidity risk

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

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

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

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

Liquidity Risk Management Framework

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

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

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

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

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

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

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

(c) Report on market sensitivities affecting liquidity;

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

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

Maturity analysis of assets and assets held for managing liquidity risk

The following tables present maturity analysis of Bank assets as at 31 December 2017 and 2016, based on their carrying values. Loans without contractual maturities are presented in the 'less than 1 month' time bucket. The Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Under these contracts the Bank has posted or received collateral, which covers the corresponding net liabilities or net assets from derivative transactions. The collateral posted is not presented in the below tables. For derivative assets not covered by ISDA/CSA agreements the positive valuation is presented at fair value in the 'over 1 year' time bucket.

	31 December 2017				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	**372**	**-**	**-**	**-**	**372**
- Due from credit institutions	**454**	**315**	**388**	**322**	**1,479**
- Loans and advances to customers	**2,659**	**308**	**1,718**	**26,181**	**30,866**
- Debt Securities	**389**	**479**	**405**	**5,293**	**6,566**
- Equity Securities	**-**	**-**	**-**	**63**	**63**
- Derivative financial instruments	**-**	**-**	**-**	**78**	**78**
- Other assets[(1)]	**72**	**10**	**9**	**8,541**	**8,632**
- Assets classified as held for sale	**-**	**-**	**-**	**198**	**198**
Total	**3,946**	**1,112**	**2,520**	**40,676**	**48,254**

	31 December 2016				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Total € million
- Cash and balances with central banks	371	-	-	-	371
- Due from credit institutions	586	170	187	710	1,653
- Loans and advances to customers	3,451	344	1,927	26,186	31,908
- Debt Securities (restated, note 47)	77	519	768	9,611	10,975
- Equity Securities	-	-	-	99	99
- Derivative financial instruments	-	-	-	103	103
- Other assets[(1)] (restated, note 47)	3	5	21	9,064	9,093
Total	4,488	1,038	2,903	45,773	54,202

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

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

(a) Cash and balances with central banks;

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

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

Maturity analysis of liabilities

The amounts disclosed in the tables below are the contractual undiscounted cash flows for the years 2017 and 2016. Liabilities without contractual maturities (sight and saving deposits) are presented in the 'less than 1 month' time bucket. The Bank has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Bank has already posted collateral which covers the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the 'less than 1 month' time bucket.

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

	31 December 2017				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to credit institutions	13,335	2,224	-	1,610	17,169
- Due to customers	18,401	2,920	3,688	21	25,030
- Debt securities in issue	-	-	14	536	550
- Other liabilities	56	92	327	-	475
	31,792	5,236	4,029	2,167	43,224
Derivative financial instruments:	9	-	-	-	9

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	537	948
Capital expenditure	26	-
Operating lease commitments	29	86
Total	592	1,034

	31 December 2016				
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	Gross nominal (inflow)/ outflow € million
Non-derivative liabilities:					
- Due to credit institutions	23,552	1,131	131	211	25,025
- Due to customers	17,369	3,190	3,144	7	23,710
- EMTNs	-	11	4	49	64
- Other liabilities	62	102	363	-	527
	40,983	4,434	3,642	267	49,326
Derivative financial instruments:	14	-	-	-	14

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	597	841
Capital expenditure	21	-
Operating lease commitments	28	95
Total	646	936

The credibility of the Greek banking system was strengthened by the positive developments in the macroeconomic environment during 2017, as mentioned in note 2.1, improving the liquidity conditions of the Greek banks accordingly. In this context, deposits inflows along with the increased market repos on covered bonds and Greek Treasury bills, a € 500 million covered bond issue to international and domestic investors and the assets deleveraging, constituted the key factors for the significant decrease of the Bank's dependency from the Eurosystem by € 3.9 bn to € 10 bn at the end of December 2017, of which € 7.9 bn funding from ELA, (31 December 2016: € 13.9 bn, of which € 11.9 bn from ELA) and the elimination of its participation in the second stream of the Hellenic Republic liquidity support program (31 December 2016: € 2.5 bn) (note 4). Furthermore, the Bank replaced € 1.3 bn funding from ECB's main refinancing operations (MROs) with ECB's targeted longer-term refinancing operations (TLTROs). The Eurosystem funding further declined to € 7.1 bn on 28 February 2018, of which € 5.7 bn from ELA.

7.3 Fair value of financial assets and liabilities

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

The 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, held or issued by the Bank, 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:

	31 December 2017			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Financial instruments held for trading	11	1	1	13
Derivative financial instruments	0	1,883	1	1,884
Available-for-sale investment securities	4,847	0	37	4,884
Financial assets measured at fair value	**4,858**	**1,884**	**39**	**6,781**
Derivative financial instruments	0	1,850	-	1,850
Due to customers:				
- Structured deposits	-	4	-	4
Financial liabilities measured at fair value	**-**	**1,854**	**-**	**1,854**

	31 December 2016			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
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
Financial assets measured at fair value	2,752	1,984	48	4,784
Derivative financial instruments	0	2,448	-	2,448
Due to customers:				
- Structured deposits	-	4	-	4
Trading liabilities	3	-	-	3
Financial liabilities measured at fair value	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 year ended 31 December 2017.

Reconciliation of Level 3 fair value measurements

	2017 € million	2016 € million
Balance at 1 January	**48**	63
Transfers into Level 3	**0**	14
Transfers out of Level 3	**(0)**	(19)
Additions, net of disposals and redemptions	**(1)**	7
Total gain/(loss) for the year included in profit or loss	**(1)**	(9)
Total gain/(loss) for the year included in other comprehensive income	**(6)**	(9)
Foreign exchange differences and other	**(1)**	1
Balance at 31 December	**39**	48

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

	31 December 2017				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	30,720	30,720	30,866
Investment securities					
- Debt securities lending portfolio	200	894	-	1,094	1,624
- Held to maturity securities	-	103	-	103	108
Financial assets not carried at fair value	**200**	**997**	**30,720**	**31,917**	**32,598**
Debt securities in issue held by third party investors	501	-	-	501	497
Financial liabilities not carried at fair value	**501**	**-**	**-**	**501**	**497**

	31 December 2016				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	31,970	31,970	31,908
Investment securities					
- Debt securities lending portfolio (restated, note 47)	221	7,402	-	7,623	8,149
- Held to maturity securities	-	117	-	117	126
Financial assets not carried at fair value	221	7,519	31,970	39,710	40,183
Debt securities in issue held by third party investors	-	36	-	36	43
Financial liabilities not carried at fair value	-	36	-	36	43

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.

8. Net interest income

	2017 € million	2016 € million
Interest income		
Customers	**1,247**	1,362
Banks	**25**	40
Securities [1] (restated,note 47)	**163**	153
Derivatives	**347**	307
	1,782	1,862
Interest expense		
Customers	**(120)**	(129)
Banks	**(238)**	(340)
Debt securities in issue	**(3)**	(5)
Derivatives	**(321)**	(296)
	(682)	(770)
Total	**1,100**	1,092

[1] *The interest income from trading securities included is immaterial for the year ended 31 December 2017 and 2016.*

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

	31 December 2017		
	Interest income on non-impaired loans and advances € million	**Interest income on impaired loans and advances € million**	**Total € million**
Retail lending	**485**	**263**	**748**
Wholesale lending[1]	**359**	**140**	**499**
Total interest income from customers	**844**	**403**	**1,247**

	31 December 2016		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	538	306	844
Wholesale lending[1]	362	156	518
Total interest income from customers	900	462	1,362

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

The unwinding of the discount of the impairment allowance (note 22) amounting to € 250 million (retail lending € 167 million and wholesale lending € 83 million) is included in interest income on impaired loans and advances to customers (2016: retail lending € 187 million and wholesale lending € 80 million).

9. Net banking fee and commission income

	2017 € million	2016 € million
Lending related fees and commissions	**72**	88
Mutual funds and assets under management related fees	**21**	19
Capital markets related fees	**8**	8
Other fees [(1)]	**26**	(7)
Total	**127**	108

[(1)] For the year ended 31 December 2017, the increase of other fees is mainly attributed to the reduction of the Pillar 2 issues and the related fees

10. Dividend income

During the year, the Bank recognized dividend income mainly resulting from shares in subsidiaries amounting to € 132 million (2016: € 62 million).

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

	2017 € million	2016 € million
ERB New Europe Holding B.V.	**38**	-
Eurobank Factors S.A.	**30**	-
Eurobank Private Bank Luxembourg S.A.	**30**	20
Eurobank Bulgaria A.D.	**14**	-
Eurolife ERB Insurance Group Holdings S.A.	**8**	34
Eurobank Fund Management Company (Luxembourg) S.A.	**7**	-
Grivalia Properties R.E.I.C.	**4**	6
Other (including AFS and trading portfolio)	**1**	2
Total	**132**	62

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

	2017 € million	2016 € million
Debt securities and other financial instruments (note 23)	**36**	83
Equity securities (note 23)	**30**	38
Gains/(losses) on derivative financial instruments	**54**	(11)
Revaluation on foreign exchange positions	**3**	8
Total	**123**	118

12. Operating expenses

	2017 € million	2016 € million
Staff costs (note 13)	**(399)**	(386)
Administrative expenses	**(143)**	(164)
Contributions to resolution and deposit guarantee funds	**(51)**	(58)
Depreciation of property, plant and equipment	**(22)**	(24)
Amortisation of intangible assets	**(16)**	(14)
Operating lease rentals	**(41)**	(41)
Total	**(672)**	(687)

Contributions to resolution and deposit guarantee funds

In 2016, the Single Resolution Mechanism (SRM), which is one of the pillars of the Banking Union in the euro area alongside the Single Supervisory Mechanism (SSM), became fully operational. The Single Resolution Fund (SRF) was established by the SRM Regulation (EU) No 806/2014 in order to ensure uniform practice in the financing of resolutions within the SRM and it is owned by the Single Resolution Board (SRB). The SRM provides that the SRF will be built up over a period of eight years with 'ex-ante' contributions from the banking industry, which may include irrevocable payment commitments up to 30% of the total amount of contributions (note 43).

13. Staff costs

	2017	2016
	€ million	€ million
Wages, salaries and performance remuneration	**(282)**	(271)
Social security costs	**(69)**	(68)
Additional pension and other post employment costs	**(11)**	(11)
Other	**(37)**	(36)
Total	**(399)**	(386)

The average number of employees of the Bank during the year was 8,617 (2016: 8,882). As at 31 December 2017, the number of branches and business/private banking centers of the Bank amounted to 420.

14. Other impairments, restructuring costs and provisions

	2017	2016
	€ million	€ million
Impairment losses and valuation losses on investment and repossessed properties	**(19)**	(16)
Other impairment losses and provisions [1]	**(8)**	(17)
Other impairment losses and provisions	**(27)**	(33)
Provision for the Voluntary Exit Scheme (note 34)	**(5)**	(39)
Other restructuring costs	**(6)**	(8)
Restructuring costs	**(11)**	(47)
Total	**(38)**	(80)

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

For the year ended 31 December 2017, the Bank recognized € 19 million impairment and valuation losses on investment and repossessed properties, after considering the macroeconomic conditions and the persistent decline in real estate market prices in Greece.

As at 31 December 2017, the Bank has recognized restructuring expenses amounting to € 6 million, mainly relating to the rationalization of its branch network. As at 31 December 2016, the Bank has recognized restructuring expenses amounting to € 8 million associated with its Non-Performing Exposures management operations, the further rationalization of its branch network and the restructuring of its international activities.

As at 31 December 2017, restructuring costs included depreciation/write-offs of € 1 million (2016: € 2 million).

15. Income tax and tax adjustments

	2017 € million	2016 € million
Current tax	**(1)**	(7)
Deferred tax (note 16)	**36**	28
Income tax	**35**	21
Tax adjustments	**-**	31
Total tax (charge)/income	**35**	52

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. 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.

During the year ended 31 December 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.

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

	2017 € million	2016 € million
Profit/(loss) before tax (restated, note 47)	**(24)**	(42)
Tax at the applicable tax rate	**7**	12
Tax effect of:		
- income not subject to tax and non deductible expenses	**38**	16
- tax adjustments	**-**	31
- other	**(10)**	(7)
Total tax (charge)/income	**35**	52

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 continue to obtain such certificate.

The Bank has been audited by tax authorities up to 2010 (included). Furthermore, the Bank has obtained by external auditors unqualified tax certificates for years 2011-2016. For the year ended 31 December 2017, the tax audit from external auditors is in progress. 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. In light of the above, as a general rule, the right of the Greek State to impose taxes up to tax year 2011 (included) has been time-barred for the Bank.

16. Deferred income taxes

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

The movement on deferred income tax is as follows:

	2017	2016
	€ million	€ million
Balance at 1 January	**4,902**	4,902
Restatement (note 47)	-	(14)
Balance at 1 January , as restated	**4,902**	4,888
Income statement credit/(charge) (restated, note 47)	**36**	28
Available for sale investment securities	**(85)**	(11)
Cash flow hedges	**(8)**	(4)
Other	**1**	1
Balance at 31 December	**4,846**	4,902

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

	2017	2016
	€ million	€ million
PSI+ tax related losses	**1,201**	1,251
Loan impairment and accounting write-offs	**3,005**	3,134
Losses from disposals and crystallized write-offs of loans	**239**	8
Valuations through the income statement (restated, note 47)	**312**	325
Costs directly attributable to equity transactions	**31**	38
Unused tax losses	**21**	30
Cash flow hedges	**17**	25
Defined benefit obligations	**13**	12
Own used, investment and repossessed properties	**(13)**	(3)
Valuations directly to available-for-sale revaluation reserve	**(84)**	1
Other	**104**	81
Net deferred income tax	**4,846**	4,902

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

Loan impairment, disposals and write-offs	**102**	313
Unused tax losses	**(9)**	(267)
Tax deductible PSI+ losses	**(50)**	(50)
Change in fair value and other temporary differences	**(7)**	32
Deferred income tax (charge)/credit	**36**	28

As at 31 December 2017, the Bank recognized net deferred tax assets amounting to € 4.8 bn as follows:

(a) € 1,201 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) € 3,005 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 the Law 4172/2013 as amended by Law 4465/2017 in March 2017;

(c) € 239 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) € 21 million refer to unused tax losses. The ability to utilize tax losses carried forward mainly expires in 2020;

(e) € 31 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) € 349 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 31 December 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 and the actual tax results for the year ended 31 December 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 Bank's performance in combination with the previous years' tax losses caused by one off or non-recurring events.

For the year ended 31 December 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 2018 and provides outlook of its profitability and capital position for the period up to the end of 2020. 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 2020, 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 gradual elimination of the Emergency Liquidity Assistance (ELA) ,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 the SSM regarding the effective management of its troubled assets' portfolio, (c) the effectiveness of the continuous cost containment initiatives, 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 2.1).

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 year ended 31 December 2017, the Bank's after tax result amounted to a gain of € 11 million, while deferred tax assets eligible for conversion to tax credits amounted to € 3,952 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 year ended 31 December 2017, an amount of € 14 million has been recognized in "Other income/(expenses)" of which an amount of € 7 million refers to the respective fee for the year 2016.

17. Cash and balances with central banks

	2017 € million	2016 € million
Cash in hand	**337**	332
Balances with central banks	**35**	39
Total	**372**	371
of which:		
Mandatory and collateral deposits with central banks	**13**	26

Mandatory deposits with central banks include deposits of € 13 million (2016: € 26 million) with the Bank of Greece which represent the minimum level of average monthly deposits which the Bank is required to maintain; they can be withdrawn at any time provided the average monthly minimum deposits are maintained.

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

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

	2017 € million	2016 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**359**	345
Due from credit institutions	**147**	109
Total	**506**	454

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

	2017 € million	2016 € million
Amortisation of premiums/discounts and accrued interest	**(57)**	(64)
(Gains)/losses from investment securities	**(65)**	(113)
Dividends	**(1)**	(2)
Total	**(123)**	(179)

For the year ended 31 December 2016, other adjustments on profit before income tax included the gain on the acquisition of the Alpha Bank's Branch in Bulgaria, amounting to € 55 million (note 24).

Changes in liabilities arising from financing activities

During the year ended 31 December 2017, changes in the Bank's liabilities arising from financing activities, ie debt securities in issue (note 33), are attributable to debt issued and repaid amounting to € 494 million and € 53 million, respectively. Non cash changes during the year included mainly accrued interest of € 2 million.

19. Due from credit institutions

	2017 € million	2016 € million
Pledged deposits with banks	**2,757**	3,202
Placements and other receivables from banks	**9**	234
Current accounts and settlement balances with banks	**101**	54
Total	**2,867**	3,490

	2017 € million	2016 € million
Included in due from credit institutions were unsubordinated amounts due from:		
-subsidiary undertakings	**1,200**	1,362
Included in due from credit institutions were subordinated amounts due from:		
-subsidiary undertakings	**-**	160

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

	2017 € million	2016 € million
Greece	**9**	23
Other European countries	**2,806**	3,420
Other countries	**52**	47
Total	**2,867**	3,490

20. Derivative financial instruments and hedge accounting

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

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

	31 December 2017			31 December 2016		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
	€ million	€ million	€ million	€ million	€ million	€ million
Derivatives that do not qualify for hedge accounting and held for trading						
- Interest rate swaps	**16,475**	**1,736**	**1,279**	16,801	1,763	1,519
- Interest rate options	**3,502**	**32**	**87**	3,225	52	113
- Cross currency interest rate swaps	**686**	**16**	**30**	1,043	50	128
- Currency forwards/currency swaps	**2,735**	**17**	**11**	2,327	19	20
- Currency options	**1,211**	**13**	**9**	465	2	3
- Commodity derivatives	**88**	**4**	**4**	126	7	7
- Warrants	**3**	**0**	**-**	1,381	3	-
- Credit default swaps	**458**	**-**	**5**	-	-	-
- Other (see below)	**113**	**0**	**0**	11	0	0
		1,818	**1,425**		1,896	1,790
Derivatives designated as fair value hedges						
Interest rate swaps	**1,570**	**10**	**307**	761	2	364
		10	**307**		2	364
Derivatives designated as cash flow hedges						
- Interest rate swaps	**192**	**0**	**54**	359	0	75
- Cross currency interest rate swaps	**3,032**	**56**	**64**	3,291	87	219
		56	**118**		87	294
Total derivatives assets/liabilities		**1,884**	**1,850**		1,985	2,448

Other derivative contracts include exchange traded interest and currency futures.

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

The Bank uses certain derivatives and other financial instruments, designated in a qualifying hedge relationship, to reduce its exposure to market risks. The hedging practices applied by the Bank, as well as the relevant accounting treatment are disclosed in note 2.2.3. In particular:

(a) Fair value hedges

The Bank hedges a proportion of its existing interest rate risk resulting from any potential change in the fair value of fixed rate debt securities held or fixed rate loans, denominated both in local and foreign currencies, using interest rate swaps. In 2017, the Bank recognized a gain of € 65 million (2016: € 37 million loss) from changes in the fair value of the hedging instruments and € 66 million loss (2016: € 37 million gain) from changes in the fair value of the hedged items attributable to the hedged risk.

(b) Cash flow hedges

The Bank hedges a proportion of its existing interest rate and foreign currency risk resulting from any cash flow variability on floating rate performing customer loans or deposits, denominated both in local and foreign currency, or unrecognized highly probable forecast transactions, using interest rate and cross currency interest rate swaps. In 2017, the ineffectiveness recognized in the income statement that arose from cash flow hedges was nil (2016: nil).

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

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

	31 December 2017			
	Greece € million	**Other European countries € million**	**Other countries € million**	**Total € million**
Sovereign	**1,197**	**-**	**-**	**1,197**
Banks	**0**	**535**	**79**	**614**
Corporate	**72**	**0**	**1**	**73**
Total	**1,269**	**535**	**80**	**1,884**

	31 December 2016			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,119	-	-	1,119
Banks	0	359	429	788
Corporate	78	0	0	78
Total	1,197	359	429	1,985

21. Loans and advances to customers

	2017 € million	2016 € million
Wholesale lending	**14,053**	14,692
Mortgage lending	**15,298**	16,098
Consumer lending	**4,212**	5,059
Small business lending	**6,320**	6,363
	39,883	42,212
Less: Impairment allowance (note 22)	**(9,017)**	(10,304)
Total	**30,866**	31,908

For the year ended 31 December 2017, gross loans have decreased by approximately € 0.5 bn, due to the depreciation of CHF and USD against Euro.

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 31 December 2017, the carrying amount of these loans is € 85 million which approximates their fair value. No amounts would have been recognized in the OCI had these financial assets not been reclassified.

Non-performing loans sale transactions

In November 2017 the Bank, in line with its NPE reduction plan, completed the sale of a non-performing unsecured consumer loan portfolio of total principal amount of € 1.5 bn to Intrum Hellas DAC (Intrum), a company controlled by Intrum Group for a cash consideration of € 35 million. The on balance sheet exposure amounted to € 608 million and carried an impairment allowance of € 584 million. Accordingly, the Bank recorded a gain of € 8.5 million, net of selling costs of € 2 million, in 'Other income/(expenses)' and its NPE ratio was reduced by ca 70 bps. The servicing of the portfolio has been assigned to Financial Planning Services S.A. (FPS).

In the second quarter 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.

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

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

	2017	2016
	€ million	€ million
Gross investment in finance leases receivable:		
Not later than 1 year	**28**	30
Later than 1 year and not later than 5 years	**4**	8
Later than 5 years	**18**	10
	50	48
Unearned future finance income on finance leases	**(2)**	(1)
Net investment in finance leases	**48**	47
Less: impairment allowance	**(27)**	(25)
Total	**21**	22

	2017	2016
The net investment in finance leases is analysed as follows:		
Not later than 1 year	**27**	29
Later than 1 year and not later than 5 years	**3**	8
Later than 5 years	**18**	10
	48	47
Less: impairment allowance	**(27)**	(25)
Total	**21**	22

22. Impairment allowance for loans and advances to customers

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

	31 December 2017				
	Wholesale	**Mortgage**	**Consumer**	**Small business**	**Total**
	€ million	**€ million**	**€ million**	**€ million**	**€ million**
Balance at 1 January	**3,710**	**2,152**	**2,572**	**1,870**	**10,304**
Impairment loss for the year [(1)]	140	221	189	97	**647**
Recoveries of amounts previously written off	0	-	4	0	**4**
Amounts written off/ sales [(2)]	(722)	(45)	(761)	(10)	**(1,538)**
NPV unwinding	(83)	(59)	(37)	(71)	**(250)**
Foreign exchange differences and other movements	(35)	(58)	(47)	(10)	**(150)**
Balance at 31 December	**3,010**	**2,211**	**1,920**	**1,876**	**9,017**

	31 December 2016				
	Wholesale	Mortgage	Consumer	Small business	Total
	€ million	€ million	€ million	€ million	€ million
Balance at 1 January	3,875	2,077	2,455	1,956	10,363
Impairment loss for the year [(1)]	285	175	202	34	696
Recoveries of amounts previously written off	0	0	2	0	2
Amounts written off/ sales [(2)]	(373)	(21)	(4)	(26)	(424)
NPV unwinding	(80)	(58)	(52)	(77)	(267)
Foreign exchange differences and other movements	3	(21)	(31)	(17)	(66)
Balance at 31 December	3,710	2,152	2,572	1,870	10,304

[(1)] Impairment losses on loans and advances as presented in the income statement for the year ended 31 December 2017 include an amount of € 69 million, which has been provided against the Bank's placements to its banking subsidiaries 'Eurobank Private Bank Luxembourg S.A' & 'Eurobank Cyprus LtD.' that are pledged as collateral for the funding of other Bank's subsidiaries (2016: € 140 million which had been provided against the Bank's placements with its subsidiary "Eurobank Private Bank Luxembourg S.A.") .

[(2)] For the year ended 31 December 2017, an amount of € 584 million (2016:€ 25 million) included relates to the non performing loans sale transactions (note 21).

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

23. Investment securities

	2017	2016
	€ million	€ million
Available-for-sale investment securities	**4,884**	2,791
Debt securities lending portfolio (restated, note 47)	**1,624**	8,149
Held-to-maturity investment securities	**108**	126
Total	**6,616**	11,066

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 31 December 2017, the carrying amount of the reclassified securities was € 884 million. Had the financial assets not been reclassified, changes in the fair value for the period from the reclassification date until 31 December 2017 would have resulted in € 327 million losses net of tax, which would have been recognized in the available-for-sale revaluation reserve.

During the year ended 31 December 2017, the Bank recognized € 65 million gains presented in line 'Gains less losses from investment securities', € 30 million of which resulted from the deleveraging of its equity investments portfolio and € 35 million from bonds' transactions.

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. In addition, € 73 million gain was recorded due to the sale of EFSF bonds in accordance with the conditions applicable to the Public Sector Asset Purchase Program (PSPP).

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 will be sold back, after a short holding period, to EFSF.

The implementation of the aforementioned agreement has been initiated in March 2017 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, during the year ended 31 December 2017, the Bank exchanged the entire position in floating rate EFSF notes of face value of € 6.6 bn, with fixed rate EFSF notes of equivalent face value. Up to 31 December 2017 and in January 2018, the exchanged fixed rate EFSF notes of face value of € 6.3 bn and € 0.3 bn respectively, were sold back to the EFSF with 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'.

Greek Government bonds (GGBs) swap

On 15 November 2017, the Hellenic Republic, in the context of Liability Management, made an invitation to all holders of the GGBs issued under the PSI in 2012 with maturities ranging from 2023 to 2042 ("Designated Securities") to offer to exchange such securities for five new GGBs due in 2023, 2028, 2033, 2037 and 2042 ("Benchmark Notes"). The purpose of the invitation was to align the terms of the Hellenic Republic's outstanding debt with market standards for sovereign issuers in order to normalise its yield curve and provide the market with a limited series of benchmark notes, which are expected to have significantly greater liquidity than the designated ones.

Pursuant to the above invitation, in December 2017, the Bank offered for exchange GGBs of face value € 1.1 bn. The exchange was accounted for as a modification of the Designated Securities, as the terms of the Benchmark Notes were not considered to be substantially different than those of the Designated Securities.

23.1 Classification of investment securities by type

	31 December 2017			
	Available-for-sale securities € million	Debt securities lending portfolio € million	Held-to-maturity securities € million	Total € million
Debt securities				
- EFSF bonds	-	362	-	362
- Greek government bonds	1,557	964	-	2,521
- Greek government treasury bills	1,044	-	-	1,044
- Other government bonds	1,897	298	-	2,195
- Other issuers	324	0	108	432
	4,822	1,624	108	6,554
Equity securities	62	-	-	62
Total	4,884	1,624	108	6,616

	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 (restated, note 47)	1,039	984	-	2,023
- Greek government treasury bills	1,285	-	-	1,285
- Other government bonds	207	307	-	514
- Other issuers	163	15	126	304
	2,694	8,149	126	10,969
Equity securities	97	-	-	97
Total	2,791	8,149	126	11,066

23.2 Movement of investment securities

	31 December 2017			
	Available--for-sale securities € million	**Debt securities lending portfolio € million**	**Held-to--maturity securities € million**	**Total € million**
Balance at 1 January	**2,791**	**8,149**	**126**	**11,066**
Additions, net off disposals and redemptions	1,722	(6,493)	(18)	**(4,789)**
Net gains/(losses) from changes in fair value for the year	335	-	-	**335**
Amortisation of premiums/discounts and interest	53	4	0	**57**
Changes in fair value due to hedging	-	(36)	-	**(36)**
Impairment losses/reversal	(1)	-	-	**(1)**
Exchange adjustments and other	(16)	-	-	**(16)**
Balance at 31 December	**4,884**	**1,624**	**108**	**6,616**

	31 December 2016			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Balance at 1 January (restated, note 47)	3,189	11,295	149	14,633
Additions net off disposals and redemptions	(515)	(3,183)	(24)	(3,722)
Net gains/(losses) from changes in fair value for the year	40	-	-	40
Amortisation of premiums/discounts and interest (restated,note 47)	74	(10)	0	64
Changes in fair value due to hedging	-	45	-	45
Impairment losses/reversal	(9)	-	-	(9)
Exchange adjustments and other [1]	12	2	1	15
Balance at 31 December	2,791	8,149	126	11,066

[1] *It includes € 9 million of Visa Inc. preferred shares.*

23.3 Equity reserve: revaluation of the available-for-sale investments

Gains and losses arising from the changes in the fair value of available-for-sale investments are recognized in a revaluation reserve for available for sale financial assets in equity. The movement of the reserve is as follows:

	2017 € million	2016 € million
Balance at 1 January	**4**	(26)
Net gains/(losses) from changes in fair value	**335**	40
Tax (expense)/benefit	**(97)**	(11)
	238	29
Net (gains)/losses transferred to net profit on disposal	**(59)**	(7)
Impairment losses transferred to net profit	**0**	1
Tax (expense)/benefit on net (gains)/losses transferred to net profit on disposal	**15**	2
Tax (expense)/benefit on impairment losses transferred to net profit	**(0)**	(0)
	(44)	(4)
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	**11**	8
Tax (expense)/benefit	**(3)**	(3)
	8	5
Balance at 31 December	**206**	4

24. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 31 December 2017:

Name	Note	Percentage holding	Country of incorporation	Line of business
Be Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services		98.01	Greece	Business-to-business e-commerce, accounting and tax services
Eurobank Asset Management Mutual Fund Mngt Company S.A.		100.00	Greece	Mutual fund and asset management
Eurobank Equities S.A.		100.00	Greece	Capital markets and advisory services
Eurobank Ergasias Leasing S.A.		100.00	Greece	Leasing
Eurobank Factors S.A.		100.00	Greece	Factoring
Eurobank FPS Loans and Credits Claim Management S.A.	b	100.00	Greece	Loans and Credits Claim Management
Eurobank Household Lending Services S.A.	l	100.00	Greece	Promotion/management of household products
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Hellenic Post Credit S.A.		50.00	Greece	Credit card management and other services
Herald Greece Real Estate development and services company 1		100.00	Greece	Real estate
Herald Greece Real Estate development and services company 2		100.00	Greece	Real estate
Standard Ktimatiki S.A.	a	100.00	Greece	Real Estate
Eurobank Bulgaria A.D.	g	56.14	Bulgaria	Banking
ERB Property Services Sofia A.D.		80.00	Bulgaria	Real estate services
ERB Leasing E.A.D.		100.00	Bulgaria	Leasing
ERB Hellas (Cayman Islands) Ltd	j	100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
CEH Balkan Holdings Ltd		100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd		100.00	Cyprus	Special purpose investment vehicle
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		99.99	Luxembourg	Fund management
Eurobank Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.		100.00	Netherlands	Holding company
Bancpost S.A.	k	93.78	Romania	Banking
ERB IT Shared Services S.A. [(1)]		1.10	Romania	Informatics data processing
ERB Leasing IFN S.A. [(1)]	k	2.36	Romania	Leasing
Eurobank Finance S.A. [(1) (2)]	m	19.65	Romania	Investment banking
Eurobank Property Services S.A.		80.00	Romania	Real estate services
Eurobank A.D. Beograd		55.80	Serbia	Banking
ERB Leasing A.D. Beograd [(1)(2)]	f	17.51	Serbia	Leasing
ERB Property Services d.o.o. Beograd		80.00	Serbia	Real estate services
ERB Istanbul Holding A.S.		100.00	Turkey	Holding company
ERB Hellas Plc		99.99	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc [(2)]		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc [(2)]		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc [(2)]		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc [(2)]		-	United Kingdom	Special purpose financing vehicle
Tegea Plc		-	United Kingdom	Special purpose financing vehicle

[(1)] *Not direct control by the Bank.*

[(2)] *Entities under liquidation.*

In addition, the following entities are controlled by the Bank:

(i) Holding and other entities of the Bank's special purpose financing vehicles: (a) Themeleion III Holdings Ltd, and Themeleion IV Holdings Ltd, which are under liquidation (b) Anaptyxi SME I Holdings Ltd, Karta II Holdings Ltd and Tegea Holdings Ltd, and (c) Themeleion V Mortgage Finance Plc, Themeleion VI Mortgage Finance Plc Anaptyxi APC Ltd and Byzantium II Finance Plc, which are revived and under liquidation.

(ii) Dormant/under liquidation entities: Enalios Real Estate Development S.A., Hotels of Greece S.A.

(iii) Entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements: Finas S.A., Rovinvest S.A., Provet S.A. and Promivet S.A.

(a) 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.

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

(c) Anaptyxi II Holdings Ltd and Anaptyxi II Plc, United Kingdom

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

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

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

(e) 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.

(f) 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 for a cash consideration of € 0.3 million. In June 2017, the liquidation of the company was decided.

(g) 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 income/ (expenses)'. In addition, in the fourth quarter of 2017, the Bank acquired from its subsidiary CEH Balkan Holdings Ltd, the total number of shares held by the latter to Eurobank Bulgaria A.D. for a cash consideration of € 54 million. Accordingly, the Bank's direct participation to the company increased from 47.12% to 56.14%.

(h) Grivalia Properties R.E.I.C., Greece

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.

(i) Eurobank ERB Mutual Funds Mngt Company S.A., Greece

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

(j) 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 for a cash consideration of € 0.5 million.

(k) Bancpost S.A. and ERB Leasing IFN S.A., Romania

On 24 November 2017, the Bank announced that it has reached an agreement with Banca Transilvania with regards to the sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania. The transaction is expected to be finalized shortly after all required legal procedures are completed. Further information in relation to the Bank's direct holdings in Bancpost S.A. and ERB Leasing IFN S.A. which has been classified as held for sale as of 30 September 2017 is provided in note 29.

(l) Eurobank Household Lending Services S.A., Greece

In December 2017, the Board of Directors of the Bank and its subsidiary Eurobank Household Lending Services S.A. decided the merger of the two companies, by absorption of the latter by the former.

(m) Eurobank Finance S.A., Romania

In December 2017, the liquidation of the company was decided.

(n) Eurolife ERB Insurance Group Holdings S.A.

On 22 December 2015, the Bank announced that it has reached an agreement with Fairfax Financial Holdings Limited (Fairfax) to sell 80% of its subsidiary Eurolife ERB Insurance Group Holdings S.A. (Eurolife) (the Transaction).

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

The Transaction, was completed on 4 August 2016 for a cash consideration of € 321 million (after the distribution of € 34 million dividend to Eurobank by Eurolife). Upon the completion of the Transaction, the Bank derecognized the cost of investment in Eurolife and recognized its retained 20% interest as an associate at its cost of € 23 million. The resulting gain on the disposal of the Bank's holding in Eurolife amounted to € 156 million, after tax.

Post balance sheet events

Modern Hoteling S.A., Greece

In January 2018, the Bank established the wholly owned subsidiary, Modern Hoteling S.A., a real estate company operating in Greece.

ERB Property Services Sofia A.D.

In January 2018, the Bank disposed its participation in ERB Property Services Sofia A.D.to Eurobank Bulgaria A.D. for a total cash consideration of € 2 million resulting to the recognition of gain of a corresponding amount.

ERB Leasing Bulgaria EAD, Bulgaria

In February 2018, the Bank established the wholly owned subsidiary ERB Leasing Bulgaria EAD, as a result of the transformation of ERB Leasing EAD through a spin-off, whereby part of the assets and liabilities of the latter were passed to the new established company.

Impairment in Subsidiaries undertakings

In the context of the impairment review of its investment in subsidiary undertakings, as well as following the classification of its holding in Bancpost S.A. and ERB Leasing IFN S.A. as held for sale (note 29), the Bank reassessed the recoverable amounts of its subsidiaries. Accordingly, the following impairment charge was recorded:

	2017 € million	2016 € million
Eurobank Ergasias Leasing S.A.	**33**	29
Eurobank Asset Management Mutual Fund Mngt Company S.A.	**32**	-
Bancpost S.A [(1)]	**31**	55
NEU Property Holdings Ltd	**3**	-
CEH Balkan Holdings Ltd	**3**	-
Eurobank Household Lending Services S.A.	**2**	-
Standard Ktimatiki S.A.	**1**	-
Total	**105**	84

[(1)] *It includes costs to sell € 13.8 million of which an amount of € 2.3 million has been paid until 31 December 2017.*

25. Property, plant and equipment

	31 December 2017			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	**361**	**117**	**317**	**795**
Transfers	(8)	(0)	0	**(8)**
Additions	9	6	14	**29**
Disposals and write-offs	(6)	(2)	(1)	**(9)**
Balance at 31 December	**356**	**121**	**330**	**807**
Accumulated depreciation:				
Balance at 1 January	**(161)**	**(105)**	**(291)**	**(557)**
Transfers	1	0	(0)	**1**
Disposals and write-offs	5	2	2	**9**
Charge for the year	(10)	(4)	(9)	**(23)**
Balance at 31 December	**(165)**	**(107)**	**(298)**	**(570)**
Net book value at 31 December	**191**	**14**	**32**	**237**

	31 December 2016			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	361	116	314	791
Transfers	(1)	-	(1)	(2)
Additions	4	3	5	12
Disposals and write-offs	(3)	(2)	(1)	(6)
Balance at 31 December	361	117	317	795
Accumulated depreciation:				
Balance at 1 January	(150)	(102)	(283)	(535)
Transfers	0	-	0	0
Disposals and write-offs	1	1	1	3
Charge for the year	(12)	(4)	(9)	(25)
Balance at 31 December	(161)	(105)	(291)	(557)
Net book value at 31 December	200	12	26	238

Leasehold improvements relate to premises occupied by the Bank for its own activities.

26. Investment property

The movement of investment property (net book value) is as follows:

	2017 € million	2016 € million
Cost:		
Balance at 1 January	**67**	68
Transfers from/ to property plant and equipment	**8**	1
Additions	**0**	1
Disposals and write-offs	**(46)**	(2)
Impairments	**(1)**	(1)
Balance at 31 December	**28**	67
Accumulated depreciation:		
Balance at 1 January	**(8)**	(7)
Transfers from/ to property plant and equipment	**(1)**	(0)
Disposals and write-offs	**4**	0
Charge for the year	**(1)**	(1)
Balance at 31 December	**(6)**	(8)
Net book value at 31 December	**22**	59

In December 2017, the Bank proceeded with the sale of the real estate property on which “King George Hotel” operates, of the mobile equipment of the latter and of the relevant trademarks to Lampsa Hellenic Hotels S.A. for a total consideration of € 43 million. The resulting gain of € 6 million has been recognized in ‘Other income/(expenses)’.

During the year ended 31 December 2017, an amount of € 3 million (2016: € 3 million) was recognized as rental income from investment property in income from non banking services. As at 31 December 2017 and 2016, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2017 for each class of investment property are presented in the below table. The main classes of investment property have been determined based on the nature, the characteristics and the risks of the Bank’s properties. The fair value measurements of the Bank’s investment property are categorized within level 3 of the fair value hierarchy.

	31 December 2017		31 December 2016	
	Fair Value € million	Book Value € million	Fair Value € million	Book Value € million
Class of Property				
-Commercial	**25**	**19**	65	57
-Land Plots	**3**	**3**	2	2
Total	**28**	**22**	67	59

The basic methods used for estimating the fair value of the Bank’s investment property are the income approach (income capitalization/discounted cash flow method) and the comparative method, which are also used in combination depending on the class of property being valued.

The discounted cash flow method is used for estimating the fair value of the Bank’s commercial investment property. Fair value is calculated through the projection of a series of cash flows using explicit assumptions regarding the benefits and liabilities of ownership (income and operating costs, vacancy rates, income growth), including the residual value anticipated at the end of the projection period. To this projected cash flows series, an appropriate, market-derived discount rate is applied to establish its present value.

Under the income capitalization method, also used for the commercial class of investment property, a property’s fair value is estimated based on the normalized net operating income generated by the property, which is divided by the capitalization rate (the investor's rate of return).

The comparative method is used for the commercial and land plot classes of investment property. Fair value is estimated based on data for comparable transactions, by analyzing either real transaction prices of similar properties, or by asking prices after performing the necessary adjustments.

The Bank's investment property valuations are performed taking into consideration the highest and best use of each asset that is physically possible, legally permissible and financially feasible.

27. Intangible assets

	2017 € million	2016 € million
Cost:		
Balance at 1 January	**211**	181
Additions and transfers	**41**	30
Balance at 31 December	**252**	211
Accumulated amortisation:		
Balance at 1 January	**(131)**	(117)
Transfers	-	(0)
Amortisation charge for the year	**(16)**	(14)
Balance at 31 December	**(147)**	(131)
Net book value at 31 December	**105**	80

28. Other assets

	2017 € million	2016 € million
Receivable from Deposit Guarantee and Investment Fund	**704**	695
Repossessed properties and relative prepayments	**272**	277
Pledged amount for a Greek sovereign risk financial guarantee	**241**	242
Other guarantees	**35**	38
Income tax receivable	**140**	163
Prepaid expenses and accrued income	**70**	40
Investments in associates and joint ventures (see below)	**34**	27
Financial instruments at fair value through profit or loss	**13**	8
Other assets	**112**	108
Total	**1,621**	1,598

As at 31 December 2017, other assets amounting to € 112 million (2016: € 108 million) include, among others, receivables related to (a) public entities and (b) legal cases, net of provisions.

The Financial instruments at fair value through profit or loss, is presented in the following table:

	2017 € million	2016 € million
Debt securities		
- Greek government bonds	**9**	2
- Greek government treasury bills	**0**	0
- Other issuers	**3**	4
`	**12**	6
Equity securities	**1**	2
Total	**13**	8

The following is the listing of the Bank's associates and joint ventures as at 31 December 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. [(2)]	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. [(2)]		Greece	Holding company	20.00

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

(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.

29. Assets classified as Held for Sale

Investments in Romanian subsidiaries classified as held for sale

On 15 September 2017, the Bank announced that it has entered into negotiations with Banca Transilvania with regards to the potential sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania. The sale was considered highly probable, therefore, as of 30 September 2017 the Bank's direct holdings in Bancpost S.A. and ERB Leasing IFN S.A. were classified as held for sale.

On 24 November 2017, the Bank announced that it has reached an agreement with Banca Transilvania with regards to the above sale. The transaction is expected to be finalized shortly after all required legal procedures are completed.

For the year ended 31 December 2017, in accordance with IFRS 5, impairment losses of € 31 million in total (including costs to sell already paid in 2017, note 24) were recognized from measuring the Bank's holdings in the above Romanian subsidiaries at the lower of their carrying amount of € 226.4 million and fair values less estimated costs to sell. The fair values less estimated costs to sell of the holdings in the above Romanian subsidiaries amounting to € 197.5 million have been determined based on the terms of the aforementioned agreement with Banca Transilvania. These are non-recurring fair value measurements, categorized as Level 3 in the fair value hierarchy due to the significance of the unobservable inputs.

Post balance sheet event

In January 2018, the reduction of Bancpost S.A. share capital by decreasing the nominal value per share was completed and resulted in the decrease of Eurobank's holding to the company by € 48 million.

30. Due to central banks

	2017 € million	2016 € million
Secured borrowing from ECB and BoG	**9,994**	13,906

As at 31 December 2017, the Bank's dependency on Eurosystem financing facilities decreased to € 10 bn (of which € 7.9 bn funding from ELA), mainly due to asset deleveraging, deposit inflows, increased market repos on covered bonds and Greek Treasury bills and a € 500 million covered bond issue to international and domestic investors (note 33) (31 December 2016: € 13.9 bn, of which € 11.9 bn 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). The Eurosystem funding further declined to € 7.1 bn on 28 February 2018, of which € 5.7 bn from ELA.

31. Due to credit institutions

	2017 € million	2016 € million
Secured borrowing from credit institutions	**5,903**	10,007
Borrowings from international financial and similar institutions	**353**	190
Interbank takings	**825**	863
Current accounts and settlement balances with banks	**87**	29
Total	**7,168**	11,089

As at 31 December 2017, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions. As at 31 December 2017, borrowings from international financial and similar institutions include borrowings from European Investment Bank, European Bank for Reconstruction and Development and other similar institutions, of which secured borrowing amounted to € 5 million (2016: € 29 million).

32. Due to customers

	2017 € million	2016 € million
Savings and current accounts	**14,250**	13,424
Term deposits	**10,712**	10,169
Repurchase agreements	**53**	53
Other term products (note 33)	**-**	32
Total	**25,015**	23,678

As at 31 December 2017, the carrying amount of structured deposits designated at fair-value-through-profit-or-loss was € 4 million (2016: € 4 million) and their cumulative fair value change was € 0.2 million gain (2016: € 1 million gain), which is attributable to changes in market conditions.

The fair value change of structured deposits is offset in the income statement against changes in the fair value of structured derivatives.

Under the Law 4151/2013, the dormant deposits accounts balances are statute barred for the benefit of the Greek State after the 20-year lapse of the last transaction. Accordingly, in 2017 the amount that the Bank transferred to the Greek State was almost nill (2016: € 0.5 million).

The subordinated notes held by the Bank' s customers, amounting to € 32 million in the comparative period and presented in other term products, matured in June 2017.

33. Debt securities in issue

	2017 € million	2016 € million
Covered bonds	**497**	-
Medium-term notes (EMTN)	**6**	17
Subordinated-Lower Tier 2 (note 32)	**-**	43
Total	**503**	60

The Bank's funding consists of notes under Euro Medium Term Note (EMTN) program, securitizations of various classes of loans, covered bonds and government guaranteed bonds:

Medium-term notes (EMTN)

As at 31 December 2017, the notes issued by the Bank under the EMTN program, totaling to € 7 million (2016: € 17 million), were fully retained by the Bank's subsidiaries.

During the year, the Bank proceeded with the early redemption of notes of face value of € 10 million.

Subordinated (Lower TIER 2)

In June 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 32), matured.

Asset backed securities

In December 2017, the Bank proceeded with the early termination of bond loan asset backed securities of face value of € 800 million, issued by a special purpose entity Anaptyxi SME I PLC and held by the Bank.

Government guaranteed and covered bonds

During the year, the government guaranteed bonds issued under the second stream of the Greek Economy Liquidity Support Program matured (note 4).

As at 31 December 2017 the covered bonds issued by the Bank amounted to € 3,600 million face value, € 500 million of which were held by international and domestic investors following a successful covered bond transaction with a 2.98% yield, concluded at the end of October 2017.

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).

34. Other liabilities

	2017 € million	2016 € million
Balances under settlement [(1)]	**138**	162
Other provisions	**69**	99
Deferred income and accrued expenses	**56**	45
Standard legal staff retirement indemnity obligations (note 35)	**44**	40
Sovereign risk financial guarantee	**45**	48
Other liabilities	**124**	134
Total	**476**	528

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

As at 31 December 2017, other liabilities amounting to € 124 million mainly consist of payables relating with (a) suppliers and creditors, (b) contributions to insurance organizations and (c) duties and other taxes.

As at 31 December 2017, other provisions amounting to € 69 million mainly include € 58 million for outstanding litigations and claims in dispute (note 43), € 3 million for restructuring costs (mainly related to the Voluntary Exit Scheme (VES) and € 8 million for other operational risk events.

The movement of the Bank's other provisions, is presented in the following table:

	31 December 2017		
	Litigations and claims in dispute € million	**Other € million**	**Total € million**
Balance at 1 January	**55**	**44**	**99**
Amounts charged during the year	5	7	**12**
Amounts used during the year	(1)	(5)	**(6)**
Amounts reversed during the year	(1)	(2)	**(3)**
Other movements [(1)]	(0)	(33)	**(33)**
Balance at 31 December	**58**	**11**	**69**

	31 December 2016		
	Litigations and claims in dispute € million	Other € million	Total € million
Balance at 1 January	56	71	127
Amounts charged during the year	3	44	47
Amounts used during the year	-	(2)	(2)
Amounts reversed during the year	(4)	-	(4)
Other movements [(1)]	(0)	(69)	(69)
Balance at 31 December	55	44	99

[(1)] *Other movements include an amount of € 33 million (31 December 2016: € 69 million) for benefits paid under the VES program, which is presented in the movement of the liability for standard legal staff retirement indemnity obligations (note 35).*

The implementation of the VES was designed for the Group' s employees in Greece in line with the principal commitments of the Bank's restructuring plan and is described in note 6.

Up to 31 December 2017, the cost for the VES amounted to € 106 million, net of provision for retirement benefits, out of which € 5 million has been recognized in the Bank' s profit or loss for 2017 (2016: € 39 million) (note 14).

Post balance sheet event

In the context of the Voluntary Exit Schemes (VES) already in force during 2017, an additional scheme with the same terms was announced on 19 January 2018 and implemented for the employees of specific eligible units in Greece. The total cost, which will be recognized in 2018 is approximately 31 million for the Bank net of provisions for retirement benefitswhile the estimated annual saving as a result of the scheme amounts to € 10 million.

35. Standard legal staff retirement indemnity obligations

The Bank provides for staff retirement indemnity obligation for its employees in Greece and abroad, who are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Bank until normal retirement age, in accordance with the local labor legislation. The above retirement indemnity obligations typically expose the Bank to actuarial risks such as interest rate risk and salary risk. Therefore, a decrease in the discount rate used to calculate the present value of the estimated future cash outflows or an increase in future salaries will increase the staff retirement indemnity obligations of the Bank.

The movement of the liability for standard legal staff retirement indemnity obligations is as follows:

	2017 € million	2016 € million
Balance at 1 January	**40**	36
Current service cost	**3**	3
Interest cost	**1**	1
Past service cost and (gains)/losses on settlements	**29**	68
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**1**	5
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	2
Actuarial (gains)/losses arising from experience adjustments	**3**	(1)
Benefits paid	**(33)**	(74)
Balance at 31 December	**44**	40

The benefits paid by the Bank during 2017, in the context of the Voluntary Exit Scheme (VES) (note 34), amounted to € 33 million. The provision for staff retirement obligations of the staff that participated in the above scheme, amounted to € 3 million.

The significant actuarial assumptions (expressed as weighted averages) were as follows:

	2017 %	2016 %
Discount rate	**1.8**	1.8
Future salary increases	**2.6**	2.3

As at 31 December 2017, the average duration of the standard legal staff retirement indemnity obligation was 18 years (2016: 18 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2017 is as follows:

An increase /(decrease) of the discount rate assumed, by 50 bps/(50 bps), would result in a (decrease)/ increase of the standard legal staff retirement obligations by (€ 3.1 million)/ € 3.4 million.

An increase /(decrease) of the future salary growth assumed, by 0.5%/(0.5%), would result in an increase /(decrease) of the standard legal staff retirement obligations by € 3.4 million/ (€ 3.1 million).

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods and assumptions used in preparing the above sensitivity analysis were consistent with those used to estimate the retirement benefit obligation and did not change compared to the previous year.

36. Ordinary share capital and share premium

The par value of the Bank's shares is € 0.30 per share (2016: € 0.30). 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 31 December 2017	**656**	**8,056**	**2,185,998,765**

Treasury shares

According to paragraph 1 of Article 16C of Law 3864/2010, during the period of the participation of the HFSF in the share capital of the Bank it is not permitted to the Bank to purchase treasury shares without the approval of the HFSF.

37. Preference shares

Preference Shares		
Number of shares	2017 € million	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 legal and regulatory framework in force, the issued shares were included in the Bank's Common Equity Tier 1 until 31 December 2017.

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 2 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 2 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 2 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 2 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.

On 3 November 2017, the Extraordinary General Meeting of the Shareholders of the Bank, pursuant to the submission on 27 September 2017 of a written request to the Minister of Finance by the Bank along with the positive opinion of the ECB/SSM received on 12 October 2017, approved the following:

(a) The full redemption by the Bank of the 345,500,000 preference registered shares, which have been issued by the Bank in accordance with Article 1 of Law 3723/2008 and are owned by the Greek State, having an aggregate nominal value of € 950,125,000 (Preference Shares) in consideration for (i) € 125,000 in cash, and (ii) the delivery to the Greek State of € 950,000,000 principal amount of subordinated notes issuable by the Bank, as provided for in (b) below, which constitute Tier 2 capital instruments, in accordance with the provisions of par. 1a of article 1 of Law 3723/2008 (the "Redemption").

(b) The issuance of a subordinated bond loan by the Bank in accordance with Law 2190/1920 and Law 3156/2003, having an aggregate principal amount of € 950,000,000, divided into 9,500 notes each having a nominal value of € 100,000 (the "Notes"), which satisfy the conditions set out in par. 1a of article 1 of Law 3723/2008, and the offering of the Notes through a private placement to the Greek State for subscription by it, as provided for in the Redemption and Subscription Agreement referred to in (c) below. The Notes will be issued under the Bank's existing medium term notes programme (the "EMTN Programme").

(c) The entering into the agreement provided for in par. 1a of article 1 of Law 3723/2008 between the Bank and the Greek State represented by the Minister of Finance, containing the specific terms and any necessary detail relating to the Redemption, including the issuance and delivery of the Notes to the Greek State by the Bank (the "Redemption and Subscription Agreement").

(d) That authority is given to the Board, with power of sub-delegation, to determine the specific terms of the Notes and of their issuance and to proceed with any legal acts, procedural or other actions which are required, necessary or appropriate to implement and complete the resolutions and corporate actions included in (a) to (c) above.

(e) The reduction of the share capital of the Bank by an amount equal to the nominal value of the Preference Shares, that is € 950,125,000, the cancellation of the 345,500,000 Preference Shares in total and the corresponding amendment of articles 5 and 6 of the Articles of Association of the Bank resulting from the above reduction and that authority is given to the Board, with power of sub-delegation, to proceed with each act and action to implement and complete the corporate actions included herein (under (e)).

The above resolutions have also been approved by the Special Meeting of the Greek State being the preference shareholder of the Bank, in accordance with the applicable provisions of Law 2190/1920 and Law 3723/2008.

Post balance sheet event

On 18 January 2018, the Bank announced the completion of the full redemption of its preferences shares without voting rights held by the Hellenic Republic of total nominal value € 950,125,000, according to the provisions of par. 1a, article 1, of Law 3723/2008 and the decisions of its Extraordinary General Meeting of its common shareholders as at 3 November 2017.

The redemption has been completed partially with cash and partially with the issuance of Tier 2 capital instrument of total amount € 950,000,000 according to the EU Regulation 575/2013 and does not have any impact on the Bank's CET1 based on the full implementation of Basel III rules.

Pursuant to the terms of Redemption and Subscription Agreement between the Bank and the Greek State, the Tier 2 instruments have a maturity of ten years (until 17 January 2028) and pay fixed nominal interest rate of 6.41% (recognized in the income statement), which shall be payable semi-annually at the last day of the sixth and twelfth month each year.

38. Hybrid capital

On 18 March 2005, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier 1 capital for the Bank (Tier 1 Series A). As at 31 December 2017, the outstanding amount of Series A was € 2 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter and are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier 1 capital for the Bank (Tier 1 Series B). As at 31 December 2017, the outstanding amount of Series B was € 4 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter and are listed on the London Stock Exchange.

On 9 November and on 21 December 2005 the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 150 million and € 50 million preferred securities respectively, which represent Lower Tier 1 capital for the Bank (Tier 1, form a single Series C). As at 31 December 2017, the outstanding amount of Series C was € 18 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 29 July 2009, the Bank, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 300 million preferred securities which represent Tier 1 capital for the Bank (Tier 1 Series D). As at 31 December 2017, the outstanding amount of Series D was € 19 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue after five years from the issue date and annually thereafter. In addition the securities, subject to certain conditions, are convertible at the option of the bondholder and the issuer after October 2014 into Eurobank ordinary shares at the lower of an exchange ratio based on (a) a 12% discount to the share market price during the period preceding the exchange or (b) the nominal value of Bank's ordinary share. The preferred securities are listed on the London Stock Exchange.

All obligations of the issuer, in respect of the aforementioned issues of preferred securities, are guaranteed on a subordinated basis by the Bank. The analytical terms of each issue along with the rates and/or the basis of calculation of preferred dividends are available at the Bank's website. Pursuant to the said terms of the preferred securities, ERB Hellas Funding Ltd has announced the non-payment of the non-cumulative preferred dividend of the above series of preferred securities for 2016, 2017 and on 9 January 2018.

The outstanding amount of preferred securities issued by the Bank through its Special Purpose Entity, ERB Hellas Funding Limited, as at 31 December 2017 (same balance as at 31 December 2016) is analyzed as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 31 December 2017	**2**	**4**	**18**	**19**	**43**

Post balance sheet event

Following the redemption of the Greek State – owned preference shares, (note 37) on 17 January 2018, and in accordance with the terms of the preferred securities, ERB Hellas Funding Ltd declared and paid the non-cumulative dividends of € 0.4 million in total on the Series D, B and A that were payable on 29 January, 2 February and 18 March 2018, respectively.

39. Special reserves

	Statutory reserves € million	Non-taxed reserves € million	IAS 39 reserves € million	Other reserves € million	Total € million
Balance at 1 January 2016	204	889	(98)	6,549	7,544
Transfers between reserves	-	2	-	(43)	(41)
Available-for-sale securities					
- changes in fair value, net of tax	-	-	29	-	29
- transfer to net profit, net of tax	-	-	1	-	1
Cash flow hedges					
- changes in fair value, net of tax	-	-	16	-	16
- transfer to net profit, net of tax	-	-	(5)	-	(5)
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(4)	(4)
Balance at 31 December 2016	204	891	(57)	6,502	7,540
Balance at 1 January 2017	**204**	**891**	**(57)**	**6,502**	**7,540**
Transfers between reserves	-	(4)	-	-	**(4)**
Available-for-sale securities					
- changes in fair value, net of tax	-	-	238	-	**238**
- transfer to net profit, net of tax	-	-	(36)	-	**(36)**
Cash flow hedges					
- changes in fair value, net of tax	-	-	30	-	**30**
- transfer to net profit, net of tax	-	-	(11)	-	**(11)**
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(2)	**(2)**
Balance at 31 December 2017	**204**	**887**	**164**	**6,500**	**7,755**

As at 31 December 2017, the Bank has included in other reserves an amount of € 5,579 million (2016: € 5,579 million) which can be only either capitalized or offset against losses carried forward pursuant to article 4, par. 4a of Law 2190/1920.

Included in IAS 39 reserves as at 31 December 2017 is € 42 million loss (2016: € 61 million loss) relating to cash flow hedging reserve.

Statutory reserves and IAS 39 reserves are not distributable while non-taxed reserves are taxed when distributed.

40. Dividends

Based on the 2017 results and in combination with the article 44a of Company Law 2190/1920, the distribution of dividends is not permitted Under article 10 par. 3 of Law 3864/2010 for the "establishment of a Hellenic Financial Stability Fund", for as long the HFSF participates in the share capital of the Bank, the amount of dividends that may be distributed to ordinary shareholders of the Bank cannot exceed 35% of the profits as provided in article 3 par. 1 of Law 148/1967 The dividend ban arising from the Restructuring Plan, which prescribes that neither the Bank nor any member of the Group may pay any dividend until the earlier of 31 December 2017 or the date of the full repayment of the Bank's non-voting preference shares held by the Greek State, other than where there is a legal obligation to do so, and unless the European Commission agrees to an exemption, has ceased to apply effective 1 January 2018.

41. Transfers of financial assets

The Bank enters into transactions by which it transfers recognized financial assets directly to third parties or to Special Purpose Entities (SPEs).

(a) The Bank sells, in exchange for cash, securities under an agreement to repurchase them (repos) and assumes a liability to repay to the counterparty the cash received. In addition, the Bank pledges, in exchange for cash, securities and loans and receivables and assumes a liability to repay to the counterparty the cash received. The Bank has determined that it retains substantially all the risks, including associated credit and interest rate risks, and rewards of these financial assets and therefore has not derecognized them. As a result of the above transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction. The related liability is recognized in Due to central banks and credit institutions (notes 30 and 31) and Due to customers (note 32), as appropriate.

The Bank enters into securitizations of various classes of loans (bond loans and credit cards), under which it assumes an obligation to pass on the cash flows from the loans to the holders of the notes. The Bank has determined that it retains substantially all risks, including associated credit and interest rate risks, and rewards of these loans and therefore has not derecognized them. As a result of the above transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of their retention by the SPE. Moreover, the note holders' recourse is limited to the transferred loans. As at 31 December 2017, the securitizations' issues were fully retained by the Bank (note 33).

The table below sets out the details of Bank's financial assets that have been sold or otherwise transferred, but which do not qualify for derecognition:

	Carrying amount	
	2017	2016
	€ million	€ million
Financial instruments at fair value through profit or loss	**5**	2
Loans and advances to customers	**24,704**	24,757
-securitized loans	***436***	*400*
-pledged loans under covered bond program	***4,658***	*2,646*
-pledged loans with central banks	***19,552***	*21,629*
-other pledged loans	***58***	*82*
Investment securities [(1)] (restated, note 47)	**6,513**	10,940
Total	**31,222**	35,699

[(1)] *Comparative figures include EFSF bonds of face value of € 6,809 million.*

(b) As of 30 October 2017, the Government guaranteed bonds issued by the Bank matured (note 4). In the comparative period, the bonds issued under the second stream of Greek Economy Liquidity Support Program fully retained by the Bank of face and cash value of € 2,500 million and € 1,895 million, respectively, were pledged to ELA (face value € 1,160 million and cash value € 875 million), or sold under repurchase agreements (face value € 1,340 million and cash value € 1,020 million).

(c) In addition, the Bank may sell or re-pledge any securities borrowed or obtained through reverse repos and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognized by the Bank. As at 31 December 2017, the Bank had obtained through reverse repos securities of face value of € 180 million, sold under repurchase agreements with cash value of € 255 million (2016: nil). Furthermore, as at 31 December 2017, the Bank had obtained Greek treasury bills as collaterals for derivatives transactions with the Hellenic Republic of face value of € 970 million, sold under repurchase agreements with € 623 million cash value.

As at 31 December 2017, the cash value of the assets transferred or borrowed by the Bank through securities lending, reverse repo and other agreements (points a, b and c) amounted to € 20,655 million, while the associated liability from the above transactions amounted to € 16,190 million of which € 235 million repo agreements offset in the balance sheet against reverse repo deals (notes 30, 31, 32 and 33 and note 7.2.1.4) (2016: cash value € 27,519 million and liability € 23,995 million). In addition, the Bank's financial assets pledged as collaterals for repos, derivatives, securitizations and other transactions other than the financial assets presented in the table above are provided in notes 19 and 28.

42. Operating leases

The Bank has entered into commercial leases for premises, equipment and motor vehicles. The majority of the Bank's leases are under long-term agreements, according to the usual terms and conditions of commercial leases, including renewal options. In particular, as provided by the Greek Commercial Leases Law currently in force, the minimum lease period for commercial real estate leases starting after the end of February 2014 is three years. The Bank's lease agreements, do not include any clauses that impose any restriction on the Bank's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

Leases as lessee-Non-cancellable operating lease rentals are payable as follows:

	2017 € million	2016 € million
Not later than one year	**29**	28
Later than one year and no later than five years	**52**	50
Later than five years	**34**	45
Total	**115**	123

There are no material future minimum sublease payments to be received under non-cancellable subleases (2016: € 0.5 million).

Leases as lessor-Non-cancellable operating lease rentals are receivable as follows:

	2017 € million	2016 € million
Not later than one year	**1**	2
Later than one year and no later than five years	**2**	2
Later than five years	**2**	1
Total	**5**	5

43. Contingent liabilities and other commitments

Credit related commitments are analyzed as follows:

	2017 € million	2016 € million
Guarantees [(1)] and standby letters of credit	**884**	832
Guarantees to Bank's SPV's issuing EMTNs	**115**	121
Other guarantees (medium risk) and documentary credits	**368**	383
Commitments to extend credit	**118**	102
Total	**1,485**	1,438

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

Other commitments

(a) The Bank has signed irrevocable payment commitment and collateral arrangement agreements with the Single Resolution Board (SRB) amounting in total to € 7 million as at 31 December 2017 (2016: € 3.7 million), representing 15% of its resolution contribution payment obligation to the Single Resolution Fund (SRF) for the years 2016-2017.

According to the agreements, which are backed by cash collateral of an equal amount, the Bank undertook to pay to the SRB an amount up to the above irrevocable payment commitment, in case of a call and demand for payment made by it, in relation to a resolution action. The said cash collateral has been recognized as a financial asset in the Bank's balance sheet (note 28).

(b) As at 31 December 2017, the commitments related to capital expenditure amounted to € 26 million (2016: € 21 million).

Legal Proceedings

As at 31 December 2017 there were a number of legal proceedings outstanding against the Bank for which a provision of € 58 million was recorded (31 December 2016: € 55 million), as set out in note 34. 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 still 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 eleven appellate Courts judgments in cases concerning the Bank in favor of the validity of the loans and one against. 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 filed an appeal against the first instance judgment the decision of which was issued in February 2018, in favour of the Bank. This decision is subject to a cassation before the Supreme Court. 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.

44. Post balance sheet events

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

Note 2.1– Basis of preparation
Note 4 – Greek Economy Liquidity Support Program
Note 6 – Capital Management
Note 7.2.3 – Liquidity risk
Note 24 – Shares in subsidiary undertakings
Note 29 – Assets classified as Held for Sale
Note 30 – Due to central banks
Note 34 – Other liabilities
Note 37 – Preference shares
Note 38 – Hybrid Capital
Note 40 – Dividends
Note 43 – Contingent liabilities and other commitments
Note 48 – Board of Directors

45. 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:

	31 December 2017			31 December 2016		
	Subsidiaries [(2)] **€ million**	**KMP [(1)] and entities controlled or jointly controlled by KMP** **€ million**	**Associates and joint ventures** **€ million**	Subsidiaries € million	KMP [(1)] and entities controlled or jointly controlled by KMP € million	Associates [(3)] and joint ventures € million
Due from credit institutions	**1,200.06**	**-**	**-**	1,521.76	-	-
Financial Instruments at fair value through profit or loss	**1.53**	**-**	**-**	1.03	-	-
Derivative financial instruments assets	**9.07**	**-**	**0.01**	7.00	-	-
Investment Securities	**0.12**	**-**	**-**	1.70	-	-
Loans and advances to customers, net of provision	**1,486.35**	**6.74**	**9.38**	1,501.24	7.12	5.67
Other assets	**45.16**	**-**	**4.37**	8.12	-	6.08
Due to credit institutions	**3,388.37**	**-**	**-**	3,658.26	-	-
Derivative financial instruments liabilities	**0.88**	**-**	**-**	10.09	-	-
Due to customers	**479.34**	**2.09**	**45.08**	336.01	2.29	99.73
Debt securities in issue	**6.64**	**-**	**-**	16.29	-	-
Other liabilities	**15.94**	**-**	**2.98**	14.89	-	2.97
Net interest income	**1.28**	**0.04**	**(8.28)**	11.21	0.03	(4.46)
Net banking fee and commission income	**3.95**	**-**	**6.87**	6.39	-	4.77
Dividend income	**122.87**	**-**	**7.83**	60.00	-	0.31
Net trading income	**(1.34)**	**-**	**0.16**	0.53	-	(1.29)
Gains less losses from investment securities	**-**	**-**	**0.02**	-	-	0.16
Other operating income/(expense)	**(15.39)**	**-**	**(22.20)**	(36.38)	-	(9.56)
Impairment losses on loans and advances and collectors fees	**(86.54)**	**-**	**(2.93)**	(235.33)	-	(2.15)
Guarantees issued [(4)]	**660.78**	**-**	**4.60**	710.39	-	-
Guarantees received	**-**	**0.04**	**-**	-	0.05	-

[(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 21, 24.*

[(3)] *As of 4 August 2016, Eurolife insurance Group has been accounted for as an associate. The Bank's income and expenses from transactions with Eurolife Insurance Group including loan insurance premiums, fees from bancassurance and employee benefits (pension and medical insurance) are presented in the above table. Comparative information has been adjusted accordingly.*

[(4)] *Comparative information for the guarantees issued by the Bank to its subsidiaries has been adjusted.*

For the year ended 31 December 2017, there were no material transactions with the HFSF. In addition, as at 31 December 2017, the loans, net of provisions, granted to entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements (note 24) amounted to € 4.7 million (2016: € 5.3 million).

Following the assessment of the recoverable amount of the Bank's funding to its subsidiaries, associates and joint ventures, , an impairment loss of € 65 million has been recorded in 2017, (2016: € 215 million) mainly to reflect the carrying values of their loans' and properties' portfolios (note 22). As at 31 December 2017, the impairment allowance for loans and receivables with the Bank's consolidated subsidiaries, associates and joint ventures amounted to € 263 million (2016: € 209 million).

In relation to the guarantees issued, the Bank has received cash collateral of € 64 million as at 31 December 2017 (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 € 5.34 million (2016: € 4.79 million) and long-term employee benefits of € 0.75 million (2016: € 0.53million). In addition, the Bank has formed a defined benefit obligation for the KMP amounting to € 0.88 million as at 31 December 2017 (2016: € 0.81 million), while the respective cost for the year amounts to € 0.07 million (2016: € 0.05 million).

46. External Auditors

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

The total fees of the Bank's independent auditor 'PricewaterhouseCoopers Certified Auditors' for audit and other services provided are analyzed as follows:

	2017 **€ million**	2016 € million
Statutory audit	**(1.2)**	(1.1)
Tax Certificate	**(0.2)**	(0.2)
Other audit related assignments	**(0.2)**	(0.2)
Non audit assignments	**(1.2)**	(0.6)
Total	**(2.8)**	(2.1)

It is noted that the non-audit assignments fees of "PricewaterhouseCoopers Auditing Company S.A." Greece, statutory auditor of the Bank, amounted to € 1.2 million.

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

47. Restatements due to change in accounting policy

In the fourth quarter of 2017, the Bank adjusted the effective interest rate methodology applied on its inflation linked financial instruments. In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", the above change in the Bank's accounting policy on interest income recognition was applied retrospectively as of 1 January 2016 (note 2.2.5). As a result, the retained earnings as of 1 January 2016 have been restated with a positive impact of € 34 million in the Banks's total equity increasing respectively the Bank's total assets. In addition, the income statement for the year ended 31 December 2016 has also been restated with € 5 million profit (€ 7 million net interest income less € 2 million tax expense).

The above changes are presented in the below table:

	31 December 2016			2016 Opening balance sheet		
	as published € million	Restatements	**as restated € million**	31 Dec 2015 as published € million	Restatements	1 Jan 2016 as restated € million
Investment securities	11,011	55	**11,066**	14,585	48	14,633
Deferred tax assets	4,918	(16)	**4,902**	4,902	(14)	4,888
Total assets	57,882	39	**57,921**	64,195	34	64,229
Total equity attributable to shareholders of the Bank	6,130	39	**6,169**	6,088	34	6,122
of which net profit attributable to shareholders	*5*	*5*	***10***			
Total equity	6,173	39	**6,212**	6,131	34	6,165
Total equity and liabilities	57,882	39	**57,921**	64,195	34	64,229

48. 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.

The appointments of Mr. George E. Myhal on 26 October 2016 and of Mr. Richard P. Boucher on 12 January 2017 as new independent non-executive members of the BoD, in replacement of resigned members in 2016, were announced to the General Meeting of the Shareholders of the Bank which took place on 16 June 2017.

In addition, the Bank announced on 7 April 2017 that 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, while the BoD during its meeting on 28 April 2017 decided to retain a size of 13 members, according to the HFSF corporate governance review criteria developed as per the relevant provisions of Law 3864/2010.

Moreover the Bank announced on 14 July 2017 that Ms. Androniki Boumi has been appointed as new representative of the Greek State to the Bank's Board according to the provisions of Law 3723/2008, in replacement of Ms. Christina Andreou who informed the Bank on her resignation on 26 May 2017, while with the BoD decision on 20 July 2017, Ms. Androniki Boumi has been integrated to the Bank's BoD. Furthermore, on 12 October 2017, the Bank announced the appointment of Mr. Christoforos Koufalias as the new representative of the HFSF to Eurobank's BoD in replacement of Mr. Kenneth Howard Prince-Wright, according to the provisions of Law 3864/2010 and the Relationship Framework Agreement signed between Eurobank and HFSF.

The appointment of both BoD members was announced at the Extraordinary General Meeting of the Shareholders of the Bank, which took place on 3 November 2017.

Additionally, the Bank announced on 14 December 2017 the appointment of Ms. Aikaterini Beritsi as the new representative of the HFSF to Eurobank's BoD in replacement of Mr. Christoforos Koufalias, according to the provisions of Law 3864/2010 and the Relationship Framework Agreement signed between Eurobank and HFSF. The appointment of the new member of the BoD will be announced to the next General Meeting of the Shareholders of the Bank.

Finally, the Bank's Board at its meeting on 9 March 2018, acknowledged that the Bank ceased to be subject to the provisions of the Greek Economy Liquidity Support Program under Law 3723/2008 and that the Greek State's right to participate, through its representative, to the Bank's BoD has ceased to exist as of 17 January 2018, (note 4). Moreover the BoD decided that Ms. Androniki Boumi is appointed to the Banks' BoD as non-executive Director, her tenure being equal to the tenure of the other BoD members. The appointment of Ms. A. Boumi in the BoD under her new capacity will be announced at the next General Meeting of the Shareholders of the Bank.

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
A. Boumi	Non-Executive
G. Chryssikos	Non-Executive
R. Boucher	Non-Executive Independent
S. Johnson	Non-Executive Independent
B. P. Martin	Non-Executive Independent
J. Mirza	Non-Executive Independent
G. Myhal	Non-Executive Independent
L. Reichlin	Non-Executive Independent
A. Beritsi	Non-Executive (HFSF representative under Law 3864/2010)

Athens, 28 March 2018

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	CHIEF EXECUTIVE OFFICER	GENERAL MANAGER OF GROUP FINANCE
OF THE BOARD OF DIRECTORS		GROUP CHIEF FINANCIAL OFFICER