



EUROBANK ERGASIAS S.A.

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2018

**According to
Article 4 of the Law 3556/2007**

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**I. Statements of the members of the Board of Directors
(according to the article 4, par. 2 of l. 3556/2007)**

**Statements of Members of the Board of Directors
(according to the article 4 par. 2 of I. 3556/2007)**

We declare that to the best of our knowledge:

- the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with the applicable accounting standards, present fairly the assets, liabilities, equity and annual results of the Bank and the companies included in the consolidation, and
- the annual report of the Board of Directors presents fairly the development, the performance and the position of the Bank and of the companies included in the consolidation, including the description of the main risks and uncertainties they face.

Athens, 29 March 2019

Nikolaos V. Karamouzis
I.D. No AB – 336562

CHAIRMAN
OF THE BOARD OF
DIRECTORS

Fokion C. Karavias
I.D. No AI - 677962

CHIEF EXECUTIVE
OFFICER

Theodoros A. Kalantonis
I.D. No Φ - 147328

DEPUTY
CHIEF EXECUTIVE OFFICER

II. Report of the Directors and Corporate Governance Statement

REPORT OF THE DIRECTORS

The directors present their report together with the audited accounts for the year ended 31 December 2018.

Profit or Loss

The net profit attributable to Eurobank (or “the Bank”) shareholders for 2018 amounted to €91m (2017: €104m) as set out in the consolidated income statement on page 2.

Financial Results Review¹

In 2018, the Group has operated in an environment of positive growth rates both in Greece and the other countries, in which it has a substantial presence. Specifically, the gradual improvement of the macroeconomic environment in Greece supported by the successful conclusion of the third economic adjustment program (TEAP) in August, along with the positive outcome of the European Banking Authority (EBA) Stress Test for the domestic banks, affected positively the Greek banking sector. In this context, the Group enhanced its organic profitability, improved further its liquidity position by a robust deposit increase and reduced substantially the Non Performing Exposures (NPEs) stock in line with the annual target.

As at 31 December 2018 total assets, following mainly the sale of Romanian disposal group and the transition to IFRS 9, amounted to €58.0bn (Dec. 2017: €60.0bn). At the end of December 2018 gross customer loans reached €45.0bn (Dec. 2017: €47.2bn), of which €38.6bn in Greece (Dec. 2017: €40.9bn) and €6.4bn in International Operations (Dec. 2017: €6.3bn). Business (wholesale and small business) loans stood at €24.8bn (Dec. 2017: €25.3bn) and accounted for 55% of total Group loans, while loans to households reached €20.2bn (Dec. 2017: €21.9bn), with mortgage portfolio constituting 36% and consumer loans 9% of the total portfolio. During the year, deposits from Greek operations increased by €4.2bn to €28.8bn, driven by the improvement in depositors’ sentiment, following the gradual stabilisation of the domestic macroeconomic environment and the significant Public Sector deposit inflows. In addition, deposit balances from International Operations increased by €1.0bn to €10.3bn. Group deposits reached €39.1bn (Dec. 2017: €33.8bn) and as a result, the (net) loan-to-deposit (L/D) ratio further improved to 93% for the Group (Dec. 2017: 110%). As at 31 December 2018, the Bank’s dependency on Eurosystem financing facilities decreased significantly to €2.1bn, of which €0.5bn funding from Emergency Liquidity Assistance (ELA) mechanism (Dec. 2017: €10.0bn, of which €7.9bn funding from ELA), mainly due deposit inflows, assets deleveraging, increased market repos on Greek Government securities and two asset backed securities issues sold via a private placement to an international institutional investor (note 37 of the consolidated financial statements). As at 28 February 2019, the Group has eliminated the use of ELA facility, while the total Eurosystem funding further declined to € 1.3bn.

Within an improving but still challenging business environment, pre-provision Income (PPI) decreased by 2% to €966m (2017: €987m). Net interest income (NII) receded by 3.3% to €1,416m (2017: €1,464m), carrying the negative impact from the cost of the Tier 2 notes issued in January 2018, the loan deleveraging and lower wholesale lending spreads in Greece and the positive effect from the decreased funding cost due to the lower dependency from the ELA mechanism. Net interest margin (NIM) stood at 2.47% (2017: 2.41%) with the fourth quarter reaching 2.45%. Fees and commissions increased by 16.4% to €311m (2017: €268m) positively affected by the elimination of Greek Government guarantees expenses and the higher asset management, lending and capital market fees. Trading and other activities recorded €118m gain (2017: €150m gain), including a) €80m gains on the sale of bonds positions and b) €38m net gains on derivatives, foreign exchange positions and equities portfolio. Operating expenses in Greece decreased by 3.5% to €690m (2017: €715m) following the reduction in the number of personnel and the retail branches, and by 1.7% for the Group amounting to €879m (2017: €895m). The cost to income (C/I) ratio for the Group reached 47.6% (2017: 47.5%), while the International Operations C/I ratio stood at 43.2%² (2017: 41.2%²).

At the end of 2018, the Group’s NPEs were reduced by €3.5bn to €16.7bn (Dec. 2017: €20.1bn), mainly through a negative NPE formation for all quarters in 2018 totalling €0.9bn compared to €0.7bn negative for 2017, the disposal of €1bn consumer loans in the 4th quarter and write offs and drove the NPE ratio down by 550bps to 37.0% (2017: 42.6%). Accordingly the Bank’s NPEs were down to €15.3³bn (Dec. 2017: €18.1bn), which is in line with the revised target submitted to Single Supervisory Mechanism (SSM) in

¹ Definitions of the selected financial ratios and the source of the financial data are provided in the Appendix.

² International Operations: Operating expenses: €189m, (2017: €179m), Operating income: €437m (2017: €436m).

³ Including loans to customers accounted for at fair value through profit or loss

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September 2018. The loan provisions (charge) reached €680m or 1.89% of average net loans (2017: €750m or 2.0%), driving the coverage ratio for NPEs to 53.2% (Dec. 2017: 50.4%).

The Group recognised in 2018 other impairment losses and provisions amounting to €21m (2017: €50m), of which €30m (2017: €34m) related to the investment and repossessed properties and €15m income due to the decrease in the impairment allowance of the investment securities, following mainly the improvement of the credit quality of the Hellenic Republic during the period. In addition, €57m costs for Voluntary Exit Schemes (VES) and other related costs have been recognised during the year including an additional scheme that was announced on 19 January 2018 and implemented for the employees of specific eligible units in Greece. Furthermore, the Group has recorded a €72m loss after tax from the sale transaction on Romanian disposal group arising mainly from the recyclement to the income statement of the €46m cumulative losses, after tax, previously recognized in other comprehensive income and the €30m provisions, before tax, for specific indemnity clauses of the relevant agreement with the purchaser (discontinued operations, including Romanian disposal group and Grivalia subgroup in 2017: €61m loss, of which €11m profit is attributable to non-controlling interests). Finally, in 2018, the Group's share of results of Eurolife Insurance group, amounting to €30m, includes €22m gains after tax on sale of investment securities recycled to the income statement from the other comprehensive income (note 28 of the consolidated financial statements).

Overall, in 2018, the Group showed resilient profitability, well supported by the steadily profitable International Operations, the improved core pre-provision income, the cost containment efforts and the effective NPEs management. Net profit from continued operations, before €44m restructuring costs, after tax, amounted to €200m (2017: €185m) for the Group of which €145m (2017: €130m) was related to International business. The net profit attributable to shareholders amounted to €91m (2017: €104m).

Going forward, the Group, as the Greek economy (the Group's main market) shows signs of sustainable growth, is on track to achieve its objectives for 2019 including the successful execution of its transformation plan, in combination with the sustainable organic profitability based mainly on the following initiatives and actions:

- a) Completion of the merger with Grivalia by May 2019 that will enhance Eurobank's capital position and its earning capacity,
- b) Active and effective management of NPEs through i) the Bank's internal infrastructure, ii) the realisation of strategic partnerships to manage/service parts of loan portfolio, iii) the important legislative changes that have taken or are expected to take place, iv) the execution of sales' transactions/ securitisations for selective portfolios of NPEs, and vi) the further improvement of macroeconomic environment. Moreover, the acceleration of the NPE reduction is envisaged through a large scale securitization of approximately €7bn, the entry of a strategic investor into the capital of Financial Planning Services S.A. ("FPS"), the licensed 100%-owned loan servicer of Eurobank and other initiatives leading the Group's NPE ratio at 16% in 2019,
- c) Improving the funding structure with robust increase of deposits and further access to the markets, as a result of the reinstatement of depositors' and investors' confidence,
- d) Funding cost reduction following the elimination of expensive ELA dependency in February 2019,
- e) Sustainable fee and commission income as a result of the leading position of the Group to a number of fee business segments and the expected increase of the economic activity,
- f) Accelerating new lending of healthy and competitive enterprises,
- g) Initiatives for pursuing further operating efficiency and proceeding with further simplification and digitalisation in Greece and abroad, and
- h) Cost of risk decline mainly as a result of the envisaged decrease of NPEs.

Capital adequacy

The Group's Total Regulatory Capital amounted to €6.5bn and accounted for 16.7% (total CAD) of Risk Weighted Assets (RWA) at the end of December 2018 (Dec. 2017: 18.0%). The Common Equity Tier 1 (CET1) stood at 14.2% of RWA (Dec. 2017: 17.9%, including the preference shares that have been redeemed in January 2018 by issuing Tier 2 capital instruments), while the fully loaded CET 1 (based on the full implementation of the Basel III rules in 2024) at the same date would be 11.3% (Dec. 2017: 14.9%). Pro forma for the merger with Grivalia, the total CAD and CET1 ratios stand at 18.7% and 16.2% respectively and compare to 2019 CAD Overall Capital Requirements (OCR) ratio of 13.75%⁴ and 2019 CET1 OCR ratio of

⁴ The 'Overall capital requirement (OCR)' is the sum of the total SREP capital requirement (TSCR) and the combined capital buffer requirement.

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10.25% according to the 2018 Supervisory Review and Evaluation Process (SREP) decision. The pro-forma with the completion of Grivalia merger fully loaded CET 1 ratio would be 13.4%.

Pursuant to the Regulation (EU) No 575/2013 CRR, the deferred tax assets (DTAs) that rely on future profitability and exceed certain limits shall be deducted in the calculation of the CET1 capital. This deduction should be applied gradually by 2024. The enactment of the article 27A of Law 4172/2013, as in force, provided for the Greek credit institutions that the eligible DTAs are accounted on a) the losses from the Private Sector Involvement (PSI) and the Greek State Debt Buyback Program and b) 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 and other losses in general due to credit risk recorded up to 30 June 2015 and can be converted into directly enforceable claims (tax credits) against the Greek State, provided that the Bank's after tax accounting result for the period is a loss. This legislative provision enabled the Greek credit institutions, including the Bank, not to deduct the eligible DTAs from CET1 capital but recognise them as a 100% weighted asset, with a positive effect on the capital position. As at 31 December 2018, the Bank's eligible DTAs for conversion to tax credits amounted to €3,927m.

In addition, 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 DTAs guaranteed by the Greek State, stemming from the difference between the current tax rate for credit institutions (i.e. 29%) and the tax rate applicable on 30 June 2015 (i.e. 26%). For the year ended 31 December 2018, an amount of €6.8m has been recognized in "Other income/ (expenses)" (note 16 to the consolidated financial statements).

A potential change in the regulatory treatment of eligible DTAs as tax credits may have an adverse effect in the Group's capital position.

Impact of first time adoption of IFRS 9

The impact of transitioning to IFRS 9, before tax, amounted to €1,090m of which an amount of €949m is attributed to the Greek lending portfolio. As no deferred tax asset has been recognised on IFRS 9 transition impact for the Bank and its Greek subsidiaries as at 1 January 2018, the decrease in shareholder's equity amounted to €1,085m, which is recognised as an opening balance adjustment at 1 January 2018.

The Group's capital impact on the pro-forma fully loaded CET1 ratio as at 1 January 2018, based on the full implementation of the Basel III rules in 2024, considering the completion of the sale of the Romanian disposal group is 290 basis points. The Group 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 as of 1 January 2023. As a consequence, by applying the regulatory transitional arrangements, CET 1 ratio has been reduced approximately by 20 basis points on the first year of IFRS 9 adoption corresponding to a reduction of €130m in regulatory capital by applying regulatory transitional arrangements (note 2.3.2 of the consolidated financial statements).

2018 Eurobank Stress Test Results

On 5 May 2018, the European Central Bank (ECB) announced the results of the stress test (ST) for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome along with other factors that have been assessed by the Supervisory Board (SB) of the SSM, pointed to no capital shortfall and no capital plan needed for the Bank as a result of the exercise.

Under the adverse scenario, the Bank's total capital adequacy ratio (CAD), including the effect of Tier 2 securities, issued in January 2018, is 9.5%, and the common equity Tier 1 Capital (CET1) ratio is 6.8%. These ratios would be ca. 40 bps higher, at 9.9% and 7.2% respectively, if the positive impact from the sale of the Romanian disposal group (completed in early April 2018) was taken into account. The capital depletion stood at €3.4bn (8.7ppts, excluding the negative impact of 250 bps related to the phase-out of grandfathered preference shares). Under the baseline scenario, the Bank is capital accretive, with CAD and CET1 ratios increasing at 19.3% and 16.6%, respectively. These ratios would be ca. 40 bps higher if the positive impact from the sale of the Romanian disposal group was included.

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The Bank's performance in the ST confirms that it remains resilient to external shocks. The Bank's total capital and overall solid performance allows it to further streamline efforts on the implementation and delivery of its business priorities, focusing on effective management and rapid decrease of stock of non-performing exposures in line with its plans, as well as providing financing to its clients, to the Greek economy and the region. The above business priorities, along with additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad will generate or release further capital and/or reduce risk weighted assets, contributing to the further strengthening of the Group's capital position. Further information on European Banking Authority 2018 Stress Test is presented in note 5 of the consolidated financial statements.

Merger with Grivalia and NPE reduction Acceleration Plan**Merger Agreement between Eurobank and Grivalia**

On 26 November 2018, the Boards of Directors ("BoD") of the Bank and Grivalia Properties REIC ("Grivalia") announced that they unanimously decided to commence the merger of the two companies by absorption of Grivalia by Eurobank (the "Merger").

On 7 February 2019, the European Commission (DG Competition) decided that the Merger is in line with Eurobank's commitments and State Aid rules considering that the strengthening of its capital base through the Merger will enable Eurobank to significantly reduce its non-performing loans in the near future.

On 22 February 2019, the BoD of Eurobank and Grivalia approved the Draft Merger Agreement for the absorption of Grivalia by Eurobank according to the provisions of the Greek Codified Law 2190/1920, in conjunction with the provisions of Greek laws 2166/1993 and 2515/1997, as in force. The Merger shall be conducted by accounting consolidation of assets and liabilities of the companies being merged and, specifically, by contribution of Grivalia's assets and liabilities to Eurobank, as described on the merger balance sheet of 31 December 2018 of Grivalia. The share capital of Grivalia to be added to the share capital of Eurobank amounts to €164,848,663.17, divided into 96,402,727 ordinary registered shares of nominal value €1.71 each. Furthermore, for the purpose of rounding the nominal value of the ordinary shares of Eurobank, the amount of €32,458,933.29 shall be capitalized, derived from taxed (in accordance with article 26 of Greek Law 3634/2008) profits. Following the above, Eurobank's new share capital shall amount to €853,107,225.96 divided into 3,709,161,852 ordinary shares of nominal value of €0.23 each.

Pursuant to internationally accepted valuation methods, the value ratio between Eurobank and Grivalia was found to be 1.435170523535670 : 1. The Merger will result in an ownership split of the enlarged share capital of ca. 58.9% owned by existing Eurobank shareholders and ca. 41.1% by existing Grivalia shareholders. Accordingly, with respect to the new share capital of the Eurobank, 2,185,998,765 shares shall be allocated to the shareholders of Eurobank and 1,523,163,087 to the shareholders of Grivalia. In accordance with the above, the share exchange ratio of 15.80000000414930 new Eurobank ordinary registered shares for every 1 Grivalia ordinary registered share is proposed as a fair and reasonable exchange ratio for Grivalia shares, while Eurobank shareholders shall retain the same number of Eurobank ordinary shares they held prior to the Merger but with a new nominal value of €0.23 each. Grivalia does not have shareholders with special rights or holders of securities other than shares and in none of the merging companies are particular advantages provided in favor of the members of their BoD or their auditors.

The above is subject to the fulfilment of certain conditions, including the approval of the Draft Merger Agreement by the General Meetings of shareholders of the merging companies on 5 April 2019 and the receipt of the remaining necessary permissions and approvals by the competent authorities, which are expected by May 2019. The Merger will enhance Eurobank's capital position and its earnings capacity, which in turn will enable the acceleration of its NPE reduction plan.

Following the completion of the Merger, Fairfax Group, which currently holds 18.40% and 51.43% in Eurobank and Grivalia, respectively, will become the largest shareholder in the merged entity with a ca. 33.03% shareholding.

As at December 2018, Grivalia group had total assets of €1.16bn and total liabilities of €0.29 bn. The Annual Financial Report of Grivalia for the year ended 31 December 2018 is available at the company's website.

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Agreement with the Real estate management company

On 22 February 2019, the BoD of Eurobank approved the upcoming agreement (SLA), pursuant to article 100 of Greek Law 4548/2018, of the Bank with the company to be incorporated under the name “Grivalia Management Company SA” (“the Company”). The Grivalia Management Company SA was established in March 2019 and is a related party to Eurobank, since a member of the Bank’s BoD holds the majority (70%) of the shares of the company and is an executive member of the board of directors of the Company.

The Bank shall conclude a 10-year advisory services agreement with the Company for the combined real estate portfolio of the merging entities, which will come into force upon completion of the Merger. The related services to be assigned to the Company under the said agreement mainly refer to advisory services relating to the acquisition, transfer, lease, management development and strategic planning of the management of real estate assets, including the preparation of the annual budget and the supervision of Eurobank’s contractors and advisors. Following a specific mandate, the Company will also undertake certain implementation actions. According to the SLA, total fees that will be charged by the Company based on cost and performance criteria, including a minimum service fee of €9.35m for the combined own used and investment property portfolio and a fee related to repossessed assets, shall not exceed €12m (excluding VAT) per annum and shall be prepaid on a quarterly basis.

Acceleration Plan for NPEs reduction

In 2019, Eurobank is implementing its 3-year NPE reduction plan as submitted to SSM in September 2018, including a securitization of ca. €2bn NPE mortgage loans by the end of first half of 2019. Furthermore, following the completion of the merger with Grivalia, the Group is planning the below initiatives/actions:

- a) Securitization of ca. €7bn of NPEs (“Securitized NPEs”) according to Law 3156/2003 via their transfer to a special purpose vehicle (“SPV”) and the issuance of senior (A), mezzanine (split into class B1, representing 80% of the mezzanine and class B2 representing 20% of the mezzanine) and junior (C) notes initially to be fully retained by the Group. The securitized portfolio is comprised of approximately 35% corporate loans and 65% retail loans and 75% of it represent denounced exposures.
- b) The legal separation of the core and non-core operations of the Bank through the hive-down of the banking operations to a new banking subsidiary (“New Eurobank”) in accordance with the provisions of Law 2515/1997 and Law 4601/2019. Assets and liabilities, including DTC but excluding the securitised non-core NPEs, will be transferred to the new subsidiary at book value and the existing entity will become a holding company.
- c) The entry of a strategic investor into the capital of FPS, the licensed 100%-owned loan servicer of Eurobank. FPS will enter into SLAs with the SPV for the professional servicing of its loans and the maximization of the value for all its noteholders and New Eurobank for the servicing of its remaining NPE portfolio.
- d) The sale of the B2 mezzanine notes to third party investors. Furthermore, the Group will contemplate the de-recognition of the Securitized NPEs through the potential sale of an additional 75% of mezzanine and 95% of junior notes and the transfer of SPV’s shares to third party investors or their distribution to shareholders or any combination thereof.

The key benefits from the successful execution of the acceleration plan for NPE reduction will be a) focus on core banking activities, after the legal separation of the core and non-core operations of the Bank, b) the significant balance sheet de-risking, following the contemplated/targeted de-recognition of a significant part of deep delinquency, denounced NPEs, retaining those that have better recovery and curing potential and c) targeting an NPE reduction of 16% by the end of 2019, paving the way for a single digit NPE ratio by 2021.

The acceleration plan is subject to the relevant decisions and approvals by the BoD and the General Meeting of shareholders, respectively and the relevant approvals by the regulatory authorities, estimated to be received by end of 2019.

Restructuring Plan and Monitoring Trustee (MT)

The Bank’s commitments included in the revised restructuring plan, as approved by the European Commission on 26 November 2015, have been fully met until the end of 2018. In particular, during 2018 the Group has met/respected the remaining commitments of the restructuring plan including (a) the reduction of the portfolio of the Group’s foreign assets (non-related to Greek clients), following the completion of the

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sale of the Romanian disposal group, in April 2018 (note 17 of the consolidated financial statements) and (b) the reduction of the net loans to deposits ratio for the Group's Greek banking activities below the limit of 115%, as the respective ratio has improved to 105% on 31 December 2018 (31 December 2017: 128%).

Grant Thornton S.A. that was appointed as the Bank's Monitoring Trustee (MT) had undertaken to monitor the implementation of the restructuring plan that ended on 31 December 2018 and report to the European Commission.

Further information in respect of the restructuring plan, the relating principal commitments included therein and the Bank's MT was provided in the note 6 of the consolidated financial statements for the year ended 31 December 2017.

Romanian disposal group

On 24 November 2017, the Bank announced that it had reached an agreement with Banca Transilvania (BT) with regards to the sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. (Romanian disposal group). Following the said agreement, on 3 April 2018, Eurobank and BT concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Group in the above companies to BT. The Romanian disposal group was the major part of the Group's operations in Romania, which are presented in the International segment.

The consideration of the transaction, net of related costs, reached €205m, in addition to the €25m special dividend and €50m capital return received in 2017 and in the first quarter 2018, respectively. In the fourth quarter of 2018, the Group has recognized a provision of €14.6m with regards to the completion statements of the Romanian disposal group. According to the Sale Purchase Agreement (SPA) executed between Eurobank Group (the Seller) and Banca Transilvania (BT) (the Purchaser), there are also specific indemnity clauses based on which the Purchaser could claim specific amounts, subject to certain limitations on total claims. In the above context in the third quarter 2018, the Group has recognized a provision of €15m for Bancpost S.A. tax issues (note 17 of the consolidated financial statements).

International Activities

Eurobank has established a substantial presence in four countries outside Greece. In Cyprus, it offers Wholesale Banking, Private Banking and Asset Management services, in Bulgaria and Serbia offers Retail, Corporate, Asset Management and Investment Banking services through a network of 280 retail and corporate units. The Luxembourg Bank offers Private Banking Services, while it also operates the Branch in London.

On 7 November 2018, the Bank announced that it has concluded an agreement with Piraeus Bank S.A. for the acquisition of Piraeus Bank Bulgaria AD, a subsidiary of Piraeus Bank, by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria AD (the "Transaction"). In line with the Group's strategy to focus on the expansion of its international activities in markets which are deemed core, this acquisition will strengthen Postbank's position in the Bulgarian banking sector, in both the retail and mainly corporate business segments. The Transaction is expected to have at completion, a marginal negative impact on the Group's CET1 ratio, while accounting also for the expected synergies, the Transaction is estimated to be capital accretive. The completion of the Transaction is subject to approvals by the relevant competent regulatory and supervisory authorities and is expected to take place during the second quarter of 2019.

Risk management

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

Due to the fact that economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms are set in a manner that enables the Group to identify and deal with the risks associated with those changes. The Bank's structure, internal processes 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

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upgrading its policies, methods and infrastructure, in order to ensure compliance with the requirements of the ECB, the guidelines of the EBA and of the Basel Committee for Banking Supervision and the best international banking practices. The Group implements a well-structured credit approval process, independent credit reviews and effective risk management policies for credit, market, liquidity and operational risk, both in Greece and in each country of its international operations. The risk management policies implemented by the Bank and its subsidiaries are reviewed annually.

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

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

Risk appetite is clearly communicated throughout the Group, determines risk culture and forms the basis on which risk policies and risk limits are established at Group and regional level.

The Board Risk Committee (BRC) is a committee of the Board of Directors (BoD) and its task is to assist the BoD to ensure that the Group has a well-defined risk and capital strategy in line with its business plan and an adequate and robust risk appetite.

The BRC assesses the Group's risk profile, monitors compliance with the approved risk appetite and risk tolerance levels, and ensures that the Group has developed an appropriate risk management framework with appropriate methodologies, modelling tools, data sources and sufficient and competent staff to identify, assess, monitor and mitigate risks. The BRC consists of six non-executive directors, meets at least on a monthly basis and reports to the BoD on a quarterly basis and on ad hoc instances if it is needed.

The Management Risk Committee (MRC) is a management committee established by the Chief Executive Officer (CEO) in 2016 and it operates as a advisory committee to the BRC. The main responsibility of the MRC is to oversee the risk management framework of the Group. As part of its responsibility, the MRC facilitates reporting to the BRC 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.

The Group's Risk Management General Division, which 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, market, operational and liquidity risks of the Group. It comprises of the Group Credit General Division, the Group Credit Control Sector (GCCS), the Group Credit Risk Capital Adequacy Control Sector (GCRACS), the Group Model Validation & Governance Sector, the Group Market & Counterparty Risk Sector (GMCRS), the Group Operational Risk Sector, the Group Risk Management Strategy Planning and Operations Unit and the Supervisory Relations and Resolution Planning Division (dual reporting also to the Group Chief Financial Officer). In addition to the above a position of a Senior Advisor has been established who reports directly to the Group Chief Risk Officer.

The most important types of risk that are addressed by the risk management functions of the Group are:

Credit Risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to fulfil its payment obligations in full when due. The credit risk arises principally from the wholesale and retail lending activities of the Group, including from credit enhancements provided, such as financial guarantees and letters of credit, as well as from other activities, such as investments in debt securities, trading, capital markets and

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settlement activities. Taking into account that credit risk is the primary risk the Group is exposed to, it is very closely managed and monitored by centralized dedicated risk units, reporting to the GCRO.

The credit approval and credit review processes are centralised 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. The credit approval process in Corporate Banking is centralised through establishment of Credit Committees with escalating Credit Approval Levels, in order to manage the corporate credit risk. Various rating models are used in order to determine the credit rating of corporate customers. The most significant ones are the MRA (Moody's Risk Analyst) applied for companies operating in industrial, commercial and services / tourist sectors and the slotting which is used for specialised lending portfolios (shipping, real estate and project finance).

The approval process for loans to Small Businesses (turnover up to €5m) is centralised following specific guidelines and applying 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 centralised and differentiated between performing and non-performing businesses. 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. The quality of all of the Group's loans portfolios (business, consumer and mortgage in Greece and abroad) is monitored and assessed by the Group Credit Control Sector (GCCS). GCCS operates independently from all the business units of the Bank and reports directly to the GCRO.

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

Market Risk

The Group takes on exposure to market risk, which is the risk of potential financial loss due to an adverse change in market variables. Changes in interest rates, foreign exchange rates, credit spreads, equity prices and other relevant factors, such as the implied volatilities of the above, can affect the Group's income or the fair value of its financial instruments. The Board's Risk Committee sets limits on the level of exposure to market risks, which are monitored on a regular basis.

Market risk in Greece and Cyprus is managed and monitored using Value at Risk (VaR) methodology. Market risk in International operations, excluding Cyprus, is managed and monitored using mainly sensitivity analyses. VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Group measures is an estimate based upon a 99% confidence level and a holding period of 1 day and the methodology used for the calculation is Monte Carlo simulation (full re-pricing). Since VaR constitutes an integral part of the Group's market risk control regime, VaR limits have been established for all (trading and investment portfolios) operations and actual exposure is reviewed daily by management. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

Liquidity Risk

The Group is exposed to daily calls on its available cash resources due to deposits withdrawals, maturity of medium or long term notes, maturity of secured or unsecured funding (interbank repos and money market

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takings), loan draw-downs and forfeiture of guarantees. The Board Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such contingencies.

BRC 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 (G-ALCO) has the mandate to form and implement the liquidity policies and guidelines in conformity with Group's risk appetite, and to review at least monthly the overall liquidity position of the Group. Group Treasury is responsible for the implementation of the Group's liquidity strategy, the daily management of the Group's liquidity and for the preparation and monitoring of the Group's liquidity budget, while GMCRS is responsible for measuring, monitoring and reporting the liquidity of the Group.

Operational Risk

Operational risk is embedded in every business activity undertaken by the Group. The primary goal of operational risk management is to ensure the integrity of the Group's operations and its reputation by mitigating its impact. To best manage operational risk, the Group has established a formal Operational Risk Management Framework to define its approach to identifying, assessing, managing, monitoring and reporting operational risk.

Governance responsibility for operational risk management stems from the Board of Directors (BoD) through the Executive Board and Senior Management to the Heads and staff of every business unit. The BoD establishes the mechanisms by which the Group manages operational risk by setting the tone and expectations from the top and delegating authority. The Board Risk Committee (BRC) and the Audit Committee (AC) monitor the operational risk level and profile of the Group including the level of operational losses, their frequency and severity.

The Group Chief Risk Officer is responsible for the operational risk related initiatives and ensures implementation of the Operational Risk Management Framework. The Group Chief Risk Officer has the overall responsibility and oversight of the Operational Risk Units in the countries that the Bank operates. The Operational Risk Committee is a management committee that assesses the operational risks arising from the activities of the Group, ensures that each business entity has appropriate policies and procedures for the control of its operational risk and that prompt corrective action is taken whenever a high risk area is identified. Certain business units have established a dedicated Anti-Fraud Unit or Function, according to the fraud risk to which their operations are exposed. Their main objective is to continuously identify fraud risks and to undertake all appropriate actions in addressing and mitigating those risks in a timely manner.

Further information on the Group's financial risk management objectives and policies, including the policy for hedging each major type of transaction for which hedge accounting is used is set out in the notes 2, 6 and 23 to the consolidated financial statements for the year ended 31 December 2018.

Non Performing Exposures (NPEs) management

A strategic priority for Eurobank remains the active and effective management of NPEs with the aim to substantially reduce the NPEs stock in accordance with its operational targets agreed with the supervisory authorities, leveraging on its internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place.

Troubled Assets Group (TAG) General Division

Following the Bank of Greece Executive Committee's Act No.42/30.5.2014 and its amendments, 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). 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. Further information is presented in note 6.2 to the consolidated financial statements for the year ended 31 December 2018.

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The targets of the operating model are to reinstate customers' solvency, reduce overall handling costs for delinquent accounts and improve the portfolio profitability by maintaining low portfolio delinquency rates and facilitating negotiations with delinquent customers. In order to ensure the efficient management of the troubled assets portfolio, more than 2,500 full-time equivalent employees are involved in NPLs management operations across the Bank, of whom ca 1,200 are dedicated professionals within the various TAG operating units. TAG, by employing best-in-class strategies, tools, technical resources and human capital, aims to significantly contribute to the Group's profitability, in a socially responsible manner. To this end, the main actions undertaken by TAG in 2018 were the following:

- a) Similarly with 2017, TAG has overall achieved in 2018 the key regulatory targets for NPEs reduction.
- b) Continued and strengthened the strategic focus towards long-term viable restructuring solutions, offered through a wide array of products, segmentation criteria and decision trees.
- c) Leveraged the electronic auction platform, which was launched in February 2018, and contributed to the effective processing of the planned foreclosure actions.
- d) A set of dynamic decision-support systems were developed in the context of managing the troubled portfolios that aim to improve decision making, facilitate the offering of optimum solutions and limit uncertainty.
- e) Reorganization and reinforcement of the key functions of the General Division in order to accommodate the new legislative developments towards the reduction of NPEs and to ensure the efficient management of the troubled assets portfolio.
- f) Staff was further developed through additional training programs and e-learning courses.
- g) Evolved and further developed a comprehensive program for the purpose of supporting and monitoring, in a structured manner, all business and Information Technology (IT) actions and initiatives serving the reduction of NPEs, which is a top priority for the Bank.
- h) Participated in key interbank initiatives to establish a solid governance framework and a collaborative partnership among all banks.
- i) Enhanced strategic segmentation of the customer base that links borrowers to actions and channels and designed specific strategies for exposures under the Law 3869/2010.

Agreement between the four Greek systemic banks and doBank S.p.A for the management of a portfolio of NPEs

On 31 July 2018, the four systemic banks (Alpha Bank, National Bank of Greece, Eurobank and Piraeus Bank) entered into an internationally innovative servicing agreement with a credit institution specialized on servicing of non-performing loans, doBank S.p.A. (doBank). This agreement is part of the strategic framework of the Greek systemic banks to reduce their non-performing exposures by protecting the viability of small and medium enterprises ("SMEs") and supporting the recovery of the Greek economy. doBank will support the four systemic banks in the exclusive management of common non-performing exposures of more than 300 Greek SMEs with approximate nominal value of €1.8bn, by facilitating the effective search of viable restructuring solutions when feasible. This cooperation, considering doBank's significant experience and know-how, is expected to substantially contribute to the resolution of the SMEs and the improvement of the recoverability of their debts.

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 NPEs management strategy with a 3-year time horizon, which is henceforth revised annually in order to align with changes in the operating environment and the Bank's strategic priorities. In September 2018, the Greek banks submitted an updated set of NPEs operational targets, together with an updated NPEs management strategy, for the years 2018-2021. According to the revised NPEs targets, the Bank's NPEs stock is projected to reach €11.6 bn (NPE ratio 33.0%) by the end of 2019, and €5.4 bn (NPE ratio 16.9%) by the end of 2021, representing a reduction of 70% in NPE volumes from December 2017 to 2021 (74% for Retail and 63% for Corporate). The mix of solutions to be used is differentiated versus the previous submission, involving securitization of NPEs, increased sales and liquidations.

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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. As at 31 December 2018, the Bank has reduced the stock of NPEs by €2.8bn since 31 December 2017 to €15.3bn which is in line with the revised target submitted to SSM in September 2018.

The Bank is preparing for the re-submission of the updated NPE Strategy and Operational Targets (2019-2021) end of March 2019, at both Bank and, for the first time, Group level, as required by SSM in alignment of reporting cycles with other EU Significant Institutions as per the ECB guidance and based on New NPE strategy template. In this respect a wide-scope project has been initiated to enable all involved Group entities to adhere to the new demanding regulatory requirements. The new submission takes into account the NPE reduction Acceleration Plan that was recently announced in the context of the Bank's Transformation Plan and aims to achieve a Group NPE ratio of 16% in 2019 and a single digit by 2021.

Legal framework

In June 2018, significant legislative changes towards the reduction of NPEs include the voting of Law 4549/2018, which amends the Individual Insolvency Law 3869/2010 and the Law 4469/2017 for the operating framework of the out-of-court workout mechanism for businesses. Following a negotiation between the Greek Government and the Institutions, a new protection scheme on primary residence was voted by the Greek parliament on 29 March 2019.

Non-performing loans sale transactions

As of 30 September 2018, a non performing unsecured consumer loan (NPL) portfolio of the Bank of total unpaid principal ca. €1.1bn (€1.0bn on balance sheet exposure that carried an impairment allowance of €0.94bn) was classified as held for sale, as its sale was considered highly probable. On 16 October 2018, the Bank, in line with its NPE reduction plan, announced that it has entered into an agreement with the consortium of B2Holding ASA and Waterfall Asset Management to sell the aforementioned portfolio. The servicing of the portfolio will remain with Financial Planning Services (FPS), which is the 100% owned by the Bank licensed NPL servicer, and will take place in cooperation with the licensed company B2Kapital S.A. In December 2018, the Bank completed the disposal with no impact in the income statement.

In addition, in the third quarter of 2018, the Group completed the disposal of a portfolio of non-performing corporate loans of gross amount €59m (€17m, net of impairment allowance) related with its Bulgarian activities, which was P&L neutral for the Group.

Non-performing loans classified as held for sale

In December 2018, the Bank entered into an agreement for the disposal of a non-performing corporate loans' portfolio. Accordingly, gross loans of €65m, which carried an impairment allowance of €45m were classified as held for sale, as their sale was considered highly probable. In January 2019, the disposal of the aforementioned loan portfolio was completed.

Macroeconomic Outlook and Risks

The Third Economic Adjustment Program (TEAP) for Greece was concluded successfully on 20 August 2018. According to the European Commission, Greece received ca. €61.9bn out of the €86.0bn of the TEAP's financial envelope. The remaining €24.1bn were returned to the European Stability Mechanism (ESM) at the end of the TEAP. Almost €11.0bn from the total of €61.9bn received were used for the creation of a cash buffer aiming to facilitate Greece's access to the international markets in the post program period. According to the Public Debt Management Agency (PDMA), the cash buffer was at €26.5bn at the end of September 2018 and was enough for covering 4 years of gross financing needs after the end of the program under the assumption that the current stock of treasury bills (t-bills) will be rolled over or 2 year of gross financing needs after the end of the program under the assumption of the non-roll-over of the current stock of t-bills.

For the post program period, according to the decisions on 21 June 2018 Eurogroup, a strict surveillance process was followed with quarterly reviews and certain conditionality / prerequisite reforms, linked to the return of income equivalent amounts from the bonds purchased by the ECB and the central banks of Eurozone member states under the "Securities Markets Program - Agreement on Net Financial Assets" (SMP-ANFA) program in order to be used for reducing gross financing needs and / or financing other agreed

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investments, as well as to the abolition of the step-up interest rate margin up to 2022. This enhanced post program surveillance's main purpose is to safeguard financial stability, and continue the process of implementation of structural reforms aiming, among others, to boost domestic growth, jobs creation and to modernize the public sector. Regarding sovereign debt sustainability, on 21 June 2018 the Eurogroup decided, in addition to the return of the SMP-ANFA income equivalent amounts and to the abolition of the step-up interest rate margin up to 2022, the further extension of the interest and amortization of the loan received under the Second Economic Adjustment Program for Greece by 10 years and the extension of the loan's maximum weighted average maturity by 10 years.

The first and second quarterly review under the Enhanced Post Program Surveillance (EPPS) were completed at the end of November 2018 and early March 2019 respectively. Delays were observed in the implementation of the structural reforms initially planned for the end of 2018 including, among others, the clearance of the general government arrears to the private sector, the progress on the privatizations agenda, the pension and health-care reform, the product market reforms and the legal framework of the NPE resolution tools. As a result, the European Commission has postponed the disbursement of the first set of policy-contingent debt measures of €970m for early April 2019 conditional on the progress of the pending reform items.

On 25 June 2018, Standard & Poor's (S&P) upgraded the Greek sovereign rating from B to B+ with a stable outlook on the basis of the 21 June 2018 Eurogroup's decisions and the creation of a fiscal buffer aiming to facilitate the exit of the country to the international markets and on the debt maturity extensions. S&P on 20 July 2018, revised its outlook on Greece to positive from stable on improved policy predictability and growth prospects. Fitch on 10 August 2018, upgraded Greece to BB- from B with a stable outlook on the basis of the conclusion of the fourth review, the end of the TEAP and the improved economic and fiscal conditions. On 1 March 2019, Moody's upgraded the Greek sovereign rating from B3 to B1 on the basis of the improved economic performance, the ongoing post programme surveillance scheme, the track of strong fiscal performance, the public debt sustainability after the implementation of the medium term debt relief measures in June 2018 and the recent re-established market access. The sovereign's rating is still significantly below the investment grade rating but the recent upgrades, the successful graduation from the TEAP, the conclusion of the first EPPS review and the developments in the fiscal front led to the improvement of the yield of the Greek 10-years bonds by ca. 57 basis points between the end of November 2017 and 25 March 2019. On the back of this environment, the Greek government managed to tap the markets twice with the successful issuance of a 5-year bond of €2.5bn at a yield of 3.6% on 29 January 2019 and a 10-year reference bond of €2.5bn at a yield of 3.9% on 6 March 2019.

According to the Hellenic Statistical Authority (ELSTAT) data, in 2017 and 2018 real GDP growth rate turned positive, but lower compared to official sector forecasts, at 1.5% and 1.9% respectively. The 2019 Budget forecast for 2019 is at 2.5%, conditional on the prompt EPPS implementation, ownership of reforms and a benign external environment. According to the recent European Commission's 2019 Winter forecasts real GDP growth in Greece is expected at 2.2% for 2019.

On the fiscal front, according to the 2019 Budget, the primary surplus for 2018 is estimated at 4.0% of GDP while the respective forecast for 2019 is expected at 3.6% of GDP, both figures were above the 3.5% threshold required by the EPPS. Public debt for 2018 and 2019 is expected at 180.4% and 167.8% of GDP respectively. The European Commission, in its 2018 Fiscal Stability Report (January 2019) expected – conditional on the continuation of the EPPS implementation – limited short term risks in terms of fiscal sustainability as a result of the structure of Greek debt (long maturities and high official sector ownership), the medium term debt relief measures decided on the 21 June 2018 Eurogroup, the primary surpluses achieved so far and the commitment of the Greek authorities to continue this performance.

Risks continue to surround the near-term domestic economic outlook. Based on ELSTAT data, the unemployment rate in December 2018 was at 18.0% from 20.8% in December 2017, pointing towards a slow path of decline, conditional on no unforeseen negative developments in the upcoming period. According to the 2019 Budget, the unemployment rate is expected at 19.6% and 18.2% for 2018 and 2019 respectively. Based on ELSTAT data, the general price level (the harmonized index of consumer prices, (HICP)) was at 1.1% and 0.6% in 2017 and 2018 respectively. According to the 2019 Budget, the HICP is expected at 1.2% for 2019.

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The ongoing deleveraging in the Greek economy can be considered as a major drag for recovery. According to the BoG data, i.e. in December 2018, the private sector domestic credit balance stood at €169.9bn from €183.6bn in December 2017, a decrease of -7.5%. A significant part of this deleveraging was due to the reduction of the stock of NPEs. On the other side of the ledger, private sector domestic deposits amounted to €134.5bn in December 2018 from €126.3bn in December 2017, registering an increase of 6.4%.

Regarding the economic developments in the region, the national accounts second estimates of the third quarter of 2018 point to further economic activity moderation. Albeit, those readings remained on a solid track, if combined with the high-frequency indicators of the last quarter of 2018, those signs suggest that regional economies have most probably already seen their cyclical peak. A less favorable growth outlook for the euroarea countries (EA-19), mounting global trade risks and the risk of higher commodity and global energy prices on top of the cyclical slowdown are expected to have negative impact on the growth prospects of the Central, Eastern and South-eastern Europe (CESEE) region. However, the economies, in which the Group has a substantial presence, continue to be among the top-performers in European Union (EU-28).

At a country level, Bulgaria is expected to demonstrate another year of solid growth in 2019 compared to the projected 3.2% in 2018. The economy benefits from an improving labour market, a strong real wage growth, an accelerating credit activity, a more expansionary fiscal policy, an increased tourism flows and an improved EU-funds absorption. Meanwhile, the Exchange Rate Mechanism (ERM II) and the Banking Union application entry preparations are underway and include several commitments to strengthen banking supervision in close cooperation with the ECB, which will conduct a comprehensive assessment of six Bulgarian banks, to enhance the supervision of the non-banking financial sector, to address gaps in the insolvency framework, to strengthen the anti-money laundering framework and to improve the governance of state-owned enterprises.

In Cyprus, robust growth prospects are sustained in 2018-2019. According to preliminary estimates, GDP growth reached 3.9% in 2018 compared to 4.2% in 2017. Although some softer readings are anticipated in the coming quarters, the economic activity is expected to remain strong, supported by the sustained sentiment improvement, the flourishing tourism sector, the improved labour market conditions, the further property market stabilization, the impact from fiscal relaxation and a number of ongoing residential and tourism infrastructure construction projects. The liquidation of the Cyprus Co-operative Bank (CCB), the second largest bank at the time which was supervised by the SSM, and the sales of NPEs are expected to decrease the NPEs ratio very close to 30% in 2018 from 43.7% in 2017. Further progress in the issue of NPEs depends upon the implementation of the "ESTIA" plan, a subsidy scheme introduced by the government to help vulnerable groups of borrowers, and upon the reformed the insolvency and foreclosures frameworks.

In Serbia, taking into consideration the performance of the fourth quarter 2018, real GDP growth expanded by 4.4% in 2018, the fastest rate in the last ten years. However, the economy is expected to decelerate to 3.5% in 2019, due to the negative base effects from the extraordinary performance of agriculture and energy sectors in the past year and external environment headwinds. Domestic demand is widely expected to remain the key driver of growth. Private consumption will most probably receive further support from the rise of disposable incomes as a result of the wage increases and pensions hikes. The planned increase in public investments together with the sustained performance of foreign direct investment (FDI) inflows' will maintain total investments relatively strong. However, net exports will remain a drag. Finally, the new 30-month non-financial advisory program in the form of "Policy Coordination Instrument" (PCI) has been established by the IMF. The new program suggests the continuation of structural and institutional reforms and provides a valuable policy anchor going forward.

Regarding the outlook for the next 12 months, the main macroeconomic risks and uncertainties are associated with (a) the adherence to established reforms and the possible delays in the implementation of the reforms' agenda in order to meet the EPPS targets and milestones, (b) 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, (c) the ability to attract new investments in the country, (d) the timing of a full lift of restrictions in the free movement of capital abroad and the respective impact on the level of economic activity, (e) the possible slow pace of deposits inflows and/ or possible delays in the effective management of NPEs as a result of the macroeconomic conditions in Greece and (f) the geopolitical conditions in the near or in broader region and the external shocks from a slowdown in the

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regional and / or global economy. Materialization of those risks would have potentially adverse effects on the liquidity and solvency of the Greek banking sector. Continuation of a subdued economic activity could affect the prospects of the Greek banking system leading to the deterioration of asset quality, prolongation or return to the dependence on Eurosystem funding, particularly on the expensive ELA mechanism, and further pressures on the revenue side from increased funding cost and lower interest and commission income.

On the other hand, the quick resolution of the uncertainty towards the post-program period will help reinstating depositors' confidence and thus accelerate the return of deposits and the complete lift of capital controls and positively influence the financing of the economy. The decisive implementation of the reforms agreed in the context both of the TEAP and the EPPS, the implementation of medium term debt relief measures in accordance with 21 June 2018 Eurogroup decisions, the mobilization of European Union 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 improve the 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.

Share Capital

As at 31 December 2018, the Bank's share capital amounted (and amounts up to date) to €655,799,629.50, divided into 2,185,998,765 ordinary registered voting shares of a nominal value of €0.30 each, which represent the total share capital of the Bank. All shares are registered, listed on the Athens Exchange and incorporate all the rights and obligations set by the Greek legislation. As at 31 December 2018, the number of Eurobank shares held by the Group's subsidiaries in the ordinary course of their business was 1,194,032 (31 December 2017: 1,802,710) (note 40 to the consolidated financial statements).

Pursuant to the resolution of the Extraordinary General Meeting of the Shareholders (ordinary and preference) dated 3 November 2017, the Bank, on 17 January 2018, completed the full redemption of its preference shares 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. As per 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%.

At the same date (17 January 2018), the Bank's share capital was reduced by €950,125,000, through the cancellation of all the aforementioned 345,500,000 preference shares, issued under Law 3723/2008, and since then the Greek State does not hold any preference shares of Eurobank.

Finally, as at 31 December 2018, the percentage of the ordinary voting shares of the Bank held by the Hellenic Financial Stability Fund (HFSF) amounted (and amounts up to date) to 2.38%. It is noted that, according to the Law 3864/2010 as in force, the HFSF has restricted voting rights⁵.

Dividends

Based on the 2018 results in combination with the article 159 of Company Law 4548/2018, 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 shareholders of the Bank cannot exceed 35% of the profits as provided in article 161 par. 2 of Company Law 4548/2018.

Major Shareholders

Based on the notification received from:

- a) the HFSF on 2 December 2015, the percentage of the ordinary shares with voting rights held by the HFSF out of the total number of ordinary shares with voting rights issued by Eurobank amounted to 2.38%, which corresponds to 52,080,673 ordinary shares with voting rights out of total 2,185,998,765 ordinary shares with voting rights issued by Eurobank. The provisions of article 7a par. 2, 3 and 6 of Law 3864/2010 are applicable on the above mentioned ordinary shares of HFSF (restricted voting rights). In the context of the above Law, HFSF exercises its voting rights in the Bank's General Meetings only for decisions concerning the amendment of the Bank's Articles of

⁵ Information regarding HFSF's rights as owner of Bank's ordinary shares, according to Law 3864/2010 and the Relationship Framework Agreement (RFA), is included in Corporate Governance Code and Statement.

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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 4548/2018.

- b) the company "The Capital Group Companies, Inc" (Capital), on 4 December 2015, the percentage of Eurobank's voting rights held indirectly by Capital on 2 December 2015, amounted to 8.5457% out of the total number of Eurobank's voting rights, excluding those held by the HFSF. The above percentage relates to 182,358,578 voting rights of "Capital Research and Management Company" (CRMC)⁶, a company controlled by Capital.
- c) the company "RWC Asset Advisors (US) LLC" ("RWC"), on 21 February 2019, the percentage of Eurobank's voting rights held indirectly by RWC exceeded the threshold of 5% of the total number of Eurobank's voting rights, excluding those held by the HFSF, and RWC's percentage of voting rights amounted to 5.36%, corresponding to 114,328,108 voting rights of Eurobank's ordinary shares⁷.

Also, based on the relevant published regulatory announcements of Eurobank, the percentage of Eurobank's voting rights held indirectly by the company "Fairfax Financial Holdings Limited", on 31 December 2018, through its controlled subsidiaries, amounted to 18.85%, out of the total number of Eurobank's voting rights, excluding those held by the HFSF, corresponding to 402,226,805 voting rights of Eurobank's ordinary shares.

Board of Directors

The Bank's Board at its meeting on 9 March 2018, having determined that the Bank is no longer subject to the provisions of the Greek Economy Liquidity Support Program under Law 3723/2008 and therefore the Greek State's right to participate, through its representative, in the Bank's BoD has ceased to exist, decided that Ms. Androniki Boumi, who had been appointed representative of the Greek State in the Bank's BoD according to the provisions of the said law, remains in the Banks' BoD, even after her cessation as representative of the Greek State, and appointed her as non-executive member of the BoD, her tenure being equal to the tenure of the other BoD members. The appointment of the abovementioned BoD member was announced at the Annual General Meeting of the Shareholders of the Bank, which took place on 10 July 2018.

Finally, on 10 July 2018, the Annual General Meeting of the Shareholders of the Bank elected a new BoD, whose term of office will expire on 10 July 2021, prolonged until the end of the period the Annual General Meeting for the year 2021 will take place.

The Bank's Board is set out in note 51 to the consolidated financial statements. Personal details of the Directors are available on the website of Eurobank (www.eurobank.gr).

Authority to issue new shares

- A. The authority that the BoD has regarding the issuance of new shares (without further prior decision of the Shareholders' General Meeting), is to issue new ordinary shares as a result of the exercise of the right to convert the convertible bonds (note 41 to the consolidated financial statements) as follows:

The BoD is authorised to issue ordinary shares to those convertible bonds holders who exercise their rights within the rules set by the convertible bond loan issued by the Bank. As authorised by the General Meeting of 30 June 2009, the BoD issued in 2009 €400m of callable bonds convertible to ordinary shares of the Bank after 5 years from their issue, upon a written declaration of the bondholder to the Bank, in accordance with the specifications of the resolution of the above General Meeting, €350m of which were allocated. As of today, following the Bank's voluntary liability management

⁶ CRMC manages equity assets for various investment companies.

⁷ The aforementioned voting rights are held by RWC in its capacity as an investment manager to the following funds according to which both the portfolio management and the voting decisions are taken by RWC: (a) RWC Funds-RWC Global Emerging Markets Fund, (b) RWC Emerging Markets Equity Master Fund Limited, (c) RWC Global Emerging Markets Equity Fund, (d) SEI Canada Emerging Markets Equity Fund, (e) SEI Global Master Fund – The SEI Emerging Markets Equity Fund, (f) SIT (International) Emerging Markets Equity Fund, (g) Grove Portfolio, (h) APG Emerging Markets Equity Fund, (i) International Bank for Reconstruction and Development.

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exercise-LME, announced on 29 October 2015, callable bonds of principal amount €19.5m are held by third parties.

B. The members of the BoD are not authorized to issue new shares.

Sundry information required under Law 3556/2007 (article 4, par.7)

By derogation of the ordinary shares held by HFSF which carry special rights and restrictions under the legislation in force and the Relationship Framework Agreement signed by the Bank on 4 December 2015 with HFSF (note 49 to the consolidated financial statements), according to the Bank's Articles of Association:

- a) there are no restrictions on the transfer of the Bank's shares
- b) there are no shares with special controlling or voting rights
- c) there are no restrictions on voting rights
- d) the rules related to the appointment and replacement of directors as well as to the amendment of the Articles of Association are in accordance with the provisions of company law.

The Bank is not aware of any shareholders' agreements resulting in restrictions in the transfer of its shares or in the exercise of the shares' voting rights.

There are no significant agreements that enter into force, are amended or expire if there is change in the control of the Bank following a public offer.

There are no agreements between the Bank and the Directors or the staff for compensation in the event of departure as a result of a public offer.

The Auditors

In line with the rotation rules of the statutory audit firm provided for in the Relationship Framework Agreement between the Bank and the HFSF, as well as in accordance to the provisions of Law 4449/2017, the 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. The Bank's Shareholders Annual General Meeting held on 10 July 2018 approved the appointment of KPMG, as statutory auditor for the financial statements (standalone and consolidated) for the year ending 31 December 2018.

During 2018 the Audit Committee reviewed the independence and effectiveness of KPMG, including its relationship with the Group, and monitored on a quarterly basis the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors, according to the Bank's External Auditor's Independence Policy.

Non financial information

Eurobank's strategy focuses on optimizing its financial performance as well as contributing to the economy in a holistic manner. Giving back to the community is a key element of the Group's identity which includes both supporting the economy as well as strengthening aspects of social life, such as Education, Culture, Sports, the Environment and Social Welfare for vulnerable groups of our society. Based on the principles of transparency, credibility, honesty and corporate governance the Group builds solid relationships of trust and cooperation with its stakeholders. In this context, the Group has developed initiatives to promote entrepreneurship, reward excellence, promote innovative products and services as well as minimising the Group's environmental footprint and also the Group strives to ensure better prospects for its employees.

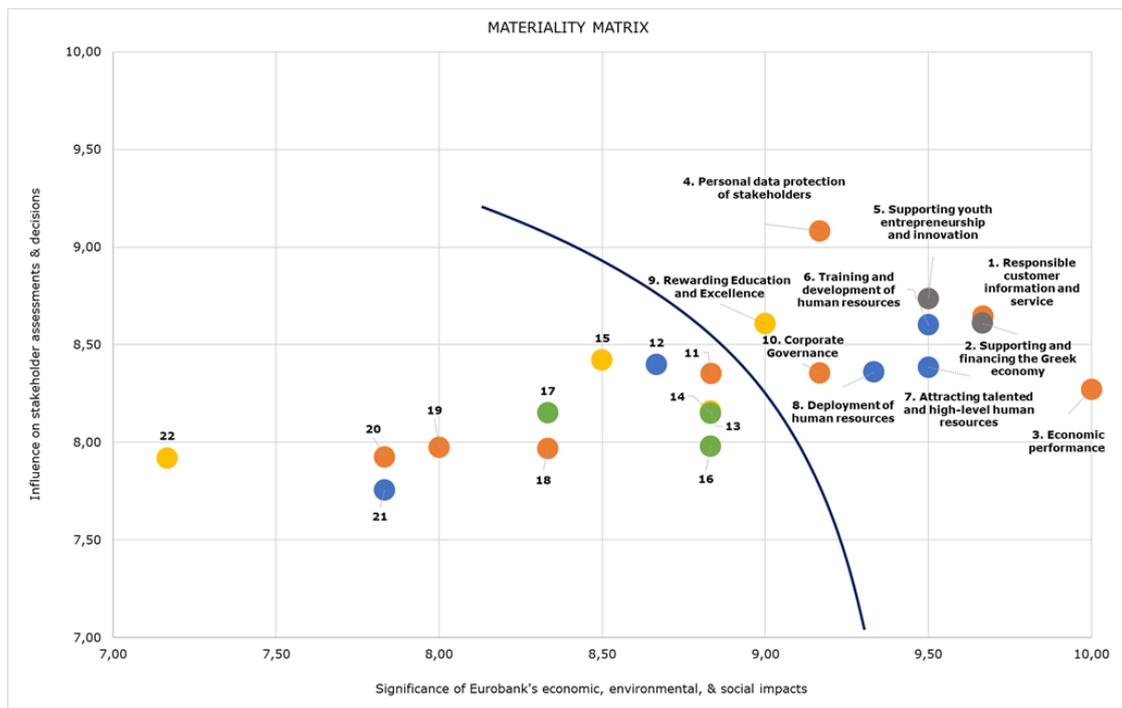
Materiality Analysis

The Group adopts and follows the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI Standards) international framework, for the development of its Sustainability Report. In this context and in order to respond to the expectations, concerns and needs of its stakeholders, the Bank has carried out the process of materiality analysis to update the most important issues related to sustainable development. In order to carry out the materiality analysis, a dedicated project team was set up which, in cooperation with

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representatives of the units that regularly interact with stakeholders, carried out a questionnaire survey of 22 sustainability issues regarding the economy, society, the environment and people. For the preparation of the material issues were taken into account issues concerning the banking sector, the Greek economy as well as the prospects for the development of entrepreneurship. The materiality questionnaire was sent to stakeholder groups and the participants were asked to rate on a standard scale (from 1 = no significant to 10 = extremely important) each topic. Through electronic and telephone surveys, a total of 598 completed questionnaires were collected from all stakeholder groups of the Bank.

On the diagram, the vertical axis indicates how stakeholders perceive the materiality of each issue, while the horizontal axis indicates Eurobank's management view of the same issues. Through this process, 10 material issues were identified and approved by the project team and the Bank's Management.



At the same time, the material issues were also prioritized by the Bank's Management. The results of the survey helped in the documented analysis of the Bank's material issues as well as in the thorough understanding of the expectations of the participant stakeholder groups. Following a review of the findings, the project team identified the material issues presented in the Materiality Analysis Map. The boundaries of these issues have been identified and aligned with the UN Sustainable Development Goals (SDGs) and linked with the GRI indicators to ensure the measurement and the evaluation of their impacts.

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Identified Material Issues		Boundaries	Alignment with Sustainable Development Goals (SDGs)		
1	Responsible customer information and service	Eurobank, Employees , Investment Analysts & Investors, Customers, Business Community, Government and Regulatory Authorities			
2	Supporting and financing the Greek economy	Eurobank, Employees, Suppliers, Young Entrepreneurs, Local Communities, Media, Business Community, Government and Regulatory Authorities NGOs & Associations	 	 	 
3	Economic performance	Eurobank, Employees, Investment Analysts & Investors Customers, Suppliers, Business Community, Government and Regulatory Authorities	 	 	
4	Personal Data Protection of Stakeholders	Eurobank, Employees, Investment Analysts & Investors Customers, Suppliers, Young Entrepreneurs, Government and Regulatory Authorities Media, Business Community, Local Communities, NGOs & Associations			
5	Supporting youth entrepreneurship and innovation	Eurobank, Young Entrepreneurs, Business Community, Local Communities			
6	Training and development of human resources	Eurobank, Employees, Investment Analysts & Investors Customers, Suppliers, Young Entrepreneurs			
7	Attracting talented and high-level human resources	Eurobank, Employees , Investment Analysts & Investors Customers, Suppliers, Young Entrepreneurs, Local Communities			
8	Deployment of human resources	Eurobank, Employees, Investment Analysts & Investors Customers			
9	Rewarding Education and Excellence	Eurobank, Employees, Investment Analysts & Investors Customers, Local Communities, NGOs & Associations			
10	Corporate Governance	Eurobank, Employees, Investment Analysts & Investors, Government and Regulatory Authorities, Customers, Suppliers, Media, NGOs & Associations			

Employee Engagement

The Group’s employees are the greatest asset for its success and sustainable development. The recruitment process is considered to be the starting point of a long-lasting and mutually beneficial partnership between the employee and the Group. As of 31 December 2018, the Group employed 13,162 employees of which 4,165 abroad. Gender and age distribution reflects the equal opportunities approach that the Group implements. In particular, 66% of the employees of the Group are less than 45 years old, while the gender distribution is quite balanced with women reaching the 62% of the total employees.

In order to ensure equal and fair treatment of all employees, the Group implements a number of policies in Greece and abroad in the areas of Remuneration, Recruitment, People Talent Development, Performance Management, Training, Communication, Relatives and Health & Safety. The Group respects human rights, equal opportunities and diversity vis a vis its clients, suppliers and employees. The Group’s objective is to recruit and retain its employees regardless of race, religion, age, gender, sexual orientation or disability. The Group strives to ensure that its workforce reflects the communities in which it operates and the international nature of the organization. The Group recognizes that diversity is a key part of a responsible business strategy in support of its International Operations.

The Bank is revising its compensation framework taking into consideration market trends and conditions with the aim to create an attractive compensation framework that will attract, engage and retain its

REPORT OF THE DIRECTORS

employees and on the other hand the regulatory and legal restrictions. As a result, the basic principles of the compensation framework, which ensure a proper balance between the individual employees' objectives and the Bank's business strategy as well as the long-term value creation for the shareholders, are the following:

- a) Safeguard that the compensation is sufficient to retain and attract executives with appropriate skill and experience
- b) Monitor that internal equity between Business Units is applied
- c) Avoid excessive risk behaviour
- d) Link compensation with long-term performance

Aiming at providing employees with accurate and timely business updates, professional advancement and training, the Group implements a modern training and career development framework. The training agenda mainly focuses on development of Leadership and Managerial skills, technical job related skills and certifications and applicable banking experience at all levels. In addition, the Group places special emphasis on "Counter Fraud" programs, BoG Certification programs and as well as positivity and collaboration skills enhancing programs. The Group's Training Key Performance Indicators for 2018 were as follows:

- a) Training days per employee: 4.7
- b) Percentage of employees who participated in training: 94.2%
- c) E-learning training in Greece 48.5% and abroad 39.9%

The Group's Performance Management process in Greece and Cyprus is driven by a tailor-made employee development system named "Axiopoio" whose two main pillars streamline employee's performance with the Group's strategy and its culture. Moreover, the Group's strategic priority is to offer career development opportunities to its employees, thus the majority of the job vacancies within the Group are covered from within.

Employees are systematically kept informed on a series of issues of interest and/or corporate issues through a variety of means including print, interpersonal and online ways. In July 2018, the Group in Greece launched its new Intranet Portal named "Connected", providing timely corporate and work-related information to all employees. Furthermore, several town hall meetings with the participation of Senior Management members take place, strengthening the corporate culture.

In order to enhance family bonds, Eurobank rewards its employees and their children, for excellent academic performance, thus encouraging them to continue pursuing educational advancement goals. Moreover, employees and their families are actively involved in volunteer initiatives through the new volunteer program "Team up". More than 600 employees throughout Greece are members of "Team up".

Additionally, the employee recognition program "Sto Epikentro" ran for the second year in succession. The program is based on Eurobank's Values and Vision as well as the following pillars:

- a) Cooperation
- b) Innovation
- c) Customer centricity
- d) Years of service

The Group respects employees' constitutional right to membership in Labour Unions. Six such Unions are currently active within the Bank, representing 89% of the staff, i.e. 7,076 employees. The most multitudinous of these Unions is recognized as the official representative in labour negotiations with the Bank's Management. The employees are covered by (industry-wide and enterprise-level) collective labour agreements, while for the Bank labour relations are regulated by the current laws and the Bank's Statute of Internal Service.

Finally, the Bank takes particular care of health and safety measures, implementing preventive health programs, by maintaining a blood bank for employees' blood donations and by operating a psychological support line in cooperation with an Employee Assistant Program (EAP) specialist center. Last but not least, the Bank implements a certified Health & Safety Management System in order to promote a workplace of high safety and well-being standards.

Corporate Social Responsibility

Since its formation, the Eurobank Group has embraced social responsibility activities, which address the concerns of society and local communities. The Bank actively contributes to economic growth and recognizes the importance of entrepreneurship as a major lever for the expansion of the Greek economy. In particular, Eurobank has created and implemented activities that contribute to boosting entrepreneurship, encouraging Greek businesses to be outward-looking, as well as the innovation. Within this framework, the Bank implements the “Go International” Business Missions Program. In 2018, the 8th Business Mission Program “Go in Thessaloniki” took place, giving the chance to more than 100 Greek exporters to come into contact with over 60 leading international buyers from 20 countries, and organizing more than 3,000 scheduled meetings. At the same time, the Bank, in collaboration with the three leading export agents of Greece (PanHellenic Exporters Association, Greek International Business Association, Exporters’ Association of Crete) and SEV-Hellenic Federation of Enterprises, created Exportgate.gr, a pioneering internet portal for international trade and business networking. Exportgate, as a founding member, in the “Trade Club Alliance”, the world’s first digital network of international trade and business interconnection, is supported by 7 international banking groups in 22 countries.

In the area of innovative youth entrepreneurship, the Bank, in collaboration with Corallia, an organization which offers management services to Greek innovation clusters, developed the “egg-enter•grow•go” program, which provides to teams of young entrepreneurs an integrated framework for business incubation, acceleration and co-operation. In 2018, the 6th cycle of the program was launched, with the emphasis on the development of innovative companies, through the provision of financial tools, with the aim of enhancing their competitiveness. In its six years of operation, the egg-enter•grow•go Program has become one of the most comprehensive business acceleration programs in Greece. Also, it has a strong image in Greece and abroad whilst being a model for all new initiatives of innovative start-ups in Greece. After the completion of the first six cycles of the program, the egg has left its business and social footprint as follows:

- a) 730 people were housed in the egg Program
- b) 435 young entrepreneurs were supported
- c) 172 entrepreneurial teams joined the Program
- d) 100 entrepreneurial teams have become a legal entity
- e) 31 companies have filed for a patent
- f) 55 egg companies travelled abroad
- g) € 3.5m is the total turnover of 62 egg companies
- h) 21 companies have received a total of € 4.5m in equity funding
- i) 25 companies have received € 1.6m of total funding from Eurobank
- j) € 75k in cash prizes from Eurobank to the egg startups
- k) € 70k donations to NGOs by the egg startups

Another innovation initiative created by the Bank in collaboration with business operators, Foundation M.P. and The Cube, is the regional competition “Beyond Hackathon”, aiming at developing innovative financial technology oriented products and services. In 2018, the third contest was completed, in which 20 teams made presentations to a panel aiming to win 2 money prizes.

The Bank has also undertaken a series of initiatives in order to support society in the critical field of Education. Since 2003, a program entitled, “The Great Moment for Education”, has been running, in which the top high school graduates from all over the country are awarded every year. By 2018, the 16th year of its operation the Bank has awarded more than 17,725 top pupils throughout the country. Moreover, in collaboration with the “Apostoli”, a charity organisation of the Holy Archdiocese of Athens, the Bank supports the Program “Apostoli stands by the students”, offering in 2018 more than 26,000 “parcels of love” to the families of students who are deprived of basic food items. The Bank supports a significant number of non-governmental organizations and institutions supporting mainly children and vulnerable population groups. Additionally, the Bank actively promotes cultural and athletic events throughout the country.

Eurobank encourages dialogue with stakeholders including all interested parties that are individuals and legal entities which directly or indirectly, involved, influence, or are affected by, its activity and operation. More specifically, the Bank’s Corporate Social Responsibility actions are described in the Corporate

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Responsibility Report of 2018, which is prepared in line with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) international framework and published on www.eurobank.gr.

The Bank follows internationally acknowledged standards and principles when preparing Sustainability Reports, such as the United Nations Global Compact, which the Bank signed in 2008, the Global Reporting Initiative (GRI), as well as the framework of the International Organization for Standardization ISO 26000. The Bank continuously strives to be a pioneer institution in the banking sector, while supporting its customers, on the basis of the principles of corporate responsibility.

Protection of environment

The sustainable business growth is an essential part of the corporate culture of the Group. As a financial group, it is aware of the direct and indirect environmental impacts of its operations and therefore the Group seeks and sets specific objectives and targets for the optimal use of natural resources, the minimization of waste production, the protection of the environment, the mitigation and adaptation to climate change and the protection of biodiversity and ecosystems. Moreover, the Group encourages its customers, suppliers, employees, shareholders, stakeholder groups and the society at large, towards the adoption of sustainability best practices in accordance with International Organizations' Guidelines and Initiatives.

The Group is committed to minimize its environmental footprint and to promote green economy. In this context, the Group implements a Sustainability Policy, an Environmental Policy and an Energy Management Policy, towards the protection of the environment in all aspects of its operations. Furthermore, the Group within the framework of the implementation of the Environmental Policy, has established a Green Procurement Policy, aiming to evaluate and select suppliers based on environmental criteria.

In the context of these policies, the Group implements certified management systems, in accordance with International Standards, such as a Quality Management System (ISO 9001), an Environmental Management System (ISO 14001, EMAS) and an Energy Management System (ISO 50001). The implementation of these management systems is supported by relevant e-learning training programs. Additionally, for the integration of the Environmental and Social (E&S) issues into its business model, the Group implements an Environmental and Social Management System (ESMS) in accordance, among others, with the requirements and expectations of Group's institutional investors, shareholders and other stakeholders. The responsibility of the sustainable development and environmental issues is assigned to the Group Environmental and Sustainability Committee, chaired by a Deputy Chief Executive Officer.

The Group is actively involved in a series of International and European Initiatives for environmental protection, sustainable development and responsible entrepreneurship such as the United Nations Environment Program Finance Initiative (UNEP FI), the EU Eco-Management and Audit Scheme (EMAS) and the Energy Efficiency Financial Institutions Group (EEFIG). Additionally, it participates at the Sustainable Development Committee of the Hellenic Bank Association, the Hellenic Network for Corporate Social Responsibility (CSR Hellas) and as an ambassador at the Sustainable Greece 2020 Initiative.

In 2018, the Bank, at the Bravo Sustainability Awards, was distinguished for the "Sustainable Development at Eurobank" initiative in the "Bravo Governance" pillar, which rewards the overall contribution for sustainable development, as well as the pillar "Bravo Environment" for the "Electrical and Electronic Equipment Management Program" initiative. Additionally, Eurobank remains a constituent of the Financial Times Stock Exchange 4Good (FTSE4GOOD) Emerging Index.

The Group is also actively involved in the development of green products and services such as the WWF VISA, the "Green" Home Loan, and the Renewable Energy Investment Loan as well as in issuing e-Statements to reduce its environmental footprint.

The environmental performance, with respect to the improvement of the operational environmental footprint, is monitored through specific environmental indicators in order to identify any deviations and corrective actions, and is included in the Annual Corporate Responsibility Report and in the Environmental Report (EMAS), which are available at the website (www.eurobank.gr).

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Actions against corruption and bribery incidents

The Group is committed to pursuing the fundamental values of integrity, transparency and accountability. It is also committed to safeguarding its reputation and client base.

The Group follows best business practices, having accepted and integrated in its culture the ten principles of the UN Global Compact. The 10th principle on Anti-Corruption states that “Businesses should work against corruption in all its forms, including extortion and bribery”.

The Group has adopted a zero tolerance approach against all types of fraud, including bribery. In accordance with the relevant legislation, the Group prohibits bribery in any form either direct or indirect (through a third party). The principle of zero tolerance applies to all staff and prohibits all forms of bribery, whether active or passive, direct or indirect and is also reflected in contractual documents adopted when entering into relationships with third parties, either natural or legal.

In this context, the Group has adopted the following policies and procedures to govern the treatment of bribery and corruption cases encountered:

- a) Code of Professional Conduct
- b) Anti-Bribery & Anti-Corruption Policy
- c) Policy for Reporting Unethical Conduct
- d) Client Entertainment and Gifts Policy
- e) Management of Sponsorships and Donations

Recognizing that any involvement in cases of bribery not only constitutes a crime, but also reflects adversely on its reputation and client base, the Group takes the following measures aimed at limiting its exposure to bribery:

- a) Setting out a clear approach to deal with the risk of bribery.
- b) Establishing a robust system of internal controls that does not tolerate bribery and corruption.

Group Compliance is responsible for issuing policies and procedures to combat bribery and corruption cases. Each unit of the Bank is responsible for complying with the existing policies. The Business & Internal Conduct Division of Group Compliance carries out risk assessment exercises on anti-bribery and anti-corruption issues and performs specialized monitoring exercises for potential violations. The Forensic Audit Division of Internal Audit investigates all cases of suspected internal fraud / corruption.

Related party transactions

As at 31 December 2018, the Group’s outstanding balances of the transactions and the relating net income / expense for 2018 with (a) the key management personnel (KMP) and the entities controlled or jointly controlled by KMP are: compensation €8.6m, receivables €7.2m, liabilities €16.5m, guarantees received €0.03m, net income €0.05m and (b) the associates and joint ventures are: receivables €28.9m, liabilities €47.7m, net expense €38.9m.

At the same date, the Bank’s outstanding balances of the transactions and the relating net income / expense for 2018 with (a) the KMP and the entities controlled or jointly controlled by KMP are: compensation €8.1m, receivables €7.2m, liabilities €5.0m, guarantees received €0.03m, net income €0.04m, (b) the associates and joint ventures are: receivables €11.0m, liabilities €46.3m, net income €14.4m and (c) the subsidiaries are: receivables €2,645m, liabilities €3,799m, guarantees issued €1,715m, net income €37.9m. The major balances⁸ of the Bank’s transactions with (a) its subsidiaries and (b) its associates are presented in the below table:

⁸ Exceeding an amount of €100m in assets/liabilities or €1m in income/expenses for the Bank’s transactions with its subsidiaries and associates.

EUROBANK ERGASIAS S.A.

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€ million	Assets	Liabilities	Income	Expenses	Guarantees (Net)
A. SUBSIDIARIES					
Eurobank Ergasias Leasing S.A.	736	16	17	(15)	1
Eurobank Equities S.A.	1	66	1	(0)	2
Eurobank Asset Management Mutual Fund Mngt Company S.A.	1	12	3	(1)	-
ERB Hellas Plc	0	34	0	(2)	33
Eurobank Factors S.A.	470	2	24	(0)	200
Eurobank FPS Loans and Credits Claim Management S.A.	2	13	0	(26)	-
Be Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services	0	4	0	(7)	0
Eurobank Bulgaria A.D.	3	666	20	(17)	-
ERB Istanbul Holding A.S.	-	30	30	(1)	-
Eurobank Fund Management Company (Luxembourg) S.A.	1	0	7	(0)	-
ERB New Europe Holding B.V.	-	163	13	(0)	-
Eurobank Cyprus Ltd	383	1,981	8	(27)	354
Eurobank Private Bank Luxembourg S.A.	881	632	47	(7)	1,066
Hellenic Post Credit S.A.	135	20	1	(0)	-
Standard Ktimatiki S.A.	-	19	-	(19)	-
Eurobank Property Services S.A.	-	5	0	(3)	-
B. ASSOCIATES					
Eurolife ERB Insurance Group Holdings S.A. (group)	7	40	56	(37)	-
Famar S.A.	-	-	1	(5)	-

All transactions with related parties are entered into the normal course of business and are conducted on an arm's length basis. Further information is provided in the note 49 to the consolidated financial statements and note 44 to the financial statements of the Bank.

Corporate Governance Statement

Eurobank's Corporate Governance Code and Practices are on the website (www.eurobank.gr). The Corporate Governance Statement attached herewith, is an integral part of the Directors' Report.

Nikolaos Karamouzis
Chairman

Fokion Karavias
Chief Executive Officer

29 March 2019

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APPENDIX

Definition of selected financial ratios / measures

- a) **Loans to Deposits ratio:** Loans and advances to customers at amortised cost divided by due to customers at the end of the reported period,
- b) **Pre-Provision Income (PPI):** Profit from operations before impairments, provisions and restructuring costs as disclosed in the financial statements for the reported period,
- c) **Core Pre-provision Income (Core PPI):** The total of net interest income, net banking fee and commission income and income from non banking services minus the operating expenses of the reported period,
- d) **Net Interest Margin:** The net interest income of the reported period, annualised and divided by the average balance of continued operations' total assets (the arithmetic average of total assets, excluding assets classified as held for sale, at the end of the reported period and at the end of the previous period),
- e) **Fees and commissions:** The total of net banking fee and commission income and income from non banking services of the reported period,
- f) **Income from trading and other activities:** The total of net trading income, gains less losses from investment securities and other income/ (expenses) of the reported period,
- g) **Cost to Income ratio:** Total operating expenses divided by total operating income,
- h) **Non-performing exposures (NPEs):** Non Performing Exposures (in compliance with EBA Guidelines) are the Group's material exposures which are more than 90 days past-due or for which the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past due amount or the number of days past due. The NPEs, as reported herein, refer to the gross loans at amortised cost, except as otherwise indicated,
- i) **NPEs ratio:** Non Performing Exposures (NPEs) at amortised cost divided by gross loans and advances to customers at amortised cost at the end of the reported period,
- j) **NPEs formation:** Net increase/decrease of NPEs at amortised cost in the reported period excluding the impact of write offs, sales and other movements,
- k) **NPEs Coverage ratio:** Impairment allowance for credit related commitments, divided by NPEs at amortised cost at the end of the reported period,
- l) **Provisions (charge) to average Net Loans ratio (Cost of Risk):** Impairment losses on loans and advances charged in the reported period, annualised and divided by the average balance of loans and advances to customers at amortised cost (the arithmetic average of loans and advances to customers at amortised cost at the end of the reported period and at the end of the previous period),
- m) **Total Capital Adequacy ratio:** Total regulatory capital as defined by Regulations (EU) No 575/2013 and No 2395/2017 based on the transitional rules for the reported period, divided by total Risk Weighted Assets (RWA). The RWA are the Group's assets and off-balance-sheet exposures, weighted according to risk factors based on Regulation (EU) No 575/2013, taking into account credit, market and operational risk,
- n) **Common Equity Tier 1 (CET1):** Common Equity Tier I regulatory capital as defined by Regulations (EU) No 575/2013 and No 2395/2017 based on the transitional rules for the reported period, divided by total Risk Weighted Assets (RWA),
- o) **Fully loaded Common Equity Tier 1 (CET1):** Common Equity Tier I regulatory capital as defined by Regulations No 575/2013 and No 2395/2017 without the application of the relevant transitional rules, divided by total RWA.

Source of financial information

The Directors' Report includes financial data and measures as derived from the Bank's consolidated financial statements for the year ended 31 December 2018 and the consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

In addition, it includes information as derived from internal information systems, consistent with the Group's accounting policies, such as the selected financial information for the Group's two main reportable segments a) Greek Operations, which incorporate the business activities originated from the Bank and the Greek subsidiaries and b) International Operations, which incorporate the business activities originated from the banks and the local subsidiaries operating in Bulgaria, Serbia, Cyprus and Luxembourg (as described at the relevant section on page 6).

CORPORATE GOVERNANCE STATEMENT 2018

1. Corporate Governance Code and Practices

In compliance with the Greek legislation as well as with the Bank's contractual obligations to the Hellenic Financial Stability Fund (HFSF) and based on the international best practices on corporate governance, Eurobank Ergasias S.A. (Bank or Eurobank), has adopted and implements a Corporate Governance Code (Code), which describes its basic corporate governance principles. The Code and relevant corporate governance practices are available on the Bank's website (www.eurobank.gr).

2. Board of Directors¹

2.1 General

The Bank is headed by a Board of Directors (Board or BoD) which is collectively responsible for the long-term success of the Bank. The Board exercises its responsibilities effectively and in accordance with the Greek legislation, international best practices and the Bank's contractual obligations to the HFSF under the Relationship Framework Agreement (RFA) signed between the Bank and the HFSF.

The Board's role is to provide entrepreneurial leadership to the Bank and its subsidiaries (collectively the "Group") within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Group's strategic goals, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance. The Board sets the Group's values and standards and ensures that its obligations to its shareholders and others are understood and met. All Directors must act in what they consider to be the best interests of the Group, consistent with their statutory duties.

2.2 Composition of the Board

The members of the Board are elected by the Bank's General Meeting which also determines the exact number of the directors, within the limits of the Law and of the Bank's Articles of Association, their term of office and designates the independent non-executive directors. The current Board, as of the date of approval of the here-in Statement, consists of thirteen (13) Directors of whom, four (4) executives, two (2) non-executives, six (6) independent non-executives and one (1) representative of the HFSF, who has been appointed (as non-executive Director) in accordance with relevant legal requirements.

Further to the full redemption, on 17.01.2018, of the preference shares issued by the Bank and subscribed to by the Greek State (Pillar I) and the full repayment on 30.10.2017 of the Pillar II bonds issued by the Bank under the Greek State guarantee, Eurobank's BoD acknowledged on 09.03.2018 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 17.01.2018. Moreover, the BoD decided that Ms. Androniki Boumi is appointed to the Bank's BoD as non-executive Director, whose tenure ended at the General Meeting of the Shareholders of the Bank, which took place on 10 July 2018.

On 10 July 2018, the Annual General Meeting of the Shareholders of the Bank elected a new BoD, whose term of office will expire on 10 July 2021, prolonged until the end of the period the Annual General Meeting for the year 2021 will take place. The new BoD, in its meeting of 10 July 2018, decided on its constitution, on the appointment of the Chief Executive Officer and Deputy Chief Executive Officers and on the determination of its executive and non-executive Directors.

Furthermore, in the framework of the announcement on 26 November 2018 of the Boards of Directors of the Bank and Grivalia Properties REIC (Grivalia) regarding their decision to commence the merger of the two companies by absorption of Grivalia by the Bank it was announced, among other, that subject to the relevant legal and regulatory requirements and Bank's corporate governance procedures, upon the completion of the merger, Mr. George Chryssikos, currently non-executive director of Eurobank, will be proposed for non-executive Vice Chairman of the Bank's BoD of Eurobank and Mr. Nikolaos Bertzos, currently Chairman of the BoD of Grivalia, will be proposed for non-executive member of the BoD of the Bank.

¹ Information regarding the Board's composition is included in note 51 of the consolidated accounts and short biographical details of its members may be found at the bank's website (www.eurobank.gr).

The Board as of the date of the approval of the Report of the Directors consists of the following members:

		First appointment	End of Term
Nikolaos V. Karamouzis	Chairperson, Non-Executive	Feb. 2015	March 2019
Fokion C. Karavias	Chief Executive Officer	Jun. 2014	2021
Stavros E. Ioannou	Deputy Chief Executive Officer	Apr. 2015	2021
Theodoros A. Kalantonis	Deputy Chief Executive Officer	Apr. 2015	2021
Konstantinos V. Vassiliou	Deputy Chief Executive Officer	July 2018	2021
George K. Chryssikos	Non-Executive Director	Jun. 2014	2021
Richard P. Boucher	Non-Executive Independent Director	Jan. 2017	2021
Rajeev K. L. Kakar	Non-Executive Independent Director	July 2018	2021
Bradley Paul L. Martin	Non-Executive Independent Director	Jun. 2014	2021
Jawaid A. Mirza	Non-Executive Independent Director	Jun. 2016	2021
George E. Myhal	Non-Executive Independent Director	Oct. 2016	2021
Lucrezia Reichlin	Non-Executive Independent Director	Jun. 2016	2021
Aikaterini Beritsi	Non-Executive Director, HFSF Representative	Dec. 2017	2021

Members whose tenure expired at the General Meeting of the Shareholders of the Bank, which took place on 10 July 2018:

Androniki Boumi	Non-Executive Director	Jul. 2017	Jul. 2018
Stephen L. Johnson	Non-Executive Independent Director	May 2015	Jul. 2018

Following the decision of the Chairman of Eurobank's BoD Mr. Nikolaos Karamouzis to step down from the position of the Chairman and member of Eurobank's BoD at the end of March 2019, the BoD at its meetings held on March 29th and April 1st, 2019 appointed Mr. George Zaias as the new non-executive Chairman of the Bank's BoD in replacement and for an equal term to the remaining term of the resigned member.

Finally, Ms. Lucrezia Reichlin submitted her resignation effective as of April 1st, 2019 and on the same day the BoD of the Bank decided not to immediately replace her.

There are no restrictions in the re-election and cessation of Directors in the Bank's Articles of Association. The Board, may decide with a resolution of its remaining members, provided that they are at least three (3), to elect new members in order to replace those whose membership has lapsed (due to resignation, death or in any other way). In any such case of members whose membership has lapsed, the Board is entitled to continue the management and representation of the Bank, without being obliged to replace the lapsed members, provided that the number of the remaining members exceeds half of the number of the members prior to the event that led to the lapse of their membership and, in any case, is not less than three (3).

According to the Bank's Articles of Association, the Board may consist of three (3) to twenty (20) members², while, under the RFA, this range has been specifically set to be between seven (7) and fifteen (15) members (including the representative of the HFSF). In addition, according to the RFA, (a) the number of the Board's members must always be odd, (b) the majority of the directors must be non-executive members with at least half of the non-executive members (rounded to the nearest integer) and in any case not less than three (3) (excluding the representative of the HFSF), being independent non-executive members in accordance with the provisions of Law 3016/2002 on corporate governance and the European Commission Recommendation 2005/162/EC and (c) the Board should include at least two (2) executive members. For any differentiations from RFA's provisions the HFSF's prior consent should be received. Furthermore, according to the HFSF corporate governance review criteria developed as per the relevant provisions of Law 3864/2010, the target size of the Board should be up to thirteen (13) members.

² The Bank's Articles of Association are aligned with the provisions of the c.l. 2190/1920. It is noted that, as provided in the new Company Law 4548/2018, till 31.12.2019 the Articles of Association will be harmonized with the provisions of the new Company Law 4548/2018, as required, at the General Meeting of Shareholders by a simple quorum and majority. Subsequent harmonization of the Articles of Association, in accordance with the provisions of Law 4548/2018, is carried out in accordance with its general provisions regarding quorum and majority of the General Meeting of Shareholders.

2.3 Provisions of Law 3864/2010, as in force, regarding the composition of the Board

Law 3864/2010, as in force, has introduced certain minimum requirements with respect to the size, the structure and the members of the Board and the Board Committees of the credit institutions whose corporate governance framework may be assessed by the HFSF according to the relevant provisions of Law 3864/2010. In particular, Board members must (i) have a minimum of ten years of experience as senior executives in banking, auditing, risk management or management of risk-bearing assets, with three years of experience, with respect to the non-executive members, as board members of a credit institution, a financial sector enterprise or an international financial institution, (ii) not serve or have been entrusted during the last four years with prominent public functions, such as heads of state or of government, senior politicians, senior government, judicial or military officials or prominent positions as senior executives of state owned corporations or political party officials, and (iii) have declared any economic connections with the credit institution prior to their appointment. In addition, the Board must comprise at least: (i) three experts as independent non-executive directors, with sufficient knowledge and international experience of at least 15 years with financial institutions of which at least three years as members of an international banking group which is not active in the Greek market unrelated to any Greek credit institution during the past decade, which shall chair all board committees, and (ii) one member with at least five years of international experience and specialisation in risk or NPL management, who shall be responsible for NPL management at board level and shall chair any special board committee for NPL management, which regarding the Bank, HFSF, after consultation with European Central Bank (ECB) and Single Supervisory Mechanism (SSM), acknowledged that such committee is the Board Risk Committee. Furthermore, and based on the provisions of article 10, par. 6 of Law 3864/2010, the HFSF with the assistance of an independent consultant has developed additional criteria as to the eligibility of individual Board members.

2.4 HFSF's rights according to Law 3864/2010 and the RFA

According to the Law 3864/2010 the HFSF for the realization of its objectives and the exercise of its rights a) determines the framework of the RFA or of the amended RFA, as the case may be, with all credit institutions that are or have been beneficiaries of financial assistance provided by the European Financial Stability Fund (EFSF) or the European Stability Mechanism (ESM) and b) the credit institutions should sign the mentioned RFA. In this context, a new RFA was signed between the Bank and the HFSF on 4.12.2015 with immediate effect, replacing the previous one dated 26.8.2014.

The RFA, signed between the Bank and the HFSF on 4.12.2015, regulates, among others, (a) the corporate governance of the Bank, (b) the Restructuring Plan³ and its monitoring, (c) the monitoring of the implementation of the Bank's Non-Performing Loans (NPL) management framework and of the Bank's performance on NPL resolution. Furthermore it deals with (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of 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 Board.

According to the RFA provisions, HFSF appoints its Representative by a simple written notice addressed to the Chairperson of the Board. The Board shall immediately approve his/her appointment and take all necessary actions according the Bank's Articles of Association and Company Law 2190/1920 as replaced by the new Law 4548/2018 for the completion of this appointment, including the required notification to the General Meeting. In case such appointment exceeds the number of the elected Board members by the General Meeting or goes beyond the maximum number of members of which, according to the Bank's Articles of Association, may be elected in its Board, the Bank should immediately convene an Extraordinary General Meeting for the election of the new member in the Board and proceed if necessary, with a relevant amendment to its Articles of Association for the increase of the number of the Board's members in the Board.

Furthermore, according to the RFA provisions, HFSF is entitled to appoint one Observer in the Bank's Board, who has no voting rights in the Board. HFSF appoints its Observer or his/her replacement by a simple written request addressed to the Chairperson of the Board. His/her appointment is completed immediately from the receipt by the Bank of the said written request with no further procedures to be required. The Observer is HFSF's portfolio manager acting as the contact person with the Bank and explicitly charged with the monitoring of the Bank.

Regarding the Board operations, the HFSF's Representative has the right to: a) request the convocation of the Board, b) add items on its agenda, c) request the postponement of a Board meeting for three (3) business days so as to receive directions from the HFSF's Executive Board, d) veto any resolution of the Board (i) related to dividend distributions and the remuneration policy and the additional compensation (bonus) of Board members, of General Managers or of those to whom the duties of a General Manager have been assigned as well as of their deputies, (ii) that may jeopardise depositors' interests or seriously impact the liquidity or the solvability or in general the prudent and concise operation of the Bank (such as business strategy, asset/liability management etc), (iii) concerning corporate actions resulting in the

³ As per Eurobank's Restructuring Plan approved by the European Commission on 26 November 2015, the end of the restructuring period was the 31st December 2018.

amendment of the Bank's Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the Board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets, including the sale of subsidiaries, or for any other issue requiring increased majority as provided for in Company Law 2190/1920 as replaced by Law 4548/2018 which may materially impact HFSF's participation in the Bank's share capital, e) approve the Bank's Chief Financial Officer.

HFSF is entitled to review the Bank's annual Board and the Board Committees' self-assessment for the purpose of identifying weaknesses and improving working methods and effectiveness as well to perform its own evaluation of the corporate governance arrangements of the Board and its Committees, with the assistance of independent consultants of international reputation and established experience and expertise, in accordance with the article 10 of Law 3864/2010. This review will be in line with prudent international practices by applying criteria that go beyond supervisory fit and proper requirements.

2.5 Division of responsibilities

There is a clear division of responsibilities at the head of the Bank between the proper operation of the Board and the day-to-day management and control of the Bank's business. The roles of Chairperson and CEO are not exercised by the same person.

The Executive Directors have responsibility for the day-to-day management and control of the Group and the implementation of its strategy. The non-Executive Directors are responsible for the overall promotion and safeguarding of the Bank's interests, constructively challenge and help develop proposals on strategy and approve, revise and oversee the implementation of the remuneration policy both at Bank and Group level. The Independent non-Executive Directors have the duty, if they consider it necessary; to submit each one of them or jointly to the General Meeting their own reports other than those of the Board on a specific subject.

2.6 Operation of the Board

The Chairperson of the Board chairs the Board and ensures its effectiveness on all aspects of its role. He is non-executive and does not serve as Chairperson of either the Board Risk or the Audit Committees. The CEO is accountable for and manages strategy development and implementation in line with the vision of the Bank. He is responsible for leading the organisation to the achievement of its objectives.

The Board meets regularly every quarter and on an ad hoc basis, whenever the law or the Bank's needs necessitate it, given at least two (2) business days' notice or at least five (5) business days' notice, if the meeting is held outside the Bank's registered office, as per Company Law 4548/2018 provisions. The invitation must also mention with clarity the agenda subjects, otherwise a decision is taken only when all members of the Board are present or represented and nobody objects to the convocation of the meeting and to the taking of decisions. In addition, according to the RFA provisions the Board informs the HFSF's Representative and the Observer on the activities and the decisions of the Board and to that end it shall notify to them the agenda together with the relevant supporting material at least three (3) business days prior to the Board meeting, otherwise, unless an emergency case unforeseeable by the Bank exists, the HFSF Representative is entitled to request a postponement of the Board meeting which shall be resumed the earliest after three (3) business days, provided that the aforementioned documents are provided to him/her on time. In case where an item on the agenda requires, as per RFA provisions, the prior HFSF consent, the Bank should not submit it for approval to the Board before HFSF consent is granted, unless otherwise agreed between the Bank and HFSF. For urgent matters, the Board may approve matters subject to subsequent HFSF consent.

The Board is considered to be in quorum and meets validly when at least half plus one of its members are present or represented. The number of the present or represented members is not allowed to be less than three (3). For defining the quorum any resulting fraction is omitted. Decisions of the Board are taken by absolute majority of the Directors that are present or represented. In case of parity of votes, the vote of the Chairperson of the Board does not prevail. During 2018 the Board held twenty-one (21) meetings (2017: 18) and the average ratio of the Directors attendance was 97% (2017: 95%). Submissions to the Board are normally circulated together with the agenda. Decisions are taken following discussions which exhaust the agenda items to the satisfaction of all Directors present. Board meetings minutes are kept by the Secretary of the Board, are approved at subsequent Board meetings and signed by all Directors present. The RFA provides for, on an individual basis, compulsory attendance of Board members of at least 85%. Each member may miss up to 15% of individual meetings if a valid excuse is provided. Finally, the drawing up and signing of minutes by all the members of the Board of Directors or their representatives is equal to a decision of the Board of Directors, even if no meeting has preceded.

2.7 Directorships of Board members

The number of directorships which may be held by the Board members at the same time comply with the provisions of Law 4261/2014 (art. 83), according to which the Directors shall not hold more than one (1) of the following combinations of directorships at the same time: a) one (1) executive directorship with two (2) non-executive directorships; and b) four (4) non-executive directorships. This restriction is not applied to directorships within the Group. Bank of Greece (BoG) as the competent authority may authorize Board members to hold one (1) additional non-executive directorship. Based on their declared information, all members are compliant with the provisions of Law 4261/2014.

2.8 Conflict of interest

The Group, based on the “Conflict of Interest Policy and Rules for Personal Transactions” has adopted a series of Policies, measures and procedures that must be followed in order to prevent and manage conflict of interest situations, as encountered in the provision of investment or ancillary services to its clients and in the general business activities of the Group.

To avoid situations of conflicting duties, each company within the Group, segregates the executive and supervisory responsibilities of the members of the Board of Directors, including the division of the responsibilities of the Chairperson of the Board of Directors with the executive responsibilities of the Managing Director. More specifically, by adopting appropriate procedures, effective segregation of duties is ensured, so as to avoid cases of incompatible roles, conflict of interests between the members of the Board of Directors, Management and Executives, but also between the aforementioned and those of the Bank and its transacting parties, as well as the unlawful use of inside information or assets.

The Board members:

- must comply with the high standards and principles of professional ethics in the performance of their duties, apply the principles of the “Conflict of Interest Policy and Rules for Personal Transactions” and refrain from any activity or conduct that is inconsistent with it.
- according to article 97 par. 1 of Company Law 4548, are prohibited from pursuing personal interests that run counter to the interests of the Bank (or the Group) and must timely and adequately disclose to the other members of the Board of Directors of any personal/own interests that may arise from the Bank’s transactions which fall within their line of responsibility, as well as any other potential, perceived or actual conflict of interests that may exist between Eurobank or its affiliated undertakings (under article 32 of Greek Law 4308/2014) and themselves. Furthermore they have to disclose to the other members of the Board any conflict of interests between Eurobank and their associated parties under article 99 par. 2 of the Company Law. Adequate disclosure on behalf of the Board members, as per the above, is considered the one that includes a description of both the transaction and the own interests.
- must ensure the privacy and the confidentiality of non-publicly available information and refrain from behaviors that would constitute market abuse and conflict of interest.

2.9 Remuneration

The Bank’s remuneration policy promotes sound and effective risk management and is consistent with the objectives of the Bank’s business and risk strategy, corporate culture and values, long term interests of the Bank and the measures used to avoid conflicts of interest and should not encourage excessive risk-taking on behalf of the Bank. The 2018 Board and key management remuneration disclosure is included in note 49 of the consolidated accounts. In addition, in order to ensure adequate transparency to the market of the remuneration structures and the associated risks, the Bank discloses in its website www.eurobank.gr, detailed information on the remuneration policies, practices and, for confidentiality reasons, aggregated amounts for those members of staff whose professional activities have a material impact on the risk profile of the Bank, and publishes accordingly all information as per current legislation.

2.10 Main issues the Board dealt with during 2018

In discharging its responsibilities for 2018 the main issues the Board dealt with related to:

a) Governance:

- election of new Board members and approval of Board Committees’ composition,
- preparation and convocation of the Bank’s Shareholders General Meetings,
- annual evaluation of the Board and the Board Committees,
- approval of the revised Board of Directors Diversity and Board and Board Committees’ Attendance Policies,
- approval of Key Function Holders Selection and Appointment Policy,
- review Senior Executives succession plan,
- approval of the revised Terms of Reference of the Board Risk Committee and of the Remuneration Committee,
- approval of the bank’s Corporate Governance Code and Practices,
- regular update on Board Committees’ matters,
- various remuneration issues

b) Corporate and other actions:

approved the following:

- merger of the Bank with Eurobank Household Lending Services,
- acquisition of Piraeus Bank in Bulgaria,
- merger by absorption of the company “Grivalia Properties REIC”
- sale of the Bank’s subsidiaries in Romania,
- sale of NPE portfolios,

- execution of a Memorandum of Understanding with the Hellenic Republic for the issuance of guarantees addressed to the European Investment Bank (“EIB”) in favour of the Bank, for the granting of loans from EIB to the Bank, related to financings through its subsidiary leasing entity,
 - approval of the establishment of a new Covered Bond Program.
- c) Capital adequacy:
- approval of the exchange of Greek State preference shares into Tier 2 bonds
 - approval of the 2018 Internal Capital & Liquidity Adequacy Assessment Process (ICAAP & ILAAP 2018),
 - approval of the securitization of a loan portfolio of the Bank.
- d) Business monitoring:
- approval of the 2017 annual financial statements and the 2018 interim financial statements,
 - approval of the annual budget 2018 and the 3-Years Business Plan for the period 2018-2020,
 - review and discussion of the Annual Budget 2019 and the 3-Years Business Plan for the period 2019-2021,
 - review of the implementation progress of the Restructuring Plan,
 - approval of the Bank’s Non-Performing Exposures (NPE) Targets (Solo) for the period 2018-2021 and the NPE management Strategy (SSM targets),
 - update on significant subsidiaries activities and strategic priorities,
 - review of business developments and liquidity.
- e) Risk Management and Internal Control:
- briefing on the assessment on Internal Audit Group and Group Compliance annual regulatory reports,
 - update on significant audit issues
 - approval of Risk and Capital Strategy and Risk Appetite Statements,
 - update on the Group Chief Risk Officer’s Annual Report for the year 2017,
 - update on TAG report and Group Chief Risk Officer’s opinion thereof,
 - update on credit related issues through various reports
 - approval of the 2017 consolidated Pillar 3 Report (capital and risk management disclosures),
 - regular briefing on Risk and Audit Committees matters,
 - update on the 2017 Annual Activity Report of the Audit Committee,
 - approval of new or revised policies as per the legal or regulatory framework and internal processes,
 - update on the Group Recovery Plan.

2.11 Evaluation of the Board’s structure, size, composition and performance

The Nomination Committee in discharging its responsibility for the annual assessment of the structure, size, composition and performance of the Board, assisted by an independent external expert on corporate governance, proceeded with the Board’s evaluation for 2018.

In accordance with the Bank’s Board and Board Committees Evaluation Policy, 2018 Board evaluation covered the following areas:

- Board’s performance in setting and monitoring strategy (including the business plan),
- Board’s performance in overseeing, engaging with, evaluating, incentivizing and retaining key management personnel,
- Board’s performance in overseeing risk management and internal control,
- adequacy of the Board’s profile and composition,
- adequacy of Board dynamics and functioning,
- role and performance of the Board Chairperson,
- adequacy of Board secretarial support,
- effectiveness of Board Committees.

Overall the evaluation concluded that the Board continued to function effectively in 2018 as in 2017, with the area showing the most significant improvement being the effectiveness of Board Committees. Furthermore improvement was noted in the areas of “Risk Governance and Internal Control” and “Board Functioning and Dynamics, while ”strategic human resources issues and remuneration still remain in the areas for further improvement. The Board has approved an action plan as proposed by the Nomination Committee to further strengthen assessed areas.

2.12 Directors’ Induction and Continuous Professional Development Process

The new Board members appointed during 2018 have received a full and formal Induction Program whose main objectives were to (a) communicate the Bank’s vision and culture, (b) communicate practical procedural duties, (c) reduce the time taken for them to become productive in their duties, d) assimilate them as welcomed members of the Board, e) become familiar with the Bank’s organizational structure and f) give them an understanding of Bank’s business and strategy and the markets in which it operates, a link with the Bank’s people and an understanding of its main relationships. Also, the new Board members, upon their appointment received a Manual of Obligations towards Supervisory Authorities and the Bank, aiming to inform them on their main obligations under the local regulations and the Board’s procedures, while meetings and presentations were arranged with the Bank’s Key Executives, in order for the new Directors to acquire a real overview of the Bank.

Furthermore, given that the Bank acknowledges the need to provide resources for developing and refreshing the knowledge and skills of the Directors, during 2018 and in the framework of its Continuous Professional Development program, all the Board members a) participated in training sessions which covered various areas such as the Non-performing Loans regulatory framework, the European Banking Supervision framework, data analytics and the robotic process automation, b) received regular updates, including reports and presentations, from senior management regarding the operations and strategic targets of business units, c) were updated on a regular basis on risk, audit, compliance, financial, human resources, legal and regulatory issues, and d) received regular and ad-hoc research and economic bulletins prepared by Eurobank's Economic Analysis and Financial Markets Research Division.

3. Board Committees

The Board is assisted in carrying out its duties by Board Committees. The Board delegates some of its responsibilities to such Board Committees and approves their mandate and composition, save for the composition of the Audit Committee whose members are appointed by the General Meeting. The Board receives regular and ad hoc reports from the Audit Committee, Board Risk Committee, Nomination Committee, Remuneration Committee and Strategic Planning Committee, and assesses their performance as per the provisions of the Bank's Board and Board Committees Evaluation Policy. According to the RFA, the HFSF appoints its Representative as well as its Observer (who has no voting rights in the Board's Committees) or replaces them with a written request addressed to the Chairperson of the Board and their appointment is completed immediately from the receipt by the Bank of the HFSF's written request and no further procedures are required. HFSF provided its consent to the Bank's request to exclude the Strategic Planning Committee from the RFA provisions regarding the appointment of its representative and observer to all Board Committees. Pursuant to the RFA, the HFSF Representative has the right to participate in, request the convocation of, and include items on the agendas of, the Audit Committee, Board Risk Committee, Remuneration Committee and Nomination Committee. In addition, HFSF is entitled to the assistance by an independent consultant of international reputation and established experience and expertise, to perform its own evaluation of the Board Committees, in accordance with the article 10 of L. 3864/2010 as in force.

According to the RFA provisions, the members of the Audit, Board Risk, Remuneration and Nomination Committees should be at least three (3) and should not exceed 40% (rounded to the nearest integer) of the total number of Board members, excluding the representative of the HFSF. The Committees' Chairpersons should be independent non-executive members and shall meet the requirements provided for in Law 3864/2010. The Committees' members should be non-executives with the majority of them, excluding the representative of the HFSF, independent non-executives, except for the Audit and Board Risk Committees where 75% and 1/3, respectively, of their members (excluding the representative of the HFSF and rounded to the nearest integer) should be independent non-executives. For any deviations from the RFA provisions, the prior consent of HFSF should be received.

3.1 Audit Committee⁴

The primary function of the Audit Committee (AC) is to assist the Board in discharging its oversight responsibilities primarily relating to:

- the review of the adequacy of the Internal Control and Risk Management systems and the compliance with rules and regulations monitoring process,
- the review of the financial reporting process and satisfaction as to the integrity of the Bank's Financial Statements,
- the External Auditors' selection, performance and independence,
- the effectiveness and performance of the Internal Audit and of the Compliance function.

The Shareholders' General Meeting appoints the Audit Committee members upon the Board's proposal to the General Meeting, following the recommendation of the Nomination Committee to the Board. The tenure of the Committee members coincides with the tenure of the Bank's Board, with the option to renew their appointment, but in any case the service in the Committee should not be more than twelve (12) years in total. The Chairperson of the Committee is appointed by the members of the Committee or by the Shareholders' General Meeting, while the Committee's members may also appoint a Vice Chairperson. The appointment of the Chairperson and the Vice-Chairperson shall go through the Nomination Committee's proposal process and approved by the Board. The current Audit Committee consists of five (5) non-executive Directors, three (3) of whom are independent. One (1) of the Audit Committee members is the HFSF Representative. The HFSF appointed an Observer in the Audit Committee, in line with the requirements of the RFA.

All AC members have sufficient knowledge in the field of Eurobank's activity and the necessary skills and experience to carry out its duties, The Chairman of the Audit Committee and the Chairman of the BRC, who is also appointed as member of the Audit Committee, are the appointed financial/audit/risk expert members.

The Audit Committee meets at least eight (8) times per year or more frequently, as circumstances require, reports to the Board on a quarterly basis on its activities, submits the minutes of its meetings to the Board and submits annually an

⁴ Information regarding the Committee's main duties and responsibilities as well as composition are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

Activity Report of the Audit Committee to the Board. The Audit Committee's meeting is in quorum and meets validly when half of its members plus one are present or represented, provided that at least three (3), including the Chairperson or the Vice Chairperson, are present. Each member of the Committee may validly represent only one of the other Committee members. Representation in the Committee may not be entrusted to persons other than the members thereof. The Audit Committee resolutions are validly taken by an absolute majority of the members who are present and represented. In case of a tie of votes, the Chairperson and in case of his/her absence the Vice Chairperson has the casting vote. The Board is informed whenever a decision of the Audit Committee is not reached unanimously. During 2018 the Audit Committee held thirteen (13) meetings (2017: 17) and the average ratio of attendance was 94% (2017: 93%).

The Audit Committee appoints its Secretary, who reports to the Group Company Secretariat and cooperates with the Chairperson of the Committee. The Secretary is responsible to minute the proceedings and decisions of all Audit Committees' meetings, including the names of those present and in attendance and the action plans and follow ups for assignments, as well as for the issuance of extracts.

The Audit Committee's Terms of Reference (ToR) are reviewed every two (2) years and revised if necessary, unless significant changes necessitate earlier revision (last review performed in July 2017). The ToR are approved by the Board. The Committee's performance is evaluated annually according to the provisions of the Board and Board Committees Evaluation Policy of the Bank. According to the Committee's 2018 self-assessment it was determined that the Committee continuous to function effectively, there is a good planning and scheduling of the meetings and an effective coordination with the Board Risk Committee. The continuous professional development and the ongoing monitoring of the Compliance and Internal Audit are areas of focus.

For 2018 the Audit Committee has, amongst others:

- reviewed and discussed reports with information relating to the System of Internal Controls, including quarterly reports from Internal Audit Group, Compliance, Operational Risk Sector, Clients Relations Office, etc.,
- ensured that an annual evaluation of the System of Internal Controls has been performed, by the Internal Audit Group for the year 2017. Results are documented in the latter's report of the System of Internal Controls. The Audit Committee has prepared its own assessment report on Internal Audit Group's evaluation. The reports were submitted to the Board in May and in June 2018 respectively, and subsequently to the BoG in line with the BoG Act 2577/2006 requirements,
- reviewed the annual Group Compliance Sector's reports over Anti-Money Laundering and compliance activities of the Bank for the year 2017, and prepared its own assessment report thereon. The reports were submitted to the Board and the BoG in March, in May and in June 2018, in line with the BoG Governors Act 2577/2006 and Decision 281/2009 requirements,
- discussed with Management, Internal Audit and External Auditors issues relating to the financial results,
- reviewed and cleared the financial statements and other financial reports and trading updates prior to their release,
- discussed with Management the implementation of corrective actions to recommendations made by Internal and External Auditors, Monitoring Trustee as well as Regulatory Authorities,
- discussed with the Countries Audit Committee Chairpersons the key audit issues of the International Subsidiaries,
- assessed the effectiveness of the External Auditors, their objectivity and independence, discussed results with Management and Internal Audit and communicated final results to the Board and to the External Auditors,
- assessed the performance of the Head of Internal Audit and the Head of Group Compliance Sector,
- approved the remuneration of External Auditors and approved in line with the External Auditor's Independence Policy non-audit services provided in 2018,
- approved the annual Plans of Internal Audit Group and of Group Compliance and monitored their progress,
- approved changes to the memberships of the Audit Committees of the subsidiaries and reviewed their Activity Reports,
- received updates on the progress of the Annual Budget and the Restructuring Plan,
- in accordance with the provisions of Law 2533/1997, the Audit Committee reviewed reports on substantial stock transactions performed by the Bank's Directors and General Managers which meet the criteria set in Law 2533/1997 and notified the Board.

3.2 Board Risk Committee⁵

The Board Risk Committee's (BRC) purpose is to assist the Board in the following risk-related issues:

- to ensure that the Group has a well-defined risk strategy and risk appetite in line with its business plan, and that the risk appetite is articulated in a set of qualitative and quantitative statements and risk tolerance levels for all relevant risks,
- to ensure that the Group has developed an appropriate risk management framework which is embedded in the decision making process (e.g. new products and services introduction, risk adjusted pricing, internal risk models, risk adjusted performance measures and capital allocation) throughout the Bank and its subsidiaries,
- to define the Group risk management principles and ensure that the Bank has the appropriate methodologies, modeling tools, data sources and sufficient and competent staff to identify, assess, monitor and mitigate risks,

⁵ Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

- to review and assess, at least on a monthly basis, the Bank's and Group's risk profile and effectiveness of its risk management policies and advise the Board accordingly (this review is supported by the Management Risk Committee (MRC) regular reporting, including aspects of operational risk i.e. conduct and cyber risks and reputational risk),
- to ensure that appropriate stress tests are performed, at least on an annual basis, in relation to all major Group risks,
- to review and approve the Bank's internal risk models development (framework, policies, etc.) as well as regularly monitor internal risk models results (incl. validation and back testing),
- to review and approve the Bank's Internal Ratings Based (IRB) rating systems and estimation processes including IRB roll-out plan status and progress report, as well as monitor and report differences between the realized and expected default rates,
- to maintain a sound and effective overall architecture for the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), ensuring that the ICAAP and the ILAAP are integral parts of the Bank's overall management framework,
- to provide its assessment of the capital adequacy and liquidity adequacy of the Group,
- to assess in compliance with the approved risk appetite and risk tolerance levels, the appropriateness of risk limits, the adequacy of provisions and, in general, the capital adequacy in relation to the risks undertaken by the Group, through, amongst others, the annual report prepared by the Group Risk Management General Division and relevant extract of the report prepared by the Internal Audit Division,
- to keep the Board and Audit Committee updated on relevant risk matters and recommend to the Board on an annual basis the future risk strategy and risk appetite,
- to provide oversight of, review and approve the Bank's Interest Rate Risk in Banking Book (IRRBB) framework, strategy, policies and processes.

The BRC members are appointed by the BoD, following the recommendation of the Nomination Committee, in accordance with legal and regulatory framework where applicable. The Chairperson, who qualifies as independent member with a solid experience in commercial banking and preferably risk and/or Non-Performing Exposures management and is familiar with Greek and international regulatory framework, and the Vice-Chairperson of the Committee, are appointed by the BoD in accordance with legal and regulatory requirements where applicable. The appointment of the Chairperson and the Vice-Chairperson shall go through the Nomination Committee's proposal process and approved by the Board. The tenure of BRC members coincides with the tenure of the Bank's Board, with the option to renew their appointment, but in any case the service in the BRC should not be more than twelve (12) years in total. The current BRC consists of six (6) non-executive Directors, five (5) of whom are also independent Directors. One (1) of the BRC members is the HFSF Representative. The HFSF appointed an Observer in the BRC, in line with the requirements of the RFA.

The BRC meets at least on a monthly basis and the Chairperson updates the BoD members on the material matters covered by the Committee during the previous period (if any) at the quarterly meetings of the BoD. Quorum requires the majority of members (half plus one) to be present or represented, provided that no less than three (3) Committee members are present. Each member of the Committee may validly represent only one of the other Committee members. Representation in the Committee may not be entrusted to persons other than the members thereof. The Chairperson or the Vice Chairperson must be one of the participating members. In determining the number of members for the quorum, fractions, if any, will not be counted. The BRC resolutions require a majority vote of the members who are present or represented. In case of a tie, the Chairperson and in case of his/her absence the Vice Chairperson has the casting vote. In case of non-unanimous decisions, the views of the minority are also minuted. Apart from the BRC members, the Audit Committee's members may also attend BRC sessions when common issues are discussed (i.e. on operational risk matters, on IT security and cyber risks). The Chairperson of the BRC may also invite to the meetings other executives of the Group or outside advisors or experts, as deemed appropriate. During 2018 the BRC held sixteen (16) meetings (2017: 16) with 93% attendance (2017: 91%).

The BRC appoints its Secretary, who reports to the Group Company Secretariat and cooperates with the Chairperson of the Committee and the Group Chief Risk Officer ("GCRO"). The Secretary is responsible to minute the proceedings and resolutions of all BRC meetings, including the names of those present and in attendance and the action plans and follow ups for assignments, as well as for issuance of extracts.

BRC's Terms of Reference (ToR) are reviewed at least every two (2) years (last review performed in October 2018) and revised if necessary, unless significant changes in the role, responsibilities, organization and/or regulatory requirements necessitate earlier revision. The ToR are approved by the Board. The Committee's performance is evaluated annually according to the provisions of the Board and Board Committees Evaluation Policy of the Bank. According to the Committee's self-assessment, it was determined that it continues to function effectively, including the areas of leadership, and the effective coordination with the Audit Committee. Further, training on risk management developments and effort to spend more qualitative time on commercially focused issues are areas of further improvement.

For 2018 the BRC has, amongst others:

- monitored qualitative and quantitative aspects of credit, market, liquidity and operational risks,
- updated the Board on the adequacy of the risk management policy and risk appetite framework,
- recognized material risks, including the aforementioned risks,
- monitored the progress of regulatory projects such as Targeted Review of Internal Models (TRIM) thematic review (Market, Credit Risk), IFRS 9 thematic review and NPE SSM targets solo (2018-21) review (proposal for BoD approval), Corporate Targeted Review of new (X) Internal Review (TRIMIX), Troubled Assets Review Onsite Inspection (TAR OSI)
- approved, among others, the following regulatory and other reports, including risk policies:

- Related Parties Credit approval policy (proposal for BoD approval)
- Write off and Debt Forgiveness policy (proposal for BoD approval)
- Corporate Collection policy
- Roll out and Permanent Partial Use (PPU) policy
- Provisioning policy
- Early Warning System (EWS) Retail and Corporate policy
- NPE targets submission (solo) 2018-2021 and NPE Management Strategy
- Minimum Requirement for own Funds and Eligible Liabilities (MREL) report
- Supervisory Review Evaluation Process (SREP) 2018
- Stress Tests 2018 macro scenarios and results
- GCRO's Risk report for 2017
- Internal Capital & Liquidity Adequacy Assessment processes (ICAAP & ILAAP 2018): Capital and Liquidity Adequacy Statements (CAS and LAS) (proposal for BoD approval)
- ICAAP/ILAAP 2018 Stress test macroeconomic scenarios,
- New Risk Appetite Statements (Expected Loss (EL) and Unexpected Loss (UL)) metrics for loan portfolios (proposal for BoD approval)
- Credit policy manuals (CPM) for Corporate, Retail and Troubled Assets Group
- Pillar – Group Significant transfer policy (SRT)

3.3 Remuneration Committee⁶

The Board has delegated to the Remuneration Committee (RemCo) the responsibilities (a) to provide specialized and independent advice for matters relating to remuneration policy and its implementation at Bank and Group level and for the incentives created while managing risks, capital and liquidity, (b) to safeguard the proper exercise of its duties and responsibilities, the efficient alignment of the personnel's remuneration with the risks the Bank undertakes and manages and the required alignment between the Bank and the Group, and (c) to approve or propose for approval all exposures of Senior Executives⁷ and their relatives (spouses, children, siblings). The Non-Executive Directors have the responsibility to approve and periodically review Bank's remuneration policy and oversee its implementation both at Bank and Group level.

The implementation of the remuneration policy is in line with the provisions of Laws 3864/2010, 4261/2014 and Bank of Greece Governor's Act 2650/2012.

The RemCo members are appointed by the Board. The tenure of the RemCo members coincides with the tenure of the Bank's Board, with the option to renew their appointment, but in any case the service in RemCo should not be more than twelve (12) years in total. The current RemCo consists of four (4) non-executive Directors three (3) of whom are also independent Directors including its Chairperson. One (1) of the RemCo members is the HFSF Representative. The HFSF appointed an Observer in the RemCo, in line with the requirements of the RFA.

RemCo meets at least twice a year and minutes are kept. RemCo is in quorum and meets validly when half of its members plus one (1) are present or represented (fractions, if any, are not counted), provided that no less than three (3) members, including the Chairperson or the Vice Chairperson are present. Each member of RemCo may validly represent only one of the other RemCo members. Representation in RemCo may not be entrusted to persons other than the members thereof. RemCo's resolutions are validly taken by an absolute majority of the members who are present or represented. In case of a tie, the Chairperson and in case of his/her absence the Vice Chairperson of RemCo shall have the casting vote. In case of non-unanimous decisions, the views of the minority should be also minuted. During 2018 RemCo held seven (7) meetings (2017: 8) and the ratio of attendance was 96% (2017: 88%).

RemCo appoints its Secretary, who reports to the Group Company Secretariat and cooperates with the Chairperson of RemCo and the Group Human Resources General Manager. The Secretary is responsible to minute the proceedings and resolutions of all RemCo's meetings, including the names of those present and in attendance and the action plans and follow ups for assignments, as well as for issuance of extracts.

RemCo's Terms of Reference (ToR) are reviewed at least once every two (2) years (last review performed in January 2019) and revised if necessary, unless significant changes in the role, responsibilities, organization and/or regulatory requirements necessitate earlier revision. The ToR are approved by the Board. RemCo's performance is evaluated annually according to the provisions of the Board and Board Committees Evaluation Policy of the Bank. According to RemCo's self-assessment, it was determined that RemCo continues to function effectively in discharging its responsibilities.

For 2018, RemCo has amongst others:

⁶ Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

⁷ Senior Executives are: Bank and Greek subsidiaries' BoD members, Executive Board (ExBo) members, Heads of Group Internal Audit, Group Compliance, Group Risk Management, as well as the Bank's General Managers, Heads of General Divisions and the direct reports to the Bank's BoD Chairman and the CEO.

- proposed to the Non-Executive Directors of the Board for approval the revised Remuneration Policy of the Bank and the Group Subsidiary Board Remuneration Policy,
- proposed to the Non-Executive Directors of the Board for approval the 2018 total Remuneration Framework of the Bank and approved the 2018 Bank's Benefits and Business Related Components Policy,
- proposed to the Board for approval the Board and Board Committees' Fees 2018 for Directors of the Bank and Board and Board Committees' Fees 2018 for Directors of the Group's Subsidiaries,
- proposed to the Non-Executive Directors of the Bank for approval the Senior Management Performance Evaluation and CEO & Senior Management Financial and Non-Financial objectives for 2018,
- proposed to the Board for approval the Board and Board Committees' attendance policy,
- proposed to the Board for approval the revised RemCo ToR,
- approved the Remuneration Disclosures,
- approved the Bank's incentives framework,
- reviewed the Internal Audit findings regarding the implementation of the Remuneration Policy for the year 2016,
- reviewed the remuneration policy implementation at Bank and Group level.

3.4 Nomination Committee⁸

The Board has delegated to the Nomination Committee (NomCo) the responsibilities (a) to lead the process for Board and Board Committees appointments, (b) to identify, nominate and recommend candidates for appointment to the Board and (c) to consider matters related to the Board's adequacy, efficiency and effectiveness, and to the appointment of all executives of the Bank at the level of General Manager and above, as well as Heads of General Divisions (senior executives). NomCo, in carrying out its duties, is accountable to the Board.

NomCo members are appointed by the Board. The tenure of NomCo members coincides with the tenure of the Board, with the option to renew their appointment, but in any case the service in NomCo should not be more that twelve (12) years in total. The current NomCo consists of five (5) non-executive directors Directors, three (3) of whom are also independent Directors. One (1) of the NomCo members is the HFSF Representative. The HFSF appointed an Observer in the NomCo, in line with the requirements of the RFA.

NomCo meets at least twice a year and minutes are kept. NomCo is in quorum and meets validly when half of its members plus one (1) are present or represented (fractions, if any, are not counted), provided that no less than three (3) members, including the Chairperson or the Vice Chairperson are present. Each member of NomCo may validly represent only one of the other NomCo members. Representation NomCo may not be entrusted to persons other than the members thereof. NomCo's resolutions are validly taken by an absolute majority of the members who are present or represented. In case of a tie, the Chairperson and in case of his/her absence the Vice Chairperson of NomCo shall have the casting vote. In case of non-unanimous decisions, the views of the minority should be also minuted. During 2018 NomCo held nine (9) meetings (2017: 10) and the average ratio of attendance was 92% (2017: 95%).

NomCo appoints its Secretary, who reports to the Group Company Secretariat. The Secretary is responsible to minute the proceedings and resolutions of all NomCo's meetings, including the names of those present and in attendance and the actions and follow ups for assignments, as well as for issuance of extracts.

NomCo's Terms of Reference (ToR) are reviewed at least once every two (2) years (last review performed in March 2017) and revised if necessary, unless significant changes in the role, responsibilities, organization and/or regulatory requirements necessitate earlier revision. The ToR are approved by the Board while NomCo's performance is evaluated annually according to the provisions of the Board and Board Committees Evaluation Policy of the Bank. According to NomCo's self-assessment, it was determined that NomCo continues to function effectively in discharging its responsibilities. In addition, it was suggested that some of the issues relating to corporate governance best practices should be challenged more and that there should be more focus on succession planning.

For 2018, NomCo has amongst others:

- proceeded with all the necessary actions for the successful completion of the BoD tenure renewal process and proposed to the Board for approval the appointment of new Board members,
- proposed to the Board for approval the Key Function Holders Selection and Appointment Policy,
- reviewed and updated the Board on Senior Executives succession plan,
- reviewed and proposed to the Board the approval of the revised Board of Directors Diversity Policy,
- reviewed the independence of the Non-Executive directors,
- reviewed the attendance of Directors to the Board and its Committees.

Board of Directors Diversity Policy

The Board of Directors Diversity Policy ("Policy") sets out the approach to diversity on the Board and it is in accordance with international best practices and the EU and Greek banking law provisions⁹.

⁸ Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

As declared in the Policy, the Board's diversity is one of the factors which, according to the Board Nomination Policy, the Committee shall consider when examining composition and structure of the Board. A diverse Board includes and makes good use of variety in the skills, educational and professional background, geographical provenance (nationality), gender, age and other qualities of Directors.

NomCo will discuss and agree all measurable objectives for achieving diversity on the Board during the review process of the Board profile matrix according to the Board Nomination Policy and for proposing the (re)appointment/succession planning of individual Board members according to the Board and Board Committees Evaluation Policy, taking into consideration the balance of all diversity aspects mentioned in the Policy. At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

According to the revised Policy, NomCo's priority is to ensure that the Board continues to have strong leadership and the right mix of skills to deliver the business strategy. Within this context and in regard to the less represented gender in the Board, NomCo's aim is that the percentage of the female gender representation in Eurobank's Board shall be at least 20% calculated on the total Board size in the next 3 years, also considering industry trends and best practices. As of March 2019, the representation of the female gender stood at 15.4%.

Assessment of the knowledge, skills and experience (KSE) of the Board collectively as well as the KSE and contribution of individual Board members

In accordance with the respective legal framework and the Board and Board Committees Evaluation Policy, the Board Chair conducted an assessment of the contribution of the Non-Executive Board Members for 2018 and presented the results to NomCo.

Taking into consideration the relevant requirements, specific focus areas were applied as follows:

- contribution to overall Board profile skillset,
- Board participation and quality of contributions to Board deliberations,
- punctuality and attendance,
- team spirit and demeanour,
- independent thinking and constructive challenge.

The overall assessment demonstrated quite positive results across all focus areas and has confirmed that the assessed Non-Executive Board Members adequately meet expectations for effectively accomplishing their role as Directors of the Bank.

Furthermore, the Bank's 2018 Target Board profile matrix has revealed that the desired KSEs are overall met for all the Board members. The Target Board profile matrix is the instrument to identify the specific characteristics the Board needs on the basis of its strategic objectives and risk management priorities, purposed to track the current profile of the Board against the desirable KSEs, through the assessment of the existing KSEs of all Board members (Executives and Non-Executives Directors).

Board Nomination Policy

The Board Nomination Policy sets out the guidelines and formal process for the identification, selection and nomination of candidates for the Board of the Bank. The Policy ensures that such appointments are made: (a) in accordance with legal and regulatory requirements; (b) with due regard to the expectations of the Bank's major shareholders, (c) in line with the Bank's contractual obligations with the HFSF and (d) on the basis of individual merit and ability, following a best practice process.

The Board supported by NomCo shall nominate candidates who meet the following nomination criteria:

- Reputation along with honesty, integrity and trust
 - a) Reputation: Sufficiently good repute, high social esteem and adherence to the European Banking Authority's (EBA) reputation criteria
 - b) Honesty, integrity and trust: Demonstration of the highest standards of ethics, honesty, integrity, fairness, and personal discipline, through personal history, professional track record or other public commitments
- Knowledge, skills, experience (KSE) and other general suitability requirements
 - a) Understanding of the Bank: Sufficient KSE for the development of a proper understanding of the business, culture, supervisory and regulatory context, product and geographic markets of operations, and stakeholders of the Bank and its subsidiaries

⁹ The Board of Directors Diversity Policy may be found at the bank's website <https://www.eurobank.gr/-/media/eurobank/omilos/poioi-eimaste/etairiki-diakubernisi/dioikitiko-sumboulio/o-rolos-tou-dioikitikou-sumbouliou/politiki-diaforopoiisis.pdf?la=el>.

- b) Seniority: Several years of experience in a generally recognised position of leadership in the candidate's field of endeavour
 - c) Independent mind-set and ability to challenge: Ability of forming and expressing an independent judgement on all matters that reach the Board and candour to challenge proposals and views on these matters by management and other candidates
 - d) Collegiality, team skills and leadership: Ability to contribute constructively and productively to Board discussions and decision making along with ability of leading such discussions as chair or vice-chair of specific committees or the Board as a whole
 - e) Additional criteria for the nomination of Executive Directors: Proven, through current and previous executive positions, knowledge, skills, experience and character to lead the Bank and its subsidiaries in the achievement of strategic objectives, along with willingness to enter into full time employment with the Bank.
- Conflicts of interest and independence of mind
NomCo examines the personal, professional, financial, political and any other possible interests and affiliations of candidates, ensuring that the candidates do not have actual, potential or perceived conflicts of interest which cannot be prevented, adequately mitigated or managed under the written policies of the Bank, that would impair their ability to represent the interests of all shareholders of the Bank, fulfil their responsibilities as Directors and make sound, objective and independent decisions (act with independence of mind).

In particular, NomCo shall ensure that candidates are not linked to borrowers of the Bank with an exposure above EUR 1 million or any exposures in arrears. NomCo shall also examine relevant direct and indirect monetary interests and non-monetary interests, including those arising from affiliations with and membership of other organisations.

- Time commitment
NomCo ensures that all nominees are able to commit the time necessary to effectively discharge their responsibilities as Directors, including regularly attending and participating in meetings of the Board and its Committees.
- Collective suitability, i.e. fit the Target Board Profile Matrix which is updated in accordance with the goals of the Bank.

The Board Nomination Policy is approved by the Board and reviewed at least once every two (2) years by NomCo and revised if necessary, unless material changes, regulatory or other, necessitate earlier revision.

3.5 Strategic Planning Committee¹⁰

The Strategic Planning Committee (SPC) is established by the Board and its purpose is to:

- a) assist the Board's Executive Officers in planning, developing and implementing the Group's Strategy and
- b) recommend to the Board certain initiatives in relation to the Group's Strategy.

The key tasks and responsibilities of the SPC are:

- to ensure that the Group develops a well-defined planned medium term strategy in line with the Board's guidance and its approved business and restructuring plan,
- to review, within the framework of which the Executive Board draws up the annual budget, the business plan and the restructuring plan, the key objectives and goals contained therein and review major business initiatives, before their submission for approval to the Board.
- to review, analyze and deliberate issues concerning the Group's strategic choices (e.g. strategic partnerships, share capital increase, issuing convertibles and/or launching debt issuance programs, mergers, acquisitions or disposals, the formation of joint ventures, creation or dissolution of special purpose vehicles, dividend distribution and all other major investments or disinvestments by the Group etc.), ensuring these being in line with the approved Group's strategy. The SPC shall formulate relevant proposals to the Board, if:
 - a) the issue under discussion exceeds € 40 million, while for lower amounts approval will be provided by the Executive Board;
 - b) a decision of the Board is obligatory by Law or by the Bank's contractual commitments;
 - c) it is deemed necessary by the SPC, taking into account the complexity and nature of the strategic choices under discussion.
- to maintain and take all necessary actions on regulatory and internal capital required to cover all types of risks (incl. strategic and reputational risks, as well as other non-quantifiable risks) and to ensure that capital requirements are met at all times,
- to review and evaluate all major Group's initiatives aiming at transforming the business and operating model,
- to monitor on a regular basis the strategic and the key performance indicators of the Group, including the segmental view,
- to review and, as needed, make proposals to the Board on all other issues of strategic importance to the Group.

¹⁰ Information regarding the Committee's main duties and responsibilities are included in the Bank's Code. Additionally, information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

The SPC members are appointed by the Board, on the recommendation of its Chairperson, following the proposal by the Nomination Committee. The Committee's members are appointed for a term of three (3) years that can be renewed up to three (3) times.

The Committee is chaired by the Chairperson of the Board and in case of absence or impediment of the Chairperson by the CEO and is composed of at least five (5) members who may be, besides the Chairperson and the CEO, either Executive Members of the Board or Senior Executive Officers. Each member of the Committee may validly represent only one of the other Committee members. Representation in the Committee may not be entrusted to persons other than the members thereof. The Committee may delegate specific responsibilities and authorities within the purview of its responsibilities and authorities to one (1) or more individual Committee members.

The SPC meets biweekly or ad hoc when necessary, keeps minutes of its meetings and reports to the Board on a quarterly basis and as required. During 2018 the SPC held fifty four (54) meetings (2017: 41) and the ratio of attendance was 85% (2017: 91%). The Committee has a quorum and duly convenes if half of its members plus one (including the Chairperson or the CEO) are present. Decisions shall be validly taken by simple majority vote of members present. In case of a tie of votes, the Chairperson or in his/her absence the CEO has the casting vote. The Board shall be informed whenever a decision of the Committee is not reached unanimously. The opinion of the minority should be recorded in the meeting's minutes.

The SPC appoints its Secretary, who reports to the Group Company Secretariat and cooperates with the Chairperson of the Committee. The Secretary is responsible to minute the proceedings and resolutions of all SPC meetings, including the action plans and follow up assignments.

The Committee may invite to its meetings any Board member, officer of the Bank or of a Group subsidiary, or such other person deemed appropriate to assist it in performing its responsibilities.

The Committee reviews and assesses the adequacy of its Terms of Reference and requests the approval of the Board for proposed amendments. The Terms of Reference will be reviewed at least once every three (3) years and revised if necessary, unless significant changes in the role, responsibilities, organization and/or regulatory requirements necessitate earlier revision (last review performed in December 2015). The Committee's performance is evaluated at least annually and results are submitted to the Nomination Committee, so that the latter makes proposals to the Board, as required.

4. Management Committees

The CEO establishes committees to assist him as required. The most important Committees established by the CEO are the Executive Board, the Management Risk Committee, the Group Asset and Liability Committee, the Central Credit Committees (I & II) and the Troubled Assets Committee.

Executive Board¹¹

The Executive Board (ExBo) manages the implementation of Group's strategy, as developed by the SPC, in line with the Board's guidance. The functioning of ExBo is subject to the provisions of the RFA. The ExBo is established by the CEO and its members are appointed by the CEO. The ExBo meets on a weekly basis or ad hoc when necessary. Other executives of the Group, depending on the subject to be discussed, may be invited to attend.

The ExBo is in quorum and meets validly when half of its members plus one are present or represented. In determining the number of members for the quorum, fractions, if any, shall not be counted. The ExBo resolutions require a majority vote. The secretary prepares the minutes and circulates them to all ExBo members. The ExBo Terms of Reference (ToR) are approved by the CEO, and revised as appropriate.

The ExBo's key tasks and responsibilities are to:

- manage the implementation of Group's strategy as developed by the SPC, in line with the BoD's guidance
- draw up the annual budget, the business plan and the restructuring plan. The SPC reviews the key objectives and the goals contained therein, as well as the major business initiatives, and submits them to the Board for approval,
- approve issues concerning the Group's strategic choices (e.g. partnerships, share capital increase, issuing convertibles and/or launching debt issuance programs, mergers, acquisitions or disposals, the formation of joint ventures, creation or dissolution of special purpose vehicles, dividend distribution and all other investments or disinvestments by the Group etc.), ensuring these being in line with the approved Group's strategy, if the issue under discussion is less than or equal to €40 million. In case though:
 - a) the issue under discussion exceeds € 40 million;
 - b) a decision of the Board is obligatory by Law or by the Bank's contractual commitments;
 - c) it is deemed necessary by the SPC, taking into account the complexity and nature of the strategic choices under discussion;

¹¹ Information regarding current composition and short biographical details of its members may be found at the Bank's website (www.eurobank.gr).

the issues concerning the Group's strategic choices are approved by the Board following a relevant proposal by the SPC (as per its Terms of Reference),

- monitor the performance of each business unit and country against budget and ensure corrective measures are in place wherever required,
- decide on all major Group's initiatives aiming at transforming the business and operating model, enhancing the operating efficiency and cost rationalization, improving organizational and business structure,
- ensure that adequate systems of internal controls are properly maintained,
- review and approve Bank's Policies (other than Credit Policies that are approved by Management Risk Committee and/or Troubled Assets Committee and/or BRC) that are related to its responsibilities and/or are of critical importance to the Bank, including but not limited to those requiring BoD approval as per the RFA,
- review the performance of any Committee and /or individuals to whom it has delegated part of its responsibilities, as approved,
- approve write-offs (on a pool basis) higher than €10 million and lower than €100 million for corporate loans and higher than €10 million and lower than €70 million for retail loans,
- for the Non Performing Sensitive Borrowers (as those are defined in the respective Group's Policy), authorise limits for amounts > 5% of the Group's regulatory capital and Write-Offs / Debt forgiveness from amounts higher than € 20 million and smaller than € 50 million,
- ensure adequacy of Resolution Planning governance, processes and systems
- hire and retain external consulting firms in its sole judgment, and approve their compensation and terms of engagement in accordance with Bank's policies and procedures,
- hire and retain investment banking advisors, in its sole judgment, and approve their compensation and terms of engagement, in accordance with Bank's policies and procedures, where applicable.

Management Risk Committee¹²

The Management Risk Committee (MRC) oversees the risk management framework of Eurobank Ergasias S.A. The MRC ensures that material risks are identified and promptly escalated to the BRC and that the necessary policies and procedures are in place to prudently manage risk and to comply with regulatory requirements. The MRC members should have the ability to identify, assess and manage the Group's risks.

As part of its mandate, the MRC:

- reviews the Bank's and its subsidiaries' risk profile vis-à-vis its declared risk appetite and examines any proposed modifications to the risk appetite,
- reviews and approves the methodology, the parameters and the results of the Bank's stress testing programme,
- determines appropriate management actions which are discussed and presented to the ExBo for information and submitted to the BRC for approval, and maintains at all times a pro-active approach to Risk Management, understands and evaluates risks, addresses escalated issues, provides oversight to the Group's risk management framework – including the implementation of risk policies – and informs the BRC of the Group's risk profile
- assists the BRC in defining risk management principles and methodologies thereby ensuring that the Group's Risk Management Framework contains processes for identifying, measuring, monitoring, mitigating and reporting the current risk profile against its risk appetite, limits, and performance targets.

The MRC does not conflict with the GCRO or the Risk Management General Division's responsibilities for Risk governance as prescribed under the HFSF Relationship Framework Agreement or the Bank of Greece's Governor Act no. 2577/2006. The GCRO serves as the Chairperson of the MRC and has the responsibility to escalate material risks and issues to the BRC and will update ExBo on material risks and issues on a periodical basis.

The MRC is in quorum and meets validly when half of its members, including the Chairperson or the Vice-Chairperson, plus one are present or represented. MRC members' attendance to MRC meetings, whether with physical presence or with tele/video conference as the need may be, should be at a minimum level of 85% of meetings held. Selected attendees can be invited to the MRC meetings, when the topics for discussion fall under their remit or they have the requisite expertise to constructively participate. The finalized minutes are distributed to the BRC, SPC and ExBo members, as prepared by the committee's secretary and approved by its Chairperson. Abstracts of resolutions reached and actions to be taken are provided to Management, SPC and/or ExBo members, as necessary.

Changes to the ToR of the MRC are reviewed by the MRC at least every two (2) years and revised if necessary, unless significant changes in the composition, role, responsibilities, organization and / or regulatory requirements necessitate earlier revision and are approved by the CEO. The MRC ToR are also submitted to the BRC for information purposes.

Group Asset and Liability Committee (G-ALCO)¹³

G-ALCO's primary mandate is to formulate, implement and monitor as may be appropriate the Group's a) liquidity and funding strategies and policies, b) interest rate guidelines, c) Group's capital investments, as well as FX exposure and

¹² Information regarding the Committee's current composition may be found at the Bank's website (www.eurobank.gr).

¹³ Information regarding the Committees' current composition may be found at the Bank's website (www.eurobank.gr).

hedging strategy and d) Group's business initiatives and/or investments that meaningfully affect the Bank's market and liquidity risk profile, and to approve or recommend changes to these policies that conform to the Bank's risk appetite and levels of exposure as determined by the BRC & Management while complying with the framework established by regulatory and/or supervising bodies.

G-ALCO convenes once a month and/or whenever required. Other executives or managers of the Group, depending on the subject to be discussed, may be invited to attend.

Required quorum for G-ALCO meetings to be effective is six members. In order to have a quorum the presence of its Chairperson and a minimum of three (3) SPC members is required. Decisions on issues are taken by majority and communicated to the relevant / affected business areas, while meetings are minuted by the Committee's Secretary and distributed to the G-ALCO members, the CEO, the Board's Chairman and the Single Supervisory Mechanism (SSM).

Central Credit Committees¹¹

Central Credit Committee I

The main objective of the Central Credit Committee I (CCCI) is to ensure objective credit underwriting for all Greek corporate portfolio of performing customers as defined in the Credit Policy Manual -Performing Exposures, so that risk undertaking can be effected in a balanced way between satisfactory return on equity and credit quality.

The CCCI convenes at least once a week and all meetings are minuted. Decisions are taken unanimously. If unanimity is not achieved, the request is escalated by the Chairperson to the next approval level.

The main duty and responsibility of CCCI is to assess and approve all credit requests of the Greek wholesale performing portfolio for total exposure above €50mio and unsecured exposure above €35mio. For total exposure exceeding €75mio and unsecured exposure exceeding €50mio, additional signature from GCRO is required, while for total exposure exceeding €150mio and unsecured exposure exceeding €100mio, additional signature from CEO is required. Furthermore, for exposures higher than 10% of the bank's regulatory capital the additional approval of ExBo is required.

Central Credit Committee II

The main objective of Central Credit Committee II (CCCII) is the same as for CCCI for lower levels of exposure.

The CCCII convenes at least once a week and all meetings are minuted. Decisions are taken unanimously. If unanimity is not achieved, the request is escalated by the Chairperson to the next approval level.

The main duty and responsibility of CCCII is to assess and approve all credit requests of the Greek wholesale performing portfolio for total exposure from €20mio up to €50mio and unsecured exposure from €10mio up to €35mio.

Troubled Assets Committee¹¹

The Troubled Assets Committee (TAC) is established according to the provisions of the BoG Executive Committee Act No. 42/30.5.2014, as in force. TAC's main responsibility is to provide strategic guidance and monitor troubled assets management, ensuring independence from business and compliance with the requirements of BoG Act 42. The Deputy CEO of the Bank and Executive member of the Board of Directors is specifically entrusted with the close monitoring of the troubled assets management strategy. Its members are senior managers with sufficient knowledge and experience in the Management of Troubled Assets and Risk Management. The number of the Committee's members, who cannot be less than two, as well as its composition are defined by the CEO of the Bank. Decisions are taken by majority and minutes are kept and circulated as appropriate. In case of a tie of votes, the Chairperson has a casting vote.

The Committee meets at least once per month, while informs the Board and relevant committees on the results of its activities, at least quarterly. The Committee closely interacts with Group Risk Management General Division for the common understanding and development of the appropriate risk assessment methodology for each forbearance type and delinquency status by portfolio. Committee's propositions and reports to Board of Directors are also submitted to Group Chief Risk Officer, who expresses his opinion to the Board by submitting the relevant report to Board Risk Committee.

Main responsibilities of the Committee are, among others, the following:

- processes centrally all the internal reports regarding troubled assets management under the provisions of BoG Acts 42/30.05.2014, 47/09.02.2015 and 102/30.08.2016
- approves the available forbearance, resolution and closure solutions by loan sub-portfolio, and monitors their performance through suitable KPIs
- defines criteria to assess the sustainability of credit and collateral workout solutions (design and use of "decision trees")
- determines the parameters and the range of responsibilities of the bodies and officers involved in the assessment of viability and sustainability of the proposed modifications and the subsequent monitoring of their implementation
- designs, monitors and assesses pilot modification programs (in cooperation with other business units)

- evaluates proposals for the sale of the Bank's distressed assets portfolio, as well as for the potential provision of services of managing troubled assets of third parties
- supervises and provides guidance and know-how to the respective troubled assets units of the Bank's subsidiaries abroad.

5. Key Control Functions

As part of its overall system of internal controls the Bank has established a number of dedicated control functions whose main responsibility is to act as independent control mechanisms thus reinforcing the control structure of the Bank. The most important functions and their key responsibilities are described below.

5.1 Internal Audit

Internal Audit Group ("IAG") is an independent, objective assurance and consulting function designed to add value and improve the operations of Eurobank and its subsidiaries. IAG has adequate organisation structure and appropriate resources to ensure that it can fulfil its roles and responsibilities.

IAG comprises the "Internal Audit Sector", the "Forensic Audit Division", the "International Audit Division" and the "Business Monitoring and Organisational Support Division". IAG also has a Centre of Excellence for Audit Standards & Methodology, which monitors and adopts best practices and drives the ongoing improvement in audit methodologies, and a Quality Assurance function, to assess the effectiveness of the Group's internal audit activities and conformance with IIA Standards.

In order to safeguard its independence, IAG reports functionally to the Audit Committee and administratively to the CEO. The Board has delegated the responsibility for monitoring the activity of the IAG to the Audit Committee of the Bank. IAG is headed by the Group Chief Audit Executive (CAE) who is appointed by the Audit Committee. The latter also assesses the CAE's performance.

The mission of IAG is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The key assurance and consulting responsibilities of IAG are to:

- provide reasonable assurance, in the form of an independent opinion, as to the adequacy and effectiveness of the internal control framework of the Bank and its subsidiaries. IAG has a periodic plan and budget approved by the Audit Committee. IAG ensures establishment of risk based audit plan and priorities in consistency with the Bank's strategic plan and adherence to regulatory requirements,
- assist and advise Management on the prevention and detection of fraud or defalcation or unethical practices and undertake such special projects as required,
- assist Management in enhancing the system of internal control by making recommendations to address weaknesses and improve existing policies and procedures,
- follow-up to ascertain that appropriate action is taken on reported audit findings within agreed deadlines,
- participate in Bank projects in an assurance or consulting capacity.

5.2 Risk Management

The Group Risk Management General Division, which is headed by the Group Chief Risk Officer (GCRO), is independent from the business units and has full responsibility for monitoring credit, market, liquidity and operational risks undertaken by the Eurobank Group.

It comprises the Group Credit General Division, the Group Credit Control Sector, the Group Credit Risk Capital Adequacy Control Sector, the Group Market & Counterparty Risk Sector, the Group Operational Risk Sector, the Group Model Validation & Governance Sector, the Group Risk Management Strategy Planning & Operations and the Supervisory Relations & Resolution Planning Division¹⁴. In the Risk Management General Division there is a position of a Senior Advisor who reports directly to the Group CRO.

The GCRO serves as a pivotal point for the risk management functions of the Group and is responsible for developing the Risk Appetite Framework and overseeing and coordinating the development and implementation of adequate risk measurement and management policies in relation to credit, market, liquidity, and operational risks.

The GCRO reviews the credit policies prepared by the responsible Risk Units before their submission for final approval to the BRC or to the BoD and oversees their implementation thereafter. The GCRO promptly reports any deviation from the credit policy or potential conflict with the approved risk strategy and risk appetite to the Board Risk Committee.

The GCRO is responsible to provide to the Board Risk Committee, on a monthly basis, adequate information so that the Committee can properly oversee and advise the BoD on the Bank's risk exposures / profile and future risk strategy.

¹⁴ The Supervisory Relations & Resolution Planning Division has a dual reporting line to both the GCRO & the Group Chief Financial Officer

Additionally, the GCRO oversees compliance with approved Risk Appetite Limits and reports compliance status as well as any deviations to the Board Risk Committee.

Eurobank has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes. At a strategic level, the risk management objectives are to:

- Identify Eurobank's material risks;
- Ensure that business plan is consistent with Eurobank's risk appetite;
- Optimize risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions;
- Assist senior executives improve the control and co-ordination of risk taking across the business;
- Embed risk management into the Bank's culture and existing processes and raise awareness of risk management throughout the Bank;
- Provide the framework, procedures and guidance to enable all employees to manage risk in their own areas across the Business Units.

5.3 Compliance

Group Compliance is established with the approval of the Board of Directors and the Audit Committee as a permanent and independent function. It reports functionally to the Chairperson of the Board and to the Audit Committee, and for administrative purposes to the CEO.

Its mission is to promote, within the Bank and its subsidiaries, an organizational culture that encourages ethical conduct through integrity, and a commitment to compliance with laws and regulations as well as international governance standards.

Group Compliance supervises the overall compliance function in the Group. Within this framework, it supervises, monitors, coordinates and evaluates the activities of the Compliance Divisions / Units of the Bank's local and international Subsidiaries, to ensure compliance with group standards.

The main objective of Group Compliance is to ensure that the Group has established an adequate system of internal controls that allows it to operate in accordance with the ethical set of values as set in its "Code of Professional Conduct" and in compliance with applicable laws, regulations and internal policies, as well as international best practices. More specifically, Group Compliance is mandated to:

- advise the Board of Directors and Senior Management on the bank's compliance with applicable laws, rules and standards and keeping them informed of developments in the area
- issue policies, procedures and other documents in order to provide guidance to staff on the appropriate implementation of applicable laws, rules and standards
- assist the business to develop and implement regulatory compliant policies and procedures
- review high risk clients, products and service lines, and advise on potential compliance risks and their mitigation
- ensure that staff is adequately trained and frequently updated about compliance issues by designing training programs and co-operating with HR for their implementation. Provide guidance on the application of regulations in practice
- develop a robust compliance risk identification and assessment framework. Support and challenge, if required, business line management regarding the completeness and accuracy of the compliance risk management activities
- monitor and test whether staff effectively applies the internal processes and procedures aimed at achieving regulatory compliance. Report on potential breaches and required improvements and follow up on implementation
- review staff accounts in order to monitor staff adherence to internal policies and the code of conduct and or indications of fraudulent activity
- monitor timely submission of reports to Regulators and report any delays and fines for any alleged breaches of regulations to the AC
- fulfil any statutory responsibilities and liaise with regulators and external bodies.

The scope of activities of Group Compliance covers the following regulatory topics:

- Financial Crime including laws and regulations on Anti Money Laundering (AML) and Combatting the Financing of Terrorism (CFT) and legislation aimed at combatting Tax evasion such as FATCA and CRS. The scope includes the provision of timely and accurate responses to requests arising from regulatory and judicial authorities for the lifting of banking secrecy or freezing of assets and co-operation with them to facilitate their work. The Board appoints the Head of Group Compliance as Money Laundering Reporting Officer and his/her Deputy
- Market Integrity related regulation regarding the provision of investment products and services to clients including laws and regulations on Market Manipulation, Insider Trading and Antitrust and Competition
- Business and internal conduct rules including Conflict of interest regulations, internal codes of conduct and anti-bribery and anti-corruption legislation

- Consumer protection regulatory framework (including dormant accounts legislation, BoG's Code of Conduct for loans, the Payment Services regulatory framework and the Deposit Guarantee scheme)
- Any other topic for which there is a law / regulation explicitly assigning a responsibility to the Compliance function.

6. Principles of Internal Controls

The Group has established a System of Internal Controls that is based on international good practices and COSO terminology and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- efficient and effective operations,
- reliability and completeness of financial and management information,
- compliance with applicable laws and regulations.

The key principles underlying the Group's system of internal controls are described below:

- **Control Environment:** The control environment is the foundation for all components of Internal Control System, providing discipline and structure and influencing the control consciousness of employees. Integrity and high ethical values stem from management's philosophy and operating style and appropriate recruitment and training policies ensure the competence of the Group's people. The Group's organisation structure is suitable for its size and complexity with clearly defined responsibilities and reporting lines and clearly specified delegation of authority.
- **Risk Management:** the Group acknowledges that taking risks is an integral part of its business. It therefore sets mechanisms to identify those risks and assess their potential impact on the achievement of the Group's objectives. Because economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms in place shall be set (and evolve) in a manner that enables to identify and deal with the specific and new risks associated with changes.
- **Control Activities:** Internal control activities are documented in the policies and detailed procedures that are designed to ensure that operations are carried out safely and all transactions are recorded accurately in compliance with Management's directives and regulations. They occur throughout the organisation and business processes, at all levels and in all functions. One of the prime organisational measures to ensure control effectiveness in the Group is segregation of duties. Functions that shall be separated include those of approval (limits, limit excesses, specific transactions), dealing, administration (administrative input, settlement, confirmation checks, transaction approval check, documentation check, file keeping, custody) and controlling (reconciliation, limit monitoring, excess approval check, risk management, compliance checks, physical counts).
- **Information and Communication:** Information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. The Group has set effective communication channels to ensure that information is communicated down, across and up within the organisation. Mechanisms are also in place to obtain appropriate external information as well as to communicate effectively with outside parties including regulators, shareholders and customers.
- **Monitoring:** the Group has established mechanisms for the ongoing monitoring of activities as part of the normal course of operations. These include regular management and supervisory activities and other actions personnel take in performing their duties that assess the performance of internal control systems. There are also independent evaluations of the internal control system by the Internal Audit function, the scope and frequency of which depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported upstream, with serious matters reported to top management, the Audit Committee and the Board. Every three years the efficiency of the internal control system on a solo and consolidated basis is independently evaluated by a third auditing firm, other than the statutory auditor, as provided for in BoG Governor's Act 2577/2006. The evaluation report is submitted for assessment to the Bank's Audit Committee and acknowledgment of the Board and is further submitted to the BoG.

7. Shareholders' General Meeting

The Shareholders' General Meeting ("General Meeting") is the supreme body of the Bank, convened by the Board and entitled to resolve upon any matter concerning the Bank and is the only competent body to resolve on issues described in article 117 of Company Law 4548/2018 (such as amendments to the Articles of Association). All shareholders have the right to participate and vote at the General Meeting either in person or by their legal representatives according to the proposed legal procedure each time in force.

The General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 20% (1/5) of the paid-in share capital that corresponds to the shares with voting rights ("share capital"). Resolutions are reached by absolute majority. Exceptionally, with regard to certain significant decisions such as most decisions related to share capital, mergers etc.(para 3, art. 130, Company Law 4548/2018), the General Meeting is in quorum and meets validly when the shareholders, present or represented, represent at least 50.00% (1/2) of the paid-in share capital. Resolutions on the aforementioned issues are reached by two-thirds (2/3) majority. If such quorum is not reached, the General Meeting is convened again in a repeat Meeting where lower quorum is required for all categories of resolutions.

The HFSF's Representative has the right to request the convocation of the Shareholder's General Meeting. Such right was not exercised during 2018.

Following the completion of the Bank's share capital increase during the second half of 2015, fully covered by institutional and other investors, the percentage of the ordinary shares with voting rights held by the HFSF decreased from 35.41% to 2.38%. As a result, in the context of Law 3864/2010 as in force, the HFSF exercises its voting rights in the General Meetings only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or reduction of the capital or the corresponding authorization to the Board, the mergers, divisions, conversions, revivals, extension of term or dissolution of the Bank, the transfer of assets (including the sale of subsidiaries), or any other issue requiring increased majority as provided for in Company Law 4548/2018.

The Annual General Meeting is held every year before the 10th of September. An Extraordinary General Meeting may be convened by the Board when it is deemed appropriate or necessary or when required by law.

The minutes of the General Meeting are signed by the Chairperson and the Secretary of the General Meeting.

All persons appearing as shareholders of ordinary shares of the Bank in the registry of the Dematerialized Securities System (DSS) managed by Hellenic Central Securities Depository S.A. on the Record Date, namely at the start of the fifth day before the General Meeting, have the right to participate and vote in the General Meeting. The aforementioned record date is applicable for the Repeat Meeting as well. For each General Meeting, the Board arranges for the detailed invitation, including date, place, record date, issues on the agenda and related papers to be available to shareholders at least 20 full days before the meeting, including the proposed resolution or commenting by the Board on each issue. The detailed invitation also defines the procedure to be followed for voting by proxy, the minority shareholders rights and any available documentation relating to the General Meeting.

Standard minority rights, as described in Company Law 4548/2018, apply.

8. Other information required by Directive 2004/25/EU

- **Holders of securities with special control rights**

The HFSF's participation interest in the Bank's share capital, through the ordinary shares it possesses, confers to HFSF the rights according to the legislation in force and the RFA that has been signed between the Bank and the HFSF.

- **Treasury Shares**

The Shareholders' General Meeting can authorize the Board, under article 49 of Company Law 4548/2018, to implement a program of acquisition of treasury shares. However, 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 (note 40 of the consolidated accounts).

For other information required by Directive 2004/25/EU regarding the: a) Major shareholdings, b) Authority to issue new shares, and c) Restrictions of voting rights, please refer to the relevant sections of the Directors' Report.

**III. Independent Auditor's Report
(on the Consolidated Financial Statements)**

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Independent Auditor's Report

To the Shareholders of
Eurobank Ergasias S.A.

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Eurobank Ergasias S.A. (the "Bank") which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Eurobank Ergasias S.A. and its subsidiaries (the "Group") as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), which have been incorporated in Greek legislation. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and its consolidated subsidiaries in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, as it has been incorporated into Greek legislation, and the ethical requirements that are relevant to the audit of the consolidated financial statements in Greece and we have fulfilled our ethical responsibilities in accordance with the requirements of the applicable legislation and the aforementioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters and the relevant significant assessed risks of material misstatement were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment losses for loans and advances to customers at amortized cost</p> <p>IFRS 9 replaced IAS 39 and was implemented by the Group on 1 January 2018. This new and complex standard requires the Group to recognize expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates and resulted in an increase in impairment losses for loans and advances to customers at amortized cost.</p> <p>As 2018 is the first year of adoption of IFRS 9, there is limited experience available to back-test the charge for expected credit losses with actual results. There is also a significant increase in the number of data inputs required for the impairment calculation. The data is sourced from a number of systems that have not been used previously for the preparation of the accounting records. This increases the risk around quality of certain data and reliability and accuracy of certain models that process those data.</p> <p>The Group has recorded in its consolidated financial statements as of 31 December 2018 an amount of EUR 44 973 million (2017: EUR 47 242 million) as loans and advances to customers at amortized cost as well as EUR 8 800 million (2017: 10 134 million) for impairment losses.</p> <p>During the year the Group recorded EUR 1 billion approximately from the transition to IFRS 9 that was directly recorded in the equity of the Group as at 1 January 2018.</p> <p>Impairment losses for loans and advances to customers at amortized cost were considered a key audit matter because:</p>	<p>Our audit approach included assessing the design and operating effectiveness of the relevant controls linked to the processes and performing substantive procedures.</p> <p>We assessed that the accounting principles adopted for the transition to IFRS 9 are appropriate.</p> <p>We evaluated that the assumptions and decisions made by management on classification and measurement of financial instruments are appropriate and reasonable.</p> <p>We evaluated the new processes and internal controls adopted for classification and measurement.</p> <p>We assessed the accuracy and relevance of data that are used for classification and measurement. We focused as part of our control work that the data used in the models for estimating credit losses are accurate and complete as well as on management's review of the results of the process.</p> <p>The substantive procedures related to the estimation of expected credit losses included:</p> <ul style="list-style-type: none"> — For a specific sample of loans we tested the procedures used by the Bank to estimate the significant increase in credit risk. — With respect to individually assessed loans we selected a sample of loans based on remaining credit exposure and assessed the adequacy of impairment losses that was recorded. As part of this procedure we applied procedures to assess the key inputs and expected cash

Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> — It is based on a new accounting principle (IFRS 9) that requires new estimates and judgments and new systems to process the data required. — Judgment is required to properly classify a loan in the proper category and the way it is measured. — Judgment is required from management on the macroeconomic criteria to be used to estimate expected credit losses. — Calculation of ECL is based on new processes and controls that have not been tested before. — Judgment is required to properly design mathematical formulae and implement of systems that require large databases and models to estimate ECL. — Judgment is required to identify the criteria of what constitutes a significant increase in credit risk. — Evaluation of post model adjustments made by management is required. <p>Additional information on the way impairment losses are estimated is included in note 2.2.13 of the consolidated financial statements.</p> <p>The disclosures required by IFRS 9 are key to understand the impact for the Group from the application of IFRS 9, as well as understanding the judgements required for the calculation of ECL.</p>	<p>flows used as part of the individually assessed loans.</p> <ul style="list-style-type: none"> — With respect to the impairment calculated collectively, we evaluated the methodology used by the Bank, assessing the integrity of the data required for the calculation of impairment from Bank's systems. <p>For certain portfolios we evaluated the existence and value of the collaterals used for impairment purposes.</p> <p>For certain portfolios we involved our own specialists for evaluating the credit models used and for a sample we recalculated certain key inputs to the models.</p> <p>Finally, we evaluated whether the information used for disclosure purposes in the consolidated financial statements is adequate.</p>
<p>Recoverability of deferred tax assets</p> <p>The Group recognized deferred tax assets of EUR 4 916 million (2017: EUR 4 859 million) on temporary differences and</p>	<p>We assessed the assumptions made by management to generate future tax profits in order to estimate the possibility of recovering deferred</p>

Key audit matter	How our audit addressed the key audit matter
<p>unused tax losses that are considered recoverable or can be utilized.</p> <p>An analysis of these temporary differences and unused tax losses is included in note 16 of the consolidated financial statements. The recoverability of deferred tax assets is considered a key audit matter as management's assessment of the recoverability is complex and judgmental.</p> <p>The recoverability of deferred tax assets is dependent on whether the Bank can produce future tax profits that can be utilized against temporary tax differences and tax losses (before they expire).</p> <p>Management's assessment regarding whether there will be sufficient tax profits requires significant judgments and estimates such as:</p> <ul style="list-style-type: none"> — Assumptions based on the business plan of the Bank regarding future performance that will generate tax profits in the future. — Estimates that cover the time period until the deferred tax assets can be used. — Adjustments required to calculate estimated future taxable profits from the accounting profits (shown in the business plan), in order to conclude to the deferred tax assets that can be recovered in the future. 	<p>tax assets recorded as at 31 December 2018.</p> <p>We assessed the reasonableness of managements key assumptions in its business plan as follows:</p> <ul style="list-style-type: none"> — Comparing to our own independently developed expectations derived from our industry knowledge and our understanding obtained during our audit. — Performed a sensitivity analysis to determine the effect of changes in the assumptions and how estimation uncertainty may affect the Bank's projected profitability. <p>For the purpose of our recoverability assessment, we tested the adjustments applied by management to calculate taxable profits from accounting profits, with the support of our tax specialists, and we checked their consistency with prior years including historical accuracy of budgeted data. Our procedures also included assessing management's interpretations of current tax legislation with respect to the accounting write offs and the gradual amortisation of the crystallised tax loss arising from the sale of non performing loans and definite write - offs.</p> <p>In addition, we assessed the historical accuracy of management's assumptions by comparing them to actual results reported.</p> <p>We evaluated the adequacy of the consolidated financial statements disclosures, including disclosures of key assumptions and judgments.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Use of IT systems relevant to the financial information</p> <p>The Group's financial reporting processes are highly reliant on information produced by the Bank's and Group's Information Technology (IT) systems, and / or automated processes and controls (i.e. calculations, reconciliations) implemented in these systems.</p> <p>The nature, complexity and the increased use of these information systems combined with the large volume of transactions being processed on a daily basis, increase the risk over the effective inter-connectivity of the IT systems and data and the risk around the degree of reliability of the financial reporting information. The banking environment is also subject to a number of internal and external threats relating to cyber security particularly due to the significant increase in the volume of transactions through internet.</p> <p>The above is considered to be a key audit matter as the Group's financial reporting systems rely heavily on complex information systems that process huge amount of transactions and are functioning based on the operating effectiveness of internal controls in place to assure the completeness and accuracy of financial information and security information of the Group that produce the financial information.</p>	<p>We assessed the information security resilience of the Group by evaluating the design of key IT processes and controls over financial reporting.</p> <p>More specifically, involving our own specialists, we assessed the administration of access, changes and daily IT operations for key layers of underlying infrastructure (i.e. application, operating system, and database) for the systems in scope of the audit, and tested the operating effectiveness of the aforementioned processes and controls.</p> <p>In addition, in order to place reliance on the system generated information (i.e. data and reports), and any automated controls (i.e. calculations, reconciliations) implemented in these systems, we have relied on business process controls, and performed additional substantive procedures as part of our audit.</p>

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another audit firm who expressed an unmodified opinion on those consolidated financial statements on 29 March 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Directors' Report, for which reference is made in the "Report on Other Legal and Regulatory Requirements" and the Declarations of the Members of the Board of Directors included in the Annual Report as required by the L. 3556/2007 but does not include the consolidated financial statements and our Auditors' Report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee (article 44 of L. 4449/17) of the Bank is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs which have been incorporated in Greek legislation will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, which have been incorporated in Greek legislation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on these consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public

disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Board of Directors' Report

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

- (a) The Board of Directors' Report includes a Corporate Governance Statement which provides the information set by Article 43bb of C.L. 2190/1920.
- (b) In our opinion, the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of Article 43a and 107A and of paragraph 1 (cases c and d) of article 43bb of C.L. 2190/1920 and its contents correspond with the accompanying consolidated financial statements for the year ended 31 December 2018.
- (c) Based on the knowledge acquired during our audit, relating to the Bank and its environment, we have not identified any material misstatements in the Board of Directors' Report.

2. Additional Report to the Audit Committee

Our audit opinion on the consolidated financial statements is consistent with the Additional Report to the Audit Committee of the Bank dated 27 March 2019, pursuant to the requirements of article 11 of the Regulation 537/2014 of the European Union (EU).

3. Provision of non-Audit Services

We have not provided to the Bank and its subsidiaries any prohibited non-audit services referred to in article 5 par. 1 of Regulation (EU) 537/2014.

The permissible non-audit services that we have provided to the Bank and its subsidiaries during the year ended 31 December 2018 are disclosed in the note 50 of the accompanying consolidated financial statements.

4. Appointment of Auditor

We were appointed for the first time as Certified Auditors of the Bank based on the decision of the Annual General Shareholders' Meeting dated 10 July 2018.

Athens, 1 April 2019
KPMG Certified Auditors S.A.
AM SOEL 114

Harry Sirounis, Certified Auditor Accountant
AM SOEL 19071

IV. Consolidated Financial Statements for the year ended 31 December 2018



EUROBANK ERGASIAS S.A.

**CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED

31 DECEMBER 2018

8 Othonos Street, Athens 105 57, Greece

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

General Commercial Registry No: 000223001000

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Consolidated Balance Sheet

	Note	31 December	
		2018	2017
		€ million	€ million
ASSETS			
Cash and balances with central banks	19	1,924	1,524
Due from credit institutions	21	2,307	2,123
Securities held for trading	22	43	49
Derivative financial instruments	23	1,871	1,878
Loans and advances to customers	24	36,232	37,108
Investment securities	26	7,772	7,605
Investments in associates and joint ventures	28	113	156
Property, plant and equipment	30	353	390
Investment property	31	316	277
Intangible assets	32	183	152
Deferred tax assets	16	4,916	4,859
Other assets	33	1,934	1,724
Assets of disposal groups classified as held for sale	17, 24	20	2,184
Total assets		57,984	60,029
LIABILITIES			
Due to central banks	34	2,050	9,994
Due to credit institutions	35	6,376	3,997
Derivative financial instruments	23	1,893	1,853
Due to customers	36	39,083	33,843
Debt securities in issue	37	2,707	549
Other liabilities	38	844	684
Liabilities of disposal groups classified as held for sale	17	-	1,959
Total liabilities		52,953	52,879
EQUITY			
Ordinary share capital	40	655	655
Share premium	40	8,055	8,055
Reserves and retained earnings		(3,721)	(2,556)
Preference shares	37	-	950
Preferred securities	41	42	43
Non controlling interests		0	3
Total equity		5,031	7,150
Total equity and liabilities		57,984	60,029

Notes on pages 6 to 159 form an integral part of these consolidated financial statements

Consolidated Income Statement

	Note	Year ended 31 December	
		2018 € million	2017 € million
Interest income		2,186	2,164
Interest expense		(770)	(700)
Net interest income	7	1,416	1,464
Banking fee and commission income		422	372
Banking fee and commission expense		(124)	(114)
Net banking fee and commission income	8	298	258
Income from non banking services	9	13	10
Net trading income	10	37	67
Gains less losses from investment securities	10	83	73
Other income/(expenses)	11	(2)	10
Operating income		1,845	1,882
Operating expenses	12	(879)	(895)
Profit from operations before impairments, provisions and restructuring costs		966	987
Impairment losses relating to loans and advances to customers	25	(680)	(750)
Other impairment losses and provisions	14	(21)	(50)
Restructuring costs	14	(62)	(13)
Share of results of associates and joint ventures	28	29	7
Profit before tax		232	181
Income tax	15	(76)	(5)
Net profit from continuing operations		156	176
Net loss from discontinued operations	17	(65)	(61)
Net profit		91	115
Net profit attributable to non controlling interests	17	0	11
Net profit attributable to shareholders		91	104
		€	€
Earnings per share			
-Basic and diluted earnings per share	18	0.04	0.05
Earnings per share from continuing operations			
-Basic and diluted earnings per share	18	0.07	0.08

Notes on pages 6 to 159 form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

	Year ended 31 December			
	2018		2017	
	€ million		€ million	
Net profit		91		115
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	22		27	
- transfer to net profit, net of tax	<u>(19)</u>	3	<u>(8)</u>	19
Debt securities at FVOCI				
- changes in fair value, net of tax (note 26)	(88)		-	
- transfer to net profit, net of tax (note 26)	<u>(75)</u>	(163)	<u>-</u>	-
Available for sale securities				
- changes in fair value, net of tax (note 26)	-		244	
- transfer to net profit, net of tax (note 26)	<u>-</u>	-	<u>(31)</u>	213
Foreign currency translation				
- foreign operations' translation differences	(10)		2	
- transfer to net profit on disposal of foreign operations (note 17)	<u>34</u>	24	<u>4</u>	6
Associates and joint ventures				
- changes in the share of other comprehensive income, net of tax (note 28)	<u>(33)</u>	<u>(33)</u>	52	52
		<u>(169)</u>		<u>290</u>
Items that will not be reclassified to profit or loss:				
- Actuarial gains/(losses) on post employment benefit obligations, net of tax	<u>0</u>	<u>0</u>	<u>(2)</u>	<u>(2)</u>
Other comprehensive income		(169)		288
Total comprehensive income attributable to:				
Shareholders				
- from continuing operations	(59)		470	
- from discontinued operations	<u>(19)</u>	<u>(78)</u>	<u>(78)</u>	392
Non controlling interests				
- from continuing operations	0		0	
- from discontinued operations	<u>0</u>	<u>0</u>	<u>11</u>	11
		(78)		403

Notes on pages 6 to 159 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Preferred securities € million	Non controlling interests € million	Total € million
Balance at 1 January 2017	655	8,055	7,715	(10,664)	950	43	640	7,394
Net profit	-	-	-	104	-	-	11	115
Other comprehensive income	-	-	288	-	-	-	0	288
Total comprehensive income for the year ended 31 December 2017	-	-	288	104	-	-	11	403
Acquisition/changes in participating interests in subsidiary undertakings (note 17)	-	-	-	-	-	-	(634)	(634)
(Purchase)/sale of treasury shares (note 40)	(0)	(0)	-	1	-	-	-	1
Dividends distributed by subsidiaries attributable to non controlling interests	-	-	-	-	-	-	(15)	(15)
Share-based payment:								
- Value of employee services	-	-	0	-	-	-	1	1
Transfers between reserves	-	-	2	(2)	-	-	-	-
	(0)	(0)	2	(1)	-	-	(648)	(647)
Balance at 31 December 2017	655	8,055	8,005	(10,561)	950	43	3	7,150
Balance at 1 January 2018	655	8,055	8,005	(10,561)	950	43	3	7,150
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3)	-	-	9	(1,094)	-	-	(0)	(1,085)
Balance at 1 January 2018, as restated	655	8,055	8,014	(11,655)	950	43	3	6,065
Net profit	-	-	-	91	-	-	0	91
Other comprehensive income	-	-	(169)	-	-	-	0	(169)
Total comprehensive income for the year ended 31 December 2018	-	-	(169)	91	-	-	0	(78)
Redemption of preference shares	-	-	-	-	(950)	-	-	(950)
Share capital decrease in subsidiaries with non controlling interests	-	-	-	-	-	-	(1)	(1)
Changes in participating interests in subsidiary undertakings	-	-	-	(0)	-	-	(2)	(2)
(Purchase)/sale of treasury shares (note 40)	0	0	-	(0)	-	-	-	0
Preferred securities' dividend paid and buy back, net of tax	-	-	-	(2)	-	(1)	-	(3)
Transfers between reserves	-	-	(48)	48	-	-	-	-
	0	0	(48)	46	(950)	(1)	(3)	(956)
Balance at 31 December 2018	655	8,055	7,797	(11,518)	-	42	0	5,031
	Note 40	Note 40	Note 42		Note 37	Note 41		

Notes on pages 6 to 159 form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2018 € million	2017 € million
Cash flows from continuing operating activities			
Profit before income tax from continuing operations		232	181
Adjustments for :			
Impairment losses relating to loans and advances to customers	25	680	750
Other impairment losses, provisions and restructuring costs	14	83	63
Depreciation and amortisation	12	63	60
Other (income)/losses on investment securities	20	(166)	(135)
Other adjustments	20	(58)	(13)
		834	906
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		(74)	(10)
Net (increase)/decrease in securities held for trading		3	(29)
Net (increase)/decrease in due from credit institutions		(99)	499
Net (increase)/decrease in loans and advances to customers		(822)	(356)
Net (increase)/decrease in derivative financial instruments		(82)	(160)
Net (increase)/decrease in other assets	33	(185)	14
Net increase/(decrease) in due to central banks and credit institutions		(5,698)	(7,867)
Net increase/(decrease) in due to customers		5,240	1,743
Net increase/(decrease) in other liabilities ⁽¹⁾		(13)	(35)
		(1,730)	(6,201)
Income tax paid		(34)	(31)
Net cash from/(used in) continuing operating activities		(930)	(5,326)
Cash flows from continuing investing activities			
Acquisition of fixed and intangible assets		(114)	(97)
Proceeds from sale of fixed and intangible assets		37	93
(Purchases)/sales and redemptions of investment securities		(205)	4,950
Acquisition of subsidiaries, net of cash acquired	27	(7)	(0)
Acquisition of holdings in associates and joint ventures, participations in capital increases and capital return	28	23	(8)
Disposal of subsidiaries, net of cash disposed	17	(114)	125
Dividends from investment securities, associates and joint ventures		18	11
Net cash from/(used in) continuing investing activities		(362)	5,074
Cash flows from continuing financing activities			
(Repayments)/proceeds from debt securities in issue	20	1,210	445
Capital return and distribution of profits from discontinued operations ⁽¹⁾	20	50	25
Purchase of preferred securities		(1)	-
Preferred securities' dividend paid	41	(3)	-
(Purchase)/sale of treasury shares		0	1
Redemption of preference shares, net of expenses	37	(4)	-
Net cash from/(used in) continuing financing activities		1,252	471
Effect of exchange rate changes on cash and cash equivalents		(0)	7
Net increase/(decrease) in cash and cash equivalents from continuing operations		(40)	226
Net cash flows from discontinued operations			
Net cash flows from discontinued operating activities ⁽¹⁾		(104)	357
Net cash flows from discontinued investing activities		1	(92)
Net cash flows from discontinued financing activities ⁽¹⁾	20	(51)	(40)
Effect of exchange rate changes on cash and cash equivalents		0	(5)
Net increase/(decrease) in cash and cash equivalents from discontinued operations		(154)	220
Cash and cash equivalents at beginning of year	20	2,143	1,697
Cash and cash equivalents at end of year	20	1,949	2,143

⁽¹⁾ Comparative information has been adjusted to reflect the distribution of profits of € 25 million from discontinued to continued operations within cash flows from financing activities (note 17).

Notes on pages 6 to 159 form an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. General information

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

These consolidated financial statements, which include the Appendix, were approved by the Board of Directors on 29 March 2019. The Independent Auditor's Report of the Financial Statements is included in the section III of the Annual Financial Report.

2. Basis of preparation and principal accounting policies

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

2.1 Basis of preparation

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

The consolidated financial statements are prepared under the historical cost convention except for the revaluation of the available-for-sale financial assets (policy applicable prior to 1 January 2018), the financial assets measured at fair value through other comprehensive income (policy applicable from 1 January 2018) and financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The accounting policies for the preparation of the consolidated financial statements have been consistently applied to the years 2018 and 2017, after taking into account the amendments in IFRS described in section 2.1.1 "New and amended standards and interpretations" and the amendments described in section 2.2 "Principal accounting policies" following the adoption of IFRS 9. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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

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

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 1.9% in 2018 from 1.5% in 2017, according to the Hellenic Statistical Authority's (ELSTAT) first estimate, while the real GDP growth consensus forecast for 2019 stands at 1.9% (compared to an official target of 2.5%). The unemployment rate in December 2018 was at 18.0%, based on the Hellenic Statistical Authority's (ELSTAT) data (31 December 2017: 20.8%). On the fiscal front, Greece's primary balance is expected to register a surplus of 4.0% of GDP in 2018 according to 2019 Budget, (2017: 3.9% of GDP, according to ELSTAT data) while the respective forecast for 2019 is expected at 3.6% of GDP.

In August 2018, Greece concluded successfully the third economic adjustment program (TEAP) and has entered into the Enhanced Post Program Surveillance (EPPS) under EU Regulation 472/2013, which foresees quarterly reviews by the competent committees of the institutions (EC/ECB/ESM/IMF). The post program surveillance's main purpose is to safeguard financial stability, and continue the process of implementation of structural reforms aiming, among others, to boost domestic growth, jobs creation and to modernize the public sector. The first and second quarterly review under the EPPS were completed at the end of November 2018 and early March 2019 respectively. Delays were observed in the implementation of the structural reforms initially planned for the end of 2018 including, among others, the legal framework of the NPE resolution tools and in particular the household insolvency law. As a result,

Notes to the Consolidated Financial Statements

the European Commission has postponed the release of the first set of policy-contingent debt measures of € 970 million for early April 2019 conditional on the progress of the pending reform items. In this context, a new protection scheme on primary residence was voted by the Greek Parliament on 29 March 2019. The Greek Government has built up a cash buffer of € 26.5 bn until the end of September 2018, out of the European Stability Mechanism (ESM) loan disbursements, GGBs issuances and other sources, in order to facilitate the country's access to the international markets. This buffer suffices for covering the gross financial needs for two years after the end of the program or four years assuming that the current stock of treasury bills will be rolled over. On the back of this environment, Greek sovereign demonstrated market access as evidenced by the successful issuance of a 5-year bond of € 2.5 bn at a yield of 3.6% on 29 January 2019 and a 10-year reference bond of € 2.5 bn at a yield of 3.9% on 6 March 2019.

The decisive implementation of the reforms agreed in the context both of the TEAP and the EPPS, the implementation of medium term debt relief measures in accordance with 21 June 2018 Eurogroup decisions, the mobilization of European Union 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 improve the confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment.

The main risks and uncertainties stemming from the macroeconomic environment are associated with (a) the adherence to established reforms and the possible delays in the implementation of the reforms' agenda in order to meet the EPPS targets and milestones, (b) 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, (c) the ability to attract new investments in the country, (d) the timing of a full lift of restrictions in the free movement of capital abroad and the respective impact on the level of economic activity, (e) 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 macroeconomic conditions in Greece and (f) the geopolitical conditions in the near or in broader region and the external shocks from a slowdown in the regional and/ or global economy. The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk (note 4).

Liquidity risk

In 2018, the expectations for a further improvement of the macroeconomic environment in Greece has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits. Moreover, the restrictions in the free movement of capital within the country have been lifted, while those applied on the transfer of funds abroad have been further relaxed. The prompt implementation of the post-program period's reforms scheme will help further reinstating depositors' confidence, will accelerate the access to the markets for debt issuance and positively influence the financing of the economy.

As at 31 December 2018, the Bank's dependency on Eurosystem financing facilities decreased to € 2.1 bn (of which € 0.5 bn funding from ELA), mainly due to deposits inflows, assets deleveraging, increased market repos on Greek Government securities and two asset backed securities issues sold via a private placement to an international institutional investor (note 37) (31 December 2017: € 10 bn, of which € 7.9 bn from ELA). As at 28 February 2019, the Group has eliminated the use of ELA funding while the total Eurosystem funding further declined to € 1.3 bn. In addition, the increase of deposits by more than € 5 bn in 2018 improved the Group's (net) loans to deposits (L/D) ratio to 92.6% end of December 2018 from 109.6% end of 2017.

Solvency risk

On 5 May 2018, the ECB announced the results of the Stress Test (ST) for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome pointed to no capital shortfall and no capital plan needed for the Bank as a result of the exercise.

The Group's Common Equity Tier 1 (CET1) ratio stood at 14.2% at 31 December 2018, and the net profit attributable to shareholders amounted to € 91 million (€ 200 million net profit from continuing operations before € 44 million restructuring costs, after tax) for the year ended 31 December 2018. As at 31 December 2018, the Bank has reduced the stock of NPEs by € 2.8 bn since 31 December 2017 to € 15.3 bn which is in line with the revised target submitted to SSM in September 2018 (note 6).

Going forward, the prime target is the successful execution of the Bank's transformation plan consisting of a) the completion of the merger with Grivalia by May 2019 that will enhance Eurobank's capital position and its earning capacity (note 48), b) the acceleration of the NPE reduction plan through a large scale securitization of approximately €7 bn, the entry of a strategic investor into the capital of Financial Planning Services S.A. ("FPS"), the licensed 100%-owned loan servicer of Eurobank and other initiatives leading the

Notes to the Consolidated Financial Statements

Group's NPE ratio at 16% in 2019 and a single digit by 2021 and c) the achievement of a substantially lower cost of risk as of 2020, which is expected to drive strong sustainable earnings per share (EPS).

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the Group's capital and liquidity position, the gradual reduction of the NPEs stock in line with the Bank's operational targets along with the strategic initiatives related to the transformation plan of the Bank, has been satisfied that the financial statements of the Group can be prepared on a going concern basis.

2.1.1 New and amended standards and interpretations

New and amended standards adopted by the Group

The following new standards, amendments to standards and new interpretations as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2018:

IFRIC 22, Foreign Currency Transactions and Advance Consideration

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 had no impact on the Group's consolidated financial statements.

IFRS 4, Amendment-Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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 at fair value through profit or loss in accordance with IFRS 9, when those assets were previously classified at amortized cost or as available-for-sale in accordance with IAS 39.

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

IFRS 2, Amendment-Classification and Measurement of Share-based Payment Transactions

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 had no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

IAS 40, Amendment-Transfers of Investment Property

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 had no impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

The IASB through the 2014-2016 annual improvements cycle, provided a clarification for 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. Such election can be performed on an investment-by-investment basis in associates or joint ventures.

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

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments

IFRS 15 establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaced 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.

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 adoption of the standard and its amendment had no impact on the Group's consolidated financial statements as net interest income, which is a primary revenue stream of the Group, is not impacted by the adoption of IFRS 15. Furthermore, regarding Group's revenue from contracts with customers, including fee and commission income, there was no change in the accounting treatment of services provided over time, or transactions executed at point in time, as it is consistent with the Group's existing accounting policy.

A table disaggregating revenue from contracts with customers per Group's reportable segments is presented in note 8.

IFRS 9, Financial Instruments

On 1 January 2018, the Group adopted IFRS 9 'Financial Instruments', which replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. The adoption of IFRS 9 in 2018 resulted in changes in accounting policy in two principal areas, classification and measurement of financial assets and liabilities and impairment of financial assets. The Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

Differences arising from the adoption of IFRS 9 have been recognized directly in reserves and retained earnings as of 1 January 2018 and are disclosed in note 2.3. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

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Changes in the classification and measurement

IFRS 9 applies a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics.

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. Reclassifications between categories are made only in rare circumstances.

For the purpose of the transition to IFRS 9, the Group carried out a business model assessment across various portfolios for its debt instruments to determine any potential changes to the classification and measurement. The assessment has been performed based on the facts and circumstances that exist at the date of initial application i.e. 1 January 2018 (see section 2.3.2).

The IAS 39 categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and Loans and Receivables) have been replaced by:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets measured at FVTPL

The Group may at initial recognition, designate a financial asset at FVTPL in order to eliminate or significantly reduce an accounting mismatch.

Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

The IFRS 9 eligibility requirements for applying the fair value option to measure financial liabilities at FVTPL are consistent with those of IAS 39. 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.

Finally, under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

The Group's classification of its financial assets and liabilities is explained in Section 2.2 of this note. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in note 2.3.2.

Changes to the impairment calculation

The adoption of IFRS 9 has changed significantly the Group's accounting for the impairment of financial assets by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach, which requires the use of complex models and significant judgment about future economic conditions and credit behavior. Credit losses are recognized earlier under IFRS 9 compared to IAS 39.

IFRS 9 requires the Group to record an allowance for credit loss for all financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, which are off-balance sheet items. The allowance is based on the ECL calculation of the related probability of default of the debtor in the next twelve months unless there has been a significant increase in credit risk since origination of the exposure, when lifetime ECL is measured. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

Details of the Group's impairment policy are disclosed in Section 2.2 of this note. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in note 2.3.2.

Hedge accounting under IFRS 9

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

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the accounting of macro hedging activities. Until the above project is completed, entities have an accounting policy choice to continue applying the hedge accounting requirements in IAS 39.

The Group has elected to continue applying IAS 39.

Consequential changes in disclosures (IFRS 7 'Financial Instruments: Disclosures')

Effective from 1 January 2018, due to IFRS 9 transition, these consolidated financial statements include transition disclosures, which provide qualitative and quantitative information about the impact from the revised classification and measurement and ECL principles. In addition, these consolidated financial statements include, the enhanced classification and measurement, impairment and hedge accounting disclosures as required by the related amendments to IFRS 7 'Financial Instruments: Disclosures'.

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

A number of new standards, amendments to existing standards and interpretations are effective after 2018, as they have not yet been endorsed by the European Union or have not been early applied by the Group. Those that may be relevant to the Group are set out below:

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. Specifically, 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 Group's consolidated financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019)

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 (i.e. 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 (e.g. 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 Group's consolidated financial statements.

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.

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The definition of a lease under IFRS 16 mainly relates to the concept of control. The new standard distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

IFRS 16 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.

Consequently, 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. The accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

Transition to IFRS 16

The date of initial application of IFRS 16 for the Group will be 1 January 2019. The Group has chosen the modified retrospective application of IFRS 16 and therefore comparative information will not be restated.

Upon transition, the Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, existing contracts previously classified as service contracts such as ATMs, APSs and printing services will not be classified as leases under IFRS 16, while the definition set out in IFRS 16 will be applied to all lease contracts entered into or modified on or after 1 January 2019.

Lessee Accounting

In accordance with IFRS 16, at the commencement date of the lease, the Group as a lessee will recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments. The Group intends to apply this initial measurement principle to all leases, except for those with lease term of 12 months or less - making use of the short-term leases and leases of low-value assets exemptions.

Accordingly, in estimating the impact from IFRS 16 adoption, the Group expects to recognise right-of-use assets of approximately € 360 million and corresponding lease liabilities of € 360 million arising from leases of properties and vehicles, while no impact is expected on shareholders' equity. The estimated capital impact arising primarily from the increase in risk-weighted assets is a reduction of approximately 13 bps on the Group's common equity Tier I ratio by applying regulatory transitional arrangements (approximately -10 bps on the Group's CET1 ratio, on a fully loaded basis).

It is noted that approximately € 132 million of the above mentioned right-of-use assets and € 132 million of the corresponding lease liabilities relate to properties currently on lease from Grivalia, which will be derecognized upon the completion of the announced merger by absorption of Grivalia by Eurobank (note 48), as the related properties will become own used assets of the combined new group.

With regard to subsequent measurement, the Group, acting as a lessee, will apply the cost model for the measurement of right-of-use asset. Accordingly, the right-of-use asset will be measured at cost less any accumulated depreciation and accumulated impairment losses and adjusted for the remeasurement of the lease liability.

On the other hand, interest expense will be recognized on the lease liabilities, while their carrying amount will be reduced to reflect the lease payments made. In case of any reassessments or lease modifications specified, the carrying amount of the lease liabilities will be remeasured to reflect revised lease payments.

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Lessor Accounting

At inception date of the lease, the Group, acting as a lessor, will classify each of its leases as either an operating lease or a finance lease based on certain criteria. These criteria are unchanged compared to current accounting as described below.

Finance leases

At commencement date, the Group will derecognize the carrying amount of the underlying assets held under finance lease, recognize a receivable at an amount equal to the net investment in the lease and recognize, in profit or loss, any profit or loss from the derecognition of the asset and the recognition of the net investment. The net investment in the lease will be calculated as the present value of the future lease payments in the same way as for the lessee.

After commencement date, the Group will recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group shall also recognize income from variable payments that are not included in the net investment in the lease. After lease commencement, the net investment in a lease will not be remeasured unless the lease is modified or the lease term is revised.

Operating leases

The Group will continue to recognize the underlying asset and will not recognize a net investment in the lease on the balance sheet or initial profit (if any) on the income statement.

The Group will recognize lease payments as income on a straight-line basis. Also it will recognize costs, including depreciation, incurred in earning the lease income as an expense. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Subleases

The Group, acting as a lessee, may enter into arrangements to sublease a leased asset to a third party while the original lease contract is in effect. The Group will act as both the lessee and lessor of the same underlying asset. The sublease will be a separate lease agreement, in which the intermediate lessor will classify the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease, the sublease will be classified as an operating lease; or
- otherwise, the sublease will be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

Operating lease commitments as at 31 December 2018, presented in accordance with the disclosure requirements of IAS 17 for the minimum lease payments under non-cancellable operating leases, are set out in note 45. Amounts disclosed in the aforementioned note reflect the lease payments over the non-cancellable period only, as determined in accordance with the contractual terms of the leases and the applicable legal provisions regarding the minimum lease period.

Accordingly, as at 31 December 2018, for lease contracts where the Group is the lessee and have a stated maturity, the non-cancellable operating lease rentals payable are € 134 million (note 45), whereas the total future contractual lease payments are € 340 million.

IAS 28, Amendment – Long Term Interests in Associates and Joint Ventures (effective 1 January 2019)

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, an entity should not take into account any adjustments to the carrying amount of long term interests (net investment in the associate or joint venture), resulting from the application of IAS 28 'Investments in Associates and Joint Ventures' when applying IFRS 9.

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

IAS 19, Amendment – Plan Amendment, Curtailment or Settlement (effective 1 January 2019)

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

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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 Group's consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019)

The improvements introduce key changes to several standards as set out below: The amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. Specifically, when an entity obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party re-measures the entire previously held interest in the assets and liabilities of the joint operation at fair value. Conversely, if a party obtains joint control, of a business that is a joint operation then the previously held interest is not re-measured.

The improvement to IAS 12 'Income Taxes' 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, according to where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.

IAS 23 'Borrowing costs' amendment clarified that any borrowing originally performed to develop a qualifying asset should be treated as part of the funds that the entity borrowed generally, 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 Group's consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020, not yet endorsed by EU)

In March 2018, the IASB issued its revised Conceptual Framework. This replaces the previous version of the Conceptual Framework issued in 2010. Revisions performed by IASB introduced a new chapter of measurement, updated definitions of an asset/liability and recognition criteria, as well as clarifications on important areas.

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

Amendment to IFRS 3 Business Combinations (effective 1 January 2020, not yet endorsed by EU)

The IASB issued amendments to the definition of a business in IFRS 3 "Business Combinations" to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

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

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020, not yet endorsed by EU)

The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" aim to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to the new definition an information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both.

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

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 provided that the entity 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 at each reporting

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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.

At its November 2018 meeting, the IASB decided to propose a one-year deferral of the effective date for IFRS 17 to 2022.

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

2.2 Principal accounting policies

2.2.1 Consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

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

Information about the Group's structured entities is set out in note 29.

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

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

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

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

(ii) Business combinations

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

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

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

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

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

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

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

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(iii) Business combinations involving entities under common control

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

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

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

Formation of a new Group entity to effect a business combination

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

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

(iv) Associates

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

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

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

(v) Joint arrangements

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

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

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As investments in associates, the Group's interest in joint ventures is accounted for by using the equity method of accounting. Therefore, the accounting policy described in note 2.2.1 (iv) applies also for joint ventures. Where necessary the accounting policies used by the joint ventures have been changed to ensure consistency with the policies of the Group.

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

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

2.2.2 Foreign currencies

(i) Translation of foreign subsidiaries

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

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

(ii) Transactions in foreign currency

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

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

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

2.2.3 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.

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 2.2.12 and 6.3.

Embedded derivatives

Policy applicable from 1 January 2018

Financial assets that contain embedded derivatives are recognised in the balance sheet in their entirety in the appropriate classification category, following instruments' assessment of their contractual cash flows and their business model as described in note 2.2.9.

Notes to the Consolidated Financial Statements

On the other hand, derivatives embedded in financial liabilities, 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.

Policy applicable before 1 January 2018

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.

The use of derivative financial instruments is inherent in the Group's activities and aims principally at managing risk effectively.

Accordingly, the Group, as part of its risk management strategy, may enter into transactions with external counterparties to hedge partially or fully interest rate, foreign currency, equity and other exposures that are generated from its activities.

The objectives of hedging with derivative financial instruments include:

- Reduction of interest rate exposure that is in excess of the Group's interest rate limits
- Efficient management of interest rate risk and fair value exposure
- Management of future variable cash flows
- Reduction of foreign currency risk or inflation risk

Hedge accounting

For hedge accounting purposes, the Group forms a hedging relationship between a hedging instrument and a related item or group of items to be hedged. A hedging instrument is a designated derivative or a designated non-derivative financial asset or financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Specifically, the Group designates certain derivatives as: (a) hedges of the exposure to changes in fair value of recognized assets or liabilities or unrecognized firm commitments (fair value hedge), (b) hedges of the exposure to variability in cash flows of recognized assets or liabilities or highly probable forecasted transactions (cash flow hedge) or, (c) hedges of the exposure to variability in the value of a net investment in a foreign operation which is associated with the translation of the investment's net assets in the Group's functional currency.

In order to apply hedge accounting, specified criteria should be met. Accordingly, at the inception of the hedge accounting relationship, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group also documents its assessment, both at inception of the hedge and on an ongoing basis, an assessment of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and whether the actual results of each hedge are within a range of 80-125%. If a relationship does not meet the abovementioned hedge effectiveness criteria, the Group discontinues hedge accounting prospectively. Similarly, if the hedging derivative expires or is sold, terminated or exercised, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In addition, the Group uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are classified along with those held for trading purposes.

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

Furthermore, the Group may designate groups of items as hedged items, by aggregating recognized assets or liabilities or unrecognized but highly probable transactions of similar risk characteristics that share the exposure for which they are hedged. Although the overall risk exposures may be different for the individual items in the group, the specific risk being hedged will be inherent in each of the items in the group.

Notes to the Consolidated Financial Statements

(i) Fair value hedge

The Group applies fair value hedging to hedge exposures primarily to changes in the fair value attributable to interest rate risk and currency risk.

The items that qualify for fair value hedge accounting include fixed rate debt securities classified as available-for-sale and as debt securities lending financial assets (policy applicable before 1 January 2018), as FVOCI and amortized cost financial assets (policy applicable after 1 January 2018), fixed rate term deposits or term loans measured at amortized cost, as well as fixed rate debt securities in issue.

The interest rate and currency risk with respect to the applicable benchmark rate may be hedged using interest rate swaps and cross currency swaps.

The Group uses the dollar-offset method in order to assess the effectiveness of fair value hedges. This is a quantitative method that involves the comparison of the change in the fair value of the hedging instrument with the change in the fair value of the hedged item attributable to the hedged risk. Even if a hedge is not expected to be highly effective in a particular period, hedge accounting is not precluded if effectiveness is expected to remain sufficiently high over the life of the 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 Group 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. Hedge ineffectiveness may arise in case of potential differences in the critical terms between the hedged item and the hedging instrument such as maturity, interest rate reset frequency and discount curves.

(ii) Cash flow hedge

The Group applies cash flow hedging to hedge exposures to variability in cash flows primarily attributable to the interest rate risk associated with a recognized asset or liability or a highly probable forecast transaction.

The items that qualify for cash flow hedging include recognized assets and liabilities such as variable rate deposits or loans measured at amortized cost, variable rate debt securities in issue and foreign currency variable rate loans. The interest rate risk with respect to the applicable benchmark rate may be hedged using interest rate swaps and cross currency swaps.

Furthermore, cash flow hedging is used for the anticipated future rollover of short-term deposits or repos measured at amortized cost. Specifically, the forecast variable interest payments of a series of anticipated rollovers of these financial liabilities are aggregated and hedged as a group with respect to changes in the benchmark rates, eliminating cash flow variability.

If the hedged item is documented as a forecast transaction, the Group assesses and verifies that there is a high probability of the transaction occurring.

In order to assess the effectiveness of cash flow hedges, the Group uses regression analysis which demonstrates that there is high historical and expected future correlation between the interest rate risk designated as being hedged and the interest rate risk of the hedging instrument.

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.

Notes to the Consolidated Financial Statements

(iii) Net investment hedge

The Group applies net investment hedging to hedge exposures to variability in the value of a net investment in foreign operation associated with the translation of the investment's carrying amount into the Group's presentation currency.

The Group invests in foreign subsidiaries, associates or other foreign operations with functional currencies different from the Group's presentation and functional currency which upon consolidation, their carrying amount is translated from the functional currency to the Group's presentation currency and any exchange differences are deferred in OCI until the net investment is disposed of or liquidated, at which time they are recognized in the profit or loss.

The item that qualifies for net investment hedge accounting is the carrying amount of the net investment in a foreign operation, including monetary items that form part of the net investment.

The foreign currency exposure that arises from the fluctuation in spot exchange rates between the net investment's functional currency and the Group's presentation currency may be hedged using currency swaps, currency forward contracts and their economic equivalents, as well as cash instruments.

The effectiveness of net investment hedges is assessed with the Dollar-Offset Method as described above for fair value hedge.

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

(iv) Derivatives not designated as hedging instruments for hedge accounting purposes

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

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

2.2.4 Offsetting financial instruments

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

2.2.5 Income statement

(i) Interest income and expense

Policy applicable from 1 January 2018

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 (EIR) 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 gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. For purchased or originated credit impaired (POCI) financial assets, the Group calculates the credit-adjusted EIR, which is the interest rate that upon the original recognition of the POCI financial asset discounts the estimated future cash flows (including expected credit losses) to the fair value of the POCI asset.

The amortized cost of a financial asset or liability is the amount at which it is measured upon initial recognition minus principal repayments, plus or minus cumulative amortization using the EIR (as described above) and for financial assets it is adjusted for the expected credit loss allowance. The gross carrying amount of a financial asset is its amortized cost before adjusting for ECL allowance.

The EIR 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. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Notes to the Consolidated Financial Statements

The Group calculates interest income and expense by applying the EIR to the gross carrying amount of non-impaired financial assets (exposures in Stage 1 and 2) and to the amortized cost of financial liabilities respectively.

For financial assets that have become credit-impaired subsequent to initial recognition (exposures in Stage 3), the Group calculates interest income by applying the effective interest rate to the amortized cost of the financial asset (i.e. gross carrying amount adjusted for the expected credit loss allowance). If the asset is no longer credit-impaired, then the EIR is applied again to the gross carrying amount.

For financial assets that were credit-impaired on initial recognition (POCI) interest income is calculated by applying the credit-adjusted EIR (calculated as described above) to the POCI asset's amortized cost. For such assets even if the credit risk improves, interest income does not revert to gross basis calculation. For inflation-linked instruments the Group recognizes interest income and expense by adjusting the effective interest rate on each reporting period due to changes in expected future cash flows, incorporating changes in inflation expectations over the term of the instruments. The adjusted effective interest rate is applied in order to calculate the new gross carrying amount on each reporting period.

Interest income and expense is presented separately in the income statement for all interest bearing financial instruments within net interest income.

Policy applicable before 1 January 2018

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 carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

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

(ii) Fees and commissions

Fee and commission received or paid that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income such as account servicing and asset management fees (including performance based fees) is recognised over time as the related services are being provided to the customer, to the extent that it is highly probable that a significant reversal of the revenue amount recognized will not occur. Transaction-based fees such as foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised at the point in time when the transaction takes place. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Applicable from 1 January 2018

In the case of a contract with a customer that results in the recognition of a financial instrument in the Group's financial statements which may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15, the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and subsequently applies IFRS 15 to the residual part.

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 Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognized in the income statement as incurred.

Notes to the Consolidated Financial Statements

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

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

(ii) Investment property

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

Reclassifications between own used and investment properties may occur when there is a change in the use of such properties. Additionally, an investment property may be reclassified to 'non-current assets held for sale' category to the extent that the criteria described in note 2.2.25 are met.

2.2.7 Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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

(iii) Other intangible assets

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

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

2.2.8 Impairment of non-financial assets

(i) Goodwill

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

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

Notes to the Consolidated Financial Statements

The Group monitors goodwill either at the separate legal entity level or group of legal entities consistent with the internal monitoring of operating segments.

The Group impairment model compares the carrying value of a CGU or group of CGUs with its recoverable amount. The carrying value of a CGU is based on the assets and liabilities of each CGU. The recoverable amount is determined on the basis of the value-in-use which is the present value of the future cash flows expected to be derived from the CGU or group of CGUs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU and the countries where the CGUs operate.

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

(ii) Other non-financial assets

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

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

2.2.9 Financial assets

Policy applicable from 1 January 2018

Financial assets - Classification and measurement

The Group classifies financial assets based on the business model for managing those assets and their contractual cash flow characteristics. Accordingly, financial assets are classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Purchases and sales of financial assets are recognized on trade date, which is the date the Group commits to purchase or sell the assets. Loans originated by the Group are recognized when cash is advanced to the borrowers.

Financial Assets measured at Amortized Cost ('AC')

The Group classifies and measures a financial asset at AC only if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is to collect contractual cash flows (hold-to-collect business model) and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These financial assets are recognized initially at fair value plus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate (EIR) method (as described in 2.2.5 above).

Interest income, realized gains and losses on derecognition, and changes in expected credit losses from assets classified at AC, are included in the income statement.

Financial Assets measured at Fair Value through Other Comprehensive Income ('FVOCI')

The Group classifies and measures a financial asset at FVOCI only if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold-to-collect-and-sell business model) and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Notes to the Consolidated Financial Statements

Financial assets that meet these criteria are debt instruments and are measured initially at fair value, plus direct and incremental transaction costs.

Subsequent to initial recognition, FVOCI debt instruments are re-measured at fair value through OCI, except for interest income, related foreign exchange gains or losses and expected credit losses, which are recognized in the income statement. Cumulative gains and losses previously recognized in OCI are transferred from OCI to the income statement when the debt instrument is derecognised.

Equity Instruments designated at FVOCI

The Group may make an irrevocable election to designate an equity instrument at FVOCI. This designation, if elected, is made at initial recognition and on an instrument by instrument basis. Gains and losses on these instruments, including when derecognised, are recorded in OCI and are not subsequently reclassified to the income statement. Dividends received are recorded in the income statement.

Financial Assets measured at Fair Value through Profit and Loss ("FVTPL")

The Group classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL. Accordingly, this measurement category includes debt instruments such as loans and debt securities that are held within the hold-to-collect (HTC) or hold-to-collect-and-sell models (HTCS), but fail the SPPI assessment, equities that are not designated at FVOCI and financial assets held for trading. Derivative financial instruments are measured at FVTPL, unless they are designated and effective hedging instruments, in which case hedge accounting requirements under IAS 39 continue to apply.

Furthermore, a financial asset that meets the above conditions to be classified at AC or FVOCI, may be irrevocably designated by the Group at FVTPL at initial recognition, if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at FVTPL are initially recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in the income statement.

Business model and contractual characteristics assessment

The business model assessment determines how the Group manages a group of assets to generate cash flows. That is, whether the Group's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. In addition, the business model is determined after aggregating the financial assets into groups (business lines) which are managed similarly rather than at an individual instrument's level.

The business model is determined by the Group's key management personnel consistently with the operating model, considering how financial assets are managed in order to generate cash flows, the objectives and how performance of each portfolio is monitored and reported and any available information on past sales and on future sales' strategy, where applicable.

Accordingly, in making the above assessment, the Group will consider a number of factors including the risks associated with the performance of the business model and how those risks are evaluated and managed, the related personnel compensation, and the frequency, volume and reasons of past sales, as well as expectations about future sales activity.

Types of business models

The Group's business models fall into three categories, which are indicative of the key strategies used to generate returns.

The hold-to-collect (HTC) business model has the objective to hold the financial assets in order to collect contractual cash flows. Sales within this model are monitored and may be performed for reasons which are not inconsistent with this business model. More specifically, sales of financial assets due to credit deterioration, as well as, sales close to the maturity are considered consistent with the objective of hold-to-collect contractual cash flows regardless of value and frequency. Sales for other reasons may be consistent with the HTC model such as liquidity needs in any stress case scenario or sales made to manage high concentration level of credit risk. Such sales are monitored and assessed depending on frequency and value to conclude whether they are consistent with the HTC model. Debt instruments classified within this business model include bonds, due from banks and loans and advances to customers which are measured at amortized cost, subject to meeting the SPPI assessment criteria.

The hold-to-collect-and-sell business model (HTC&S) has the objective both to collect contractual cash flows and sell the assets. Activities such as liquidity management, interest yield and duration are consistent with this business model, while sales of assets are

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integral to achieving the objectives of this business model. Debt instruments classified within this business model include investment securities which are measured at FVOCI, subject to meeting the SPPI assessment criteria.

Other business models include financial assets which are managed and evaluated on a fair value basis as well as portfolios that are held for trading. This is a residual category for financial assets not meeting the criteria of the business models of HTC or HTC&S, while the collection of contractual cash flows may be incidental to achieving the business models' objective.

The Group's business models are reassessed at least annually or earlier, if there is a sales' assessment trigger or if there are any changes in the Bank's strategy and main activities, as evidenced by the Bank's business plan, budget and NPE strategy.

Cash flow characteristics assessment

For a financial instrument to be measured at AC or FVOCI, its contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

In assessing whether the contractual cash flows are SPPI, the Group will consider whether the contractual terms of the instrument are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. On the initial recognition of a financial asset, an assessment is performed of whether the 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 is considered to have failed the SPPI assessment and will be measured at FVTPL.

For the purpose of the SPPI assessment, the Group considers the existence of various features, including among others, contractually linked terms, prepayment terms, deferred interest-free payments, extension and equity conversion options and terms that introduce leverage including index linked payments.

In case of special lending arrangements such as non-recourse loans, in its assessment of the SPPI criterion, the Group considers various factors such as the nature of the borrower and its business, the pricing of the loans, whether it participates in the economic performance of the underlying asset and the extent to which the collateral represents all or a substantial portion of the borrower's assets. Moreover, for special purpose entities, the Group takes into consideration the borrower's adequacy of loss absorbing capital by assessing jointly the criteria of equity sufficiency, Loan to Value ratio (LTV), the Average Debt Service Coverage ratio (ADSCR) as well as the existence of corporate and personal guarantees.

In certain cases when the time value of money element is modified in that the financial asset's interest rate is periodically reset but the reset frequency does not match the tenor of the interest rate or when a financial asset's interest rate is periodically reset to an average of particular short-term and long-term interest rates, a quantitative assessment is performed (the "Benchmark Test") in order to determine whether the contractual cash flows are SPPI.

In particular, the Group assesses the contractual cash flows of the "real instrument", whose interest rate is reset with a frequency that does not match the tenor of the interest rate, and those of the "benchmark instrument", which are identical in all respects except that the tenor of the interest rate matches exactly the interest period. If the undiscounted cash flows of the former are significantly different from the benchmark cash flows due to the modified time value of money element, the financial asset does not meet the SPPI criterion. In its assessment, the Group considers both the effect of the modified time value of money element in each reporting period and cumulatively over the life of the instrument. This is done, as far as the lifetime of the instrument is concerned, by comparing the cumulative projected undiscounted cash flows of the real and the benchmark instrument, and for each quarterly reporting period, by comparing the projected undiscounted cash flows of the two instruments for that quarterly reporting period, based on predefined thresholds.

In addition, for the purposes of the SPPI assessment, if a contractual feature could have an effect that is de-minimis on the contractual cash flows of the financial asset, it does not affect its classification. Moreover, a contractual feature is considered as not genuine by the Group, if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur. In such a case, it does not affect the instrument's classification.

The Group performs the SPPI assessment for its lending exposures on a product basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio and debt securities the assessment is performed on an individual basis.

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Derecognition of financial assets

The Group derecognizes a financial asset when its contractual cash flows expire, or the rights to receive those cash flows are transferred in an outright sale in which substantially all risks and rewards of ownership have been transferred. In addition, a financial asset is derecognized even if rights to receive cash flows are retained but at the same time the Group assumes an obligation to pay the received cash flows without a material delay (pass through agreement) or when substantially all the risks and rewards are neither transferred nor retained but the Group has transferred control of the asset. 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. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in OCI for financial assets at FVOCI, is recognized in income statement.

The Group may modify the contractual terms of a financial asset either as a concession granted to a client facing or that is about to face financial difficulties or due to other commercial reasons such as changes in market conditions, competition or customer retention.

In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial enough, the original financial asset is then derecognized. The Group records the modified asset as a 'new' financial asset at fair value and the difference with the carrying amount of the existing one is recorded in the income statement as derecognition gain or loss.

Modifications that may result in derecognition include:

- change in borrower,
- change in the currency that the lending exposure is denominated,
- debt consolidation features where two or more consumer unsecured lending contracts are consolidated into a single new secured lending agreement,
- the removal or addition of conversion features and/or profit sharing mechanisms and similar terms which are relevant to the SPPI assessment;

In addition, the Group may occasionally enter, in the context of loans' modifications, into debt-for-equity transactions. These are transactions where the terms of a lending exposure are renegotiated and as a result, the borrower issues equity instruments (voting or no voting) in order to extinguish part or all of its financial liability to the Group. Such transactions may include also exercise of conversion rights embedded into convertible or exchangeable bonds and enforcement of shares held as collateral.

In debt-for-equity transactions, the modified loan is derecognized while the equity instruments received in exchange are recognized at their fair value, with any resulting gain or loss recognized in the Group's income statement.

Policy applicable before 1 January 2018

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

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

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

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

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

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(ii) Loans and receivables

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

(iii) Held-to-maturity

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

(iv) Available-for-sale

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

Accounting treatment and calculation

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

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

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

Derecognition of financial assets

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

In addition, derecognition of financial asset arises when its contractual cash flows are modified and the modification is considered substantial enough so that the original asset is derecognized and a new one is recognized. For a description of the events that would constitute a substantial modification of an asset, following a modification refer to section 2.2.13 below. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in OCI for available-for-sale financial assets, is recognized in income statement.

2.2.10 Reclassifications of financial assets

Policy applicable from 1 January 2018

The Group reclassifies a financial asset only when it changes its business model for managing financial assets. Generally, a change in the business model is expected to be rare and occurs when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when a business line is acquired, disposed of or terminated. In the rare event when there is a change to the existing business models, the updated assessment is approved by the Group's competent Committees and the amendment is reflected appropriately in the Group's budget and business plan.

Notes to the Consolidated Financial Statements

Changes in intention related to particular financial assets (even in circumstances of significant changes in market conditions), the temporary disappearance of a particular market for financial assets or a transfer of financial assets between parts of the Group with different business models, are not considered by the Group changes in business model.

The reclassification is applied prospectively from the reclassification date, therefore previously recognized gains, losses (including impairment losses) or interest are not restated.

Policy applicable before 1 January 2018

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

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

2.2.11 Financial liabilities

Financial liabilities - Classification and measurement

Policy applicable from 1 January 2018

The Group classifies its financial liabilities in the following categories: financial liabilities measured at amortized cost and financial liabilities measured 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.

Financial liabilities held for trading are those liabilities that the Group incurs principally for the purpose of repurchasing in the near term for short term profit.

The Group may, at initial recognition, irrevocably designate financial liabilities at fair-value-through-profit-or-loss when one of the following criteria is met:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis; or
- the financial liability contains one or more embedded derivatives as components of a hybrid contract which significantly modify the cash flows that otherwise would be required by the contract.

Financial liabilities designated at FVTPL are initially recognized at fair value. Changes in fair value are recognized in the income statement, except for changes in fair value attributable to changes in the Group's own credit risk, which are recognised in OCI and are not subsequently reclassified to the income statement upon derecognition of the liabilities. However, if such treatment creates or enlarges an accounting mismatch in the income statement, all gains or losses of this financial liability, including the effects of changes in the credit risk, are recognized in the income statement.

Policy applicable before 1 January 2018

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

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

- (a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
- (b) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or

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

Derecognition of financial liabilities

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

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

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

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

2.2.12 Fair value measurement of financial instruments

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole (note 6.3).

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

2.2.13 Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognizes allowance for expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at AC and FVOCI, including loans, lease receivables, debt securities, financial guarantee contracts, and loan commitments. No ECL are recognized on equity investments. ECL are a probability-weighted average estimate of credit

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losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment policy, the Group records 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 (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument. If upon initial recognition, the financial asset meets the definition of purchased or originated credit impaired (POCI), the loss allowance is based on the change in the ECL over the life of the asset.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For all other financial assets subject to impairment, the general three-stage approach applies.

Accordingly, ECL are recognized using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-months ECL is recorded. The 12 – month ECL 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. Not credit-impaired financial assets that are either newly originated or purchased, as well as, assets recognized following a substantial modification accounted for as a derecognition, are classified initially in Stage 1.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.
- POCI - Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. They are not subject to stage allocation and are always measured on the basis of lifetime expected credit losses. Accordingly, ECL are only recognized to the extent that there is a subsequent change in the assets' lifetime expected credit losses. Any subsequent favorable change to their expected cash flows is recognized as impairment gain in the income statement even if the resulting expected cash flows exceed the estimated cash flows at initial recognition. Apart from purchased assets, POCI assets may also include financial instruments that are considered new assets, following a substantial modification accounted for as a derecognition (see section 2.2.9).

Definition of default

To determine the risk of default, the Group applies a default definition for accounting purposes, which is consistent with the European Banking Authority (EBA) definition for non-performing exposure (refer to note 6.2.1.2). The accounting definition of default is consistent with the one used for internal credit risk management purposes.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that exposure have occurred:

- The borrower faces a significant difficulty in meeting his financial obligations.
- There has been a breach of contract, such as a default or past due event.
- The Group, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Group would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organization.
- For POCI asset, a purchase or origination at a deep discount that reflects incurred credit losses is considered a detrimental event. The Group assesses the deep discount criterion following a principle -based approach with the aim to incorporate all reasonable and supportable information which reflects market conditions that exist at the time of the assessment.

For debt securities, the Group determines the risk of default using an internal credit rating scale. The Group considers debt securities as credit impaired if the internal rating of the issuer/counterparty corresponds to a rating equivalent to "C" (Moody's rating scale) or the external rating of the issuer/counterparty at the reporting date is equivalent to "C" (Moody's rating scale) and the internal rating is not available.

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Significant increase in credit risk (SICR) and staging allocation

Determining whether a loss allowance should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk (SICR) of the financial assets, issued loan commitments and financial guarantee contracts, since initial recognition.

At each reporting date, the Group performs an assessment as to whether the risk of a default occurring over the remaining expected lifetime of the exposure has increased significantly from the expected risk of a default estimated at origination for that point in time.

The assessment for SICR is performed using both qualitative and quantitative criteria based on reasonable and supportable information that is available without undue cost or effort including forward looking information and macroeconomic scenarios as well as historical experience. Furthermore, regardless of the outcome of the SICR assessment based on the above indicators, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

As a primary criterion for SICR assessment, the Group compares the residual lifetime probability of default (PD) at each reporting date to the residual lifetime PD for the same point in time which was expected at the origination.

The Group may also consider as a SICR indicator when the residual lifetime PD at each reporting date exceeds certain predetermined values. The criterion may be applied in order to capture cases where the relative PD comparison does not result to the identification of SICR although the absolute value of PD is at levels which are considered high based on the Group's risk appetite framework.

For a financial asset's risk, a threshold may be applied, normally reflected through the asset's forecasted PD, below which it is considered that no significant increase in credit risk compared to the asset's expected PD at origination date has taken place. In such a case the asset is classified at Stage 1 irrespectively of whether other criteria would trigger its classification at Stage 2. This criterion primarily applies to debt securities.

Internal credit risk rating (on a borrower basis) is also used as a basis for the identification of SICR with regards to lending exposures of the Wholesale portfolio. Specifically, the Group takes into consideration the changes of internal ratings by a certain number of notches. In addition, a watchlist status is also considered by the Group as a trigger for SICR identification. Internal credit risk ratings models include borrower specific information as well as, forward-looking information including macroeconomic variables.

Assessment of SICR for debt securities is performed on an individual basis based on the number of notches downgrade in the internal credit rating scale since the origination date.

Forbearance measures as monitored by the Group are considered as a SICR indicator and thus the exposures are allocated into Stage 2 upon forbearance, unless they are considered credit-impaired in which case they are classified as stage 3. Furthermore, regardless of the outcome of the SICR assessment based on the above indicators, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

Furthermore, Management may apply temporary collective adjustments when determining whether credit risk has increased significantly since initial recognition on exposures that share the same credit risk characteristics to reflect macro-economic or other factors which are not adequately addressed by the current credit risk models. These factors may depend on information such as the type of the exposure, counterparty's specific information and the characteristics of the financial instrument, while their application requires the application of significant judgment.

Transfers from Stage 2 to Stage 1

A financial asset, which is classified to Stage 2 due to Significant Increase in Credit Risk (SICR), is reclassified to Stage 1, as long as it does not meet anymore any of the Stage 2 Criteria.

Where forbearance measures have been applied, the Group uses a probation period of two years, in order to fulfill the requirements for a transfer back to Stage 1. If at the end of that period the borrowers have made regular payments of a significant aggregate amount, there are no past due amounts over 30 days and the loans are neither credit impaired, nor any other SICR criteria are met, they exit forborne status and are classified as stage 1.

Transfers from Stage 3 to Stage 2

A financial asset is transferred from Stage 3 to Stage 2, when the criteria based on which the financial asset was characterized as credit impaired, are no longer valid.

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Criteria for grouping of exposures based on shared credit risk characteristics

The assessment of loss allowance is performed either on an individual basis or on a collective basis for groups of similar items with homogeneous credit risk characteristics. The Group applies the same principles for assessing SICR since initial recognition when estimating ECL on a collective or on an individual basis.

The Group segments its lending exposures on the basis of shared credit risk characteristics for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default.

The shared credit risk characteristics used for the segmentation of exposures include several elements such as: instrument type, portfolio type, asset class, product type, industry, originating entity, credit risk rating, remaining term to maturity, geographical location of the borrower, value of collateral to the financial asset, forbearance status and days in arrears.

The Group identifies individually significant exposures and performs the ECL measurement based on borrower specific information for both retail and wholesale portfolios. This measurement is performed at a borrower level, hence the criteria are defined at this level, while both qualitative and quantitative factors are taken into consideration including forward looking information.

For the remaining retail and wholesale exposures, ECL are measured on a collective basis. This incorporates borrower specific information, collective historical experience of losses and forward-looking information. For debt securities, the measurement of impairment losses is performed on an individual debt security basis.

Measurement of Expected Credit Losses

The measurement of ECL is an unbiased probability-weighted average estimate of credit losses that reflects the time value of money, determined by evaluating a range of possible outcomes. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contractual terms of the instrument and the cash flows that the Group 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 are considered. For undrawn commitments, ECL are calculated as the present value of the difference between the contractual cash flows due if the commitment is drawn and the cash flows expected to be received, while for financial guarantees ECL are measured as the expected payments to reimburse the holder less any amounts that the Group expects to receive.

The Group estimates 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 case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflect the amount and timing of cash flows that are expected from liquidation less the discounted costs of obtaining and selling the collateral, irrespective of whether liquidation is probable.

ECL are calculated over the maximum contractual period over which the Group is exposed to credit risk, which is determined based on the substantive terms of the instrument, or in case of revolving credit facilities, by taking into consideration factors such as the Group's expected credit risk management actions to mitigate credit risk and past practice.

Receivables from customers arising from the Group's activities other than lending, are presented under Other Assets and are typically short term. Therefore, considering that usually there is no significant financing component, the loss allowance for such financial assets is measured at an amount equal to the lifetime expected credit losses under the simplified approach.

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 Group derives 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, LGD and EAD used for accounting purposes may differ from those used for regulatory purposes. For the purposes of impairment measurement, PD is a point-in-time estimate whereas for regulatory purposes PD is a 'through-the-cycle' estimate. In

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addition, LGD and EAD for regulatory purposes are based on loss severity experienced during economic downturn conditions, while for impairment purposes, LGD and EAD reflect an unbiased and probability-weighted amount.

The PD represents the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon.

The Group uses Point in Time (PiT) PDs in order to remove any bias towards historical data thus aiming to reflect management's view of the future as at the reporting date, incorporating relevant forward looking information including macroeconomic scenarios.

Two types of PD are used for calculating ECL:

- 12-month PD, which is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial asset if this is less than 12 months). It is used to calculate 12-month ECL for Stage 1 exposures.
- Lifetime PD, which is the estimated probability of a default occurring over the remaining life of the financial asset. It is used to calculate lifetime ECL for Stage 2, Stage 3 and POCI exposures.

For debt securities, PDs are obtained by an international rating agency using risk methodologies that maximize the use of objective non-judgmental variables and market data. The Group assigns internal credit ratings to each issuer/counterparty based on these PDs. In case of counterparties for which no information is available, the Group assigns PDs which are derived from internal models.

The Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The EAD includes both on and off balance sheet exposures. The on balance sheet exposure corresponds to the total amount that has been withdrawn and is due to be paid, which includes the outstanding principal, accrued interest and any past due amounts. The off balance sheet exposure represents the credit that is available to be withdrawn, in excess of the on balance sheet exposure.

Furthermore, the CCF factor is used to convert the amount of a credit facility 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.

In addition, 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.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure and it is the difference between the contractual cash flows due and those that the Group 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 Group distinguishes its loan portfolios into two broad categories i.e. secured and unsecured. The Group estimates the LGD component using cure rates that reflect cash recoveries, estimated proceeds from collateral liquidation, estimates for timing realization, realization costs, etc. Where the LGD's component values are dependent on macro – economic data, such types of dependencies are reflected by incorporating forward looking information, such as forecasted price indices into the respective models. The estimation of the aforementioned component values within LGD reflects available historical data which cover a reasonable period, i.e. a full economic cycle.

For debt securities, the LGD is typically based on historical data derived mainly from rating agencies' studies but may also be determined considering the existing and expected liabilities structure of the obligor and macroeconomic environment.

Furthermore, the seniority of the debt security, any potential collaterals by the obligor or any other type of coverage is taken into account for the calculation.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about reasonable and supportable forecasts of future events and macroeconomic conditions. The estimation and application of forward-looking information requires significant judgment.

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The Group uses, at a minimum, three macroeconomic scenarios (i.e. base, adverse and optimistic) to achieve the objective of measuring ECL in a way that reflects an unbiased and probability weighted outcome. The base scenario represents the most likely scenario and is aligned with the information used by the Group for strategic planning and budgeting purposes.

The scenarios are reflected in the risk parameters, and, namely 12-month PD, Lifetime PD and LGD, hence 3 sets of each of these parameters are used, in line with the scenarios developed.

The Group then proceeds to the calculation of weights for each scenario, which represent the probability of occurrence for each of these scenarios. These weights are applied on the 3 sets of calculations of the parameters in order to produce a single scenario weighted risk parameter value which is subsequently used in both SICR assessment and ECL measurement. ECL calculation incorporates forward-looking macroeconomic variables, including GDP growth rates, house price indices, unemployment rates, interest rates, etc. In order to capture material non – linearities in the ECL model, in the case of individually significant exposures, the Group considers the relevance of forward looking information to each specific group of borrowers primarily on the basis of the business sector they belong and other drivers of credit risk (if any). As such, different scenario weights are determined per groups of borrowers with the objective of achieving an unbiased ECL amount which incorporates all relevant and supportable information.

Modified Financial Assets

In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial enough, the modification date is considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. Such a modified asset is typically classified as Stage 1 for ECL measurement purposes. However, in some circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the new financial asset is credit-impaired at initial recognition, and thus, the financial asset is recognized as an originated credit-impaired financial asset (POCI).

In cases where the contractual cash flows of a financial asset have been modified and the modification is not considered substantial enough, the Group recalculates the gross carrying amount of the financial asset and recognizes the difference as a modification gain or loss in the income statement and determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the risk of a default occurring at initial recognition based on the original unmodified contractual terms and the risk of a default occurring at the reporting date, based on the modified contractual terms.

Presentation of impairment allowance

For financial assets measured at amortized cost, impairment allowance is recognized as a loss allowance reducing the gross carrying amount of the financial assets in the balance sheet. For debt instruments measured at FVOCI, impairment allowance is recognized in other comprehensive income and does not reduce the carrying amount of the debt instruments in the balance sheet. For off-balance sheet financial items arising from lending activities, impairment allowance is presented in Other Liabilities. The respective ECL for the above financial items is recognised within impairment losses.

Write-off of financial assets

Where the Group has no reasonable expectations of recovering a financial asset either in its entirety or a portion of it, the gross carrying amount of that instrument is reduced directly, partially or in full, against the impairment allowance. The amount written-off is considered as derecognized. Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses in the income statement.

Policy applicable before 1 January 2018

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

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Impairment indicators

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

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

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

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

(i) Assets carried at amortized cost

Impairment assessment

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

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

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

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

Impairment measurement

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

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

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

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

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

Reversals of impairment

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

Write-off of loans and advances

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

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

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

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

Loan modifications

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

Forbearance measures usually do not lead to derecognition of the loan, unless, in accordance with accounting policy 2.2.9 'Financial assets', the contractual terms of the new loan contract are assessed to be substantially different from those under the original loan, representing the expiry of the rights to the cash flows of the original loan. In this case the initial loan is derecognized and a new loan is recognized at fair value with any difference between the carrying amount of the derecognized asset and the fair value of the new loan recognized in the Group's income statement.

Modifications that may not result in derecognition 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 forbore loan's modified terms do not result in derecognition, the loan is assessed for impairment as the forbearance measures represent a concession that the Group would not otherwise consider. The impairment loss is measured in accordance with the Group's impairment policy for forbore loans (note 6.2.1.2 (d)).

Modifications that may result in derecognition include:

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

In addition, the Group may occasionally enter, in the context of loans' modifications, into debt-for-equity transactions. These are transactions where the terms of a lending exposure are renegotiated and as a result the borrower issues equity instruments (voting or no voting) in order to extinguish part or all of its financial liability to the Group. Such transactions may include also exercise of conversion rights embedded into convertible or exchangeable bonds and enforcement of shares held as collateral.

In debt-for-equity transactions, the modified loan is derecognized while the equity instruments received in exchange are recognized at their fair value, with any resulting gain or loss recognized in the Group's income statement.

(ii) Available-for-sale assets

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

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

Notes to the Consolidated Financial Statements

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.

2.2.14 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

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

(ii) Securities lending

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

2.2.15 Leases

(i) Accounting for leases as lessee

Finance leases:

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

Operating leases:

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

(ii) Accounting for leases as lessor

Finance leases:

When assets are leased out under finance leases, the present value of the lease payments is recognized under loans and receivables. The difference between the gross receivable (gross investment) and the present value of minimum lease payments (net investment) is recognized as unearned future finance income and is deducted from loans and advances. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Finance lease receivables are assessed for impairment losses in accordance with Group's impairment policy for financial assets as described in note 2.2.13.

Operating leases:

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

2.2.16 Income tax

Income tax consists of current and deferred tax.

(i) Current income tax

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

Notes to the Consolidated Financial Statements

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from impairment/valuation relating to loans, Private Sector Initiative (PSI+) tax related losses, losses from disposals and crystallized write-offs of loans, 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 Group recognises a previously unrecognised 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 investment securities at FVOCI and cash flow hedges is 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 Group determines and assesses all material tax positions taken, including all, if any, significant uncertain positions, in all tax years that are still subject to assessment (or when the litigation is in progress) by relevant tax authorities. In evaluating tax positions in various states, local, and foreign jurisdictions, the Group examines all supporting evidence (Ministry of Finance circulars, individual rulings, case law, past administrative practices, ad hoc tax/legal opinions etc.) to the extent they are applicable to the facts and circumstances of the particular Group's case/ transaction.

In addition, judgments concerning the recognition of a provision against the possibility of losing some of the tax positions are highly dependent on advice received from internal/ external legal counselors. For uncertain tax positions with a high level of uncertainty, the Group recognizes, on a transaction by transaction basis, 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 Group as a general rule has opted to obtain for the Group's Greek companies 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 Group's companies is provided in note 15.

2.2.17 Employee benefits

(i) Short term benefits

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

(ii) Pension obligations

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

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

The Group operates unfunded defined benefit plans in Greece, Bulgaria, Serbia, and Romania (until the sale of the Romanian disposal group, note 17) under broadly similar regulatory frameworks. In accordance with the local labor legislation, the Group provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Group until normal retirement age. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

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

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

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

(iv) Performance-based cash payments

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

(v) Performance-based share-based payments

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

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

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

2.2.18 Repossessed properties

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

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

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

2.2.19 Related party transactions

Related parties of the Group include:

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

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

2.2.20 Provisions

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

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

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

2.2.21 Operating segment reporting

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

2.2.22 Share capital

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

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

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

2.2.23 Preferred securities

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

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

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

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

2.2.24 Financial guarantees and commitments to extend credit

Policy applicable from 1 January 2018

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 at fair value. Subsequent to initial recognition, such guarantees are measured at the higher of the amount of the impairment loss allowance, and the amount initially recognised less any cumulative amortization of the fee earned, where appropriate.

Commitments to extend credit

Commitments represent off-balance sheet items where the Group commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. Such contractual commitments represent commitments to extend credit and standby letters and they are part of the normal lending activities of the Group, for which an impairment allowance is recognised under IFRS 9.

Impairment allowance for off-balance sheet exposures (financial guarantees and commitments) is included within Other Liabilities.

Policy applicable before 1 January 2018

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

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

Furthermore, commitments to extend credit represent off-balance sheet items where the Group commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. The Group recognizes a provision in accordance with IAS 37 only when the commitment contract can be considered to be onerous.

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

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

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

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

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

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

2.3 IFRS 9 'Financial Instruments' – Impact of adoption

2.3.1 Adoption of IFRS 9

The Group adopted IFRS 9 in the first quarter of 2018, whereas the Standard's requirements were applied retrospectively by adjusting the Group's balance sheet on the date of transition on 1 January 2018. The Group applied the Standard's exemption not to restate comparative figures for prior periods; therefore the Group's 2017 comparatives are presented on an IAS 39 basis. The effect on the carrying amounts of financial assets and liabilities at the date of transition to IFRS 9 was recognized as an adjustment to opening reserves and retained earnings. The detailed effects of the adoption of IFRS 9 on 1 January 2018 are presented in note 2.3.2.

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 was achieved through a central Program Management Office (PMO) that coordinates the implementation of the Program among the various stakeholders and was 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 comprised senior staff from all the main functions of the Group, was mandated to oversee the implementation in accordance with the Standard, monitor timeliness and the quality of the Program's deliverables, review program's results, approve deliverables and changes in the scope of the program where appropriate, and regularly informed the Executive Board, the Board Risk Committee, the Audit Committee and the Board of Directors on the Program's implementation progress. The Technical Committee was 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 were submitted and approved by the competent bodies of the Bank.

Reflecting the scale and complexity of the implementation plan, the Program was 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 were supported by two external consultancy firms.

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

Moreover, the Group participated in the IFRS 9 thematic review conducted by the European Central Bank on the evaluation of the Group's preparedness, the impact of the new accounting principles on processes, infrastructure and regulatory capital. In this context, well-evidenced assurance activities have been carried out by 2017's external auditors on Group's IFRS 9 implementation policies as well as significant audit work performed by the Group's internal auditors.

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The Group is committed to ensure a high quality implementation and ongoing application of IFRS 9 which ensures sound governance and internal control framework in the context of the IFRS 9 Program, taking also into consideration all existing frameworks related to risk management and corporate governance. Specifically, the PMO and Management have been involved in the monitoring and oversight of the IFRS 9 application throughout the current financial year, which is the year of adoption. In addition, the Group has enhanced the processes that are involved in the ECL calculation in order to ensure robust governance, proper monitoring by the Group's existing functions, as well as alignment with the Bank's overall risk framework and supervisory expectations.

Educational workshops to the involved stakeholders are conducted on an ongoing basis on the impact of IFRS 9 to the Group'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 Group, thus embedding the impacts of IFRS 9 to the day to day operations and overall business strategy.

2.3.2 Transition to IFRS 9 –Impact

The impact of transitioning to IFRS 9, before tax, amounts to € 1,090 million as depicted in the table below and it is mainly attributed to the impact on the Greek lending portfolio which amounts to € 949 million. The transition to IFRS 9 results in a decrease of the Group's total shareholders' equity by € 1,085 million, which is recognised as an opening balance adjustment at 1 January 2018.

	IFRS 9 impact € million
<i>Impact attributed to :</i>	
Impairment	
- Loans and advances to customers	(1,022)
- Other financial assets	(64)
Total impairment	<u>(1,086)</u>
Classification & Measurement	(4)
Hedging	-
Total IFRS 9 impact, before tax	<u>(1,090)</u>
Deferred Tax	5
Total IFRS 9 impact, net of tax	<u>(1,085)</u>

The Group, based on the Management's relevant assessment at 1 January 2018, did not recognize a deferred tax asset (DTA) of € 300 million approximately arising from the IFRS 9 transition impact of the Bank and its Greek subsidiaries. In the fourth quarter of 2018, following the reassessment of the recoverability of deferred tax assets, the Group has recognized € 27 million DTA, affecting the income statement.

Further analysis of the IFRS 9 impact is presented below.

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(i) Re-classification and re-measurement of carrying amounts upon IFRS 9 transition

For the purpose of the transition to IFRS 9, the Group carried out a business model assessment across various portfolios for its debt instruments portfolios to determine any potential changes to the classification and measurement. The assessment has been performed based on the facts and circumstances that existed at the date of initial application i.e. 1 January 2018.

The table below discloses the changes in the carrying amounts and the classifications of financial assets and financial liabilities upon transition to IFRS 9 as of 1 January 2018.

	IAS 39		Reclassification € million	Remeasurement		IFRS 9	
	Category	Amount € million		ECL € million	Other € million	Amount € million	Category
Financial Assets							
Cash and balances with central banks	<i>Loans and receivables</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		1,524					
Remeasurement				(0)			
Opening balance 1.1.2018		1,524		(0)		1,524	
Due from credit institutions	<i>Loans and receivables</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		2,123					
Remeasurement				(1)			
Opening balance 1.1.2018		2,123		(1)		2,122	
Loans and advances to customers measured at amortised cost	<i>Loans and receivables</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		37,108					
Reclassifications to			(71)				<i>FVTPL (mandatory)</i>
Remeasurement				(1,022)			
Opening balance 1.1.2018		37,108	(71)	(1,022)		36,015	
Loans and advances to customers measured at FVTPL							<i>FVTPL (mandatory)</i>
Reclassifications from	<i>Loans and receivables</i>		71				
Remeasurement					(6)		
Opening balance 1.1.2018			71		(6)	65	
Total loans and advances to customers		37,108	-	(1,022)	(6)	36,080	
Debt securities lending portfolio	<i>Loans and receivables</i>						
Closing balance 31.12.2017		1,654					
Reclassifications to			(1,043)				<i>Amortised cost</i>
			(511)				<i>FVOCI</i>
			(100)				<i>FVTPL (mandatory)</i>
Opening balance 1.1.2018		1,654	(1,654)			-	

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	IAS 39		Reclassification € million	Remeasurement		IFRS 9	
	Category	Amount € million		ECL € million	Other € million	Amount € million	Category
Financial Assets							
Held-to-maturity portfolio	<i>Held-to-maturity</i>						
Closing balance 31.12.2017		442					
Reclassifications to			(294)				<i>Amortised cost</i>
			(148)				<i>FVOCI</i>
Opening balance 1.1.2018		442	(442)			-	
Debt securities measured at amortised cost							<i>Amortised cost</i>
Reclassifications from/ Remeasurements	<i>Loans and receivables</i>		1,043	(55)	5		
	<i>Held-to-maturity</i>		294	(1)			
	<i>AFS</i>		113	(0)			
Opening balance 1.1.2018			1,450	(57)	5	1,398	
AFS portfolio	<i>Available for sale</i>						
Closing balance 31.12.2017		5,509					
Reclassifications to			(113)				<i>Amortised cost</i>
			(5,309)				<i>FVOCI - Debt</i>
			(1)				<i>FVTPL - Debt</i>
			(86)				<i>FVTPL - Equity</i>
Opening balance 1.1.2018		5,509	(5,509)			-	
Debt securities measured at FVOCI							<i>FVOCI</i>
Reclassifications from/ Remeasurements	<i>AFS</i>		5,309				
	<i>Loans and receivables</i>		511		3		
	<i>Held-to-maturity</i>		148		(5)		
Opening balance 1.1.2018			5,968		(2)	5,966	
Investment securities mandatorily at FVTPL							<i>FVTPL (mandatory)</i>
Reclassifications from/ Remeasurements	<i>Loans and receivables</i>		100		(1)		
	<i>AFS - Debt</i>		1				
	<i>AFS - Equity</i>		86				
	<i>FVTPL - Equity</i>		1				
Opening balance 1.1.2018			188		(1)	187	
Investment in equity securities at FVOCI							
Reclassifications from	<i>AFS</i>		-			-	<i>FVOCI</i>
Opening balance 1.1.2018			-			-	
Total investment securities		7,605	1	(57)	2	7,551	
Securities held for trading	<i>FVTPL</i>						<i>FVTPL</i>
Closing balance 31.12.2017		49					
Reclassifications to			(1)				<i>FVTPL - Equity</i>
Opening balance 1.1.2018		49	(1)			48	
Derivative financial instruments (assets)	<i>FVTPL</i>						<i>FVTPL</i>
Closing balance 31.12.2017		1,878					
Remeasurement					0		
Opening balance 1.1.2018		1,878			0	1,878	
Other Assets	<i>Loans and receivables</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		1,724					
Remeasurement				(6)			
Opening balance 1.1.2018		1,724		(6)		1,718	

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	IAS 39		Reclassification € million	Remeasurement		IFRS 9	
	Category	Amount € million		ECL € million	Other € million	Amount € million	Category
Financial Liabilities							
Due to central banks	<i>Amortised cost</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		9,994					
Opening balance 1.1.2018		9,994				9,994	
Due to credit institutions	<i>Amortised cost</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		3,997					
Opening balance 1.1.2018		3,997				3,997	
Due to customers measured at FVTPL	FVTPL (designated)						
Closing balance 31.12.2017		2					
Reclassifications to			(2)				<i>Amortised cost</i>
Opening balance 1.1.2018		2	(2)			-	
Due to customers measured at amortised cost	<i>Amortised cost</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		33,841					
Reclassifications from Remeasurement	FVTPL		2		(0)		
Opening balance 1.1.2018		33,841	2		(0)	33,843	
Total due to customers		33,843	-		(0)	33,843	
Debt securities in issue measured at FVTPL	FVTPL (designated)						
Closing balance 31.12.2017		3					
Reclassifications to			(3)				<i>Amortised cost</i>
Opening balance 1.1.2018		3	(3)			-	
Debt securities in issue measured at amortised cost	<i>Amortised cost</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		546					
Reclassifications from Remeasurement	FVTPL		3		0		
Opening balance 1.1.2018		546	3		0	549	
Total debt securities in issue		549	-		0	549	
Derivative financial instruments (liabilities)	FVTPL						FVTPL
Closing balance 31.12.2017		1,853					
Remeasurement					0		
Opening balance 1.1.2018		1,853			0	1,853	
Deferred income tax assets/ (liabilities)							
Closing balance 31.12.2017		4,855					
Remeasurement					5		
Opening balance 1.1.2018		4,855			5	4,860	
Total IFRS 9 Impact				(1,086)	1		

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As a result of the transition to IFRS 9, the most significant changes in classification and measurement of the financial assets and liabilities of the Group are as follows:

- Loans and advances to banks and customers measured at amortized cost under IAS 39, are also measured at amortized cost under IFRS 9, except for a non-significant amount (0.2%) loans and advances to customers of € 71 million, which has been reclassified to FVTPL (mandatorily).
- The majority of debt securities of carrying amount € 5,309 million (out of a total amount of AFS investment securities of € 5,509 million) and previously classified as available-for-sale under IAS 39, is measured at FVOCI under IFRS 9.
- Held-to-maturity investment securities of € 442 million and debt securities lending portfolio of € 1,554 million measured at amortized cost under IAS 39, are measured at amortized cost or FVOCI under IFRS 9 depending on the business model within which they are held.
- Limited cases of debt securities of carrying amount € 101 million failed the SPPI test and therefore, are measured at FVTPL under IFRS 9.
- Equity securities of carrying amount € 86 million classified as available-for-sale under IAS 39 are measured at FVTPL under IFRS 9.
- Trading and derivative assets of € 49 million and € 1,878 million respectively measured at FVTPL under IAS 39, are also measured at FVTPL under IFRS 9.
- Financial liabilities that are designated at FVTPL under IAS 39 (structured notes, structured deposits) are measured at amortized cost, while embedded derivatives are separated from the host contracts where appropriate. The Bank has revoked the designation as permitted by IFRS 9 and the embedded derivatives are fully hedged economically with offsetting positions in standalone derivative instruments.

The table below presents the impact of transition to IFRS 9 to Fair value reserve and Retained earnings:

	IFRS 9 impact € million
Special reserves	
Closing balance under IAS 39	8,005
<i>of which AFS reserve</i>	282
Remeasurement under IFRS 9 measurement categories	4
Remeasurement under IFRS 9 ECL impairment for FVOCI portfolio	14
Deferred tax	(4)
Remeasurement under IFRS 9 for discontinued operations (net of tax)	(5)
Opening balance under IFRS 9	8,014
Retained earnings	
Closing balance under IAS 39	(10,561)
Remeasurement under IFRS 9 measurement categories	(8)
Remeasurement under IFRS 9 ECL impairment including FVOCI portfolio	(1,100)
Deferred tax	9
Remeasurement under IFRS 9 for discontinued operations (net of tax)	5
Opening balance under IFRS 9	(11,655)

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The following table reconciles the prior period's closing impairment allowance for Loans and advances to customers and Debt Securities measured in accordance with the IAS 39 incurred loss model and the provisions for credit related commitments in accordance with IAS 37 to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018. The impairment allowance for credit related commitments is included in the table below in the impairment allowance of loans and advances to customers at amortised cost.

	31 December 2017 as per IAS 39/IAS 37	as at 1 January 2018 as per IFRS 9			Loss Allowance under IFRS 9 € million
		12-month ECL € million	Lifetime ECL not credit- impaired € million	Lifetime ECL credit- impaired € million	
Loans and advances to customers at amortised cost	10,085	(23)	469	576	11,107
Debt securities at amortised cost	-	4	53	-	57
Debt securities at FVOCI	-	13	1	-	14
Total	10,085	(6)	523	576	11,178

⁽¹⁾ IAS 39/ IAS 37 provision for impairment excludes € 49 million provisions for lending exposures at FVTPL.

Additional loss allowance of € 1,093 million is recognized as a result of the transition to IFRS 9 for the said instruments. The loss allowance relating to credit losses of debt securities at FVOCI (€ 14 million) is recognized in other comprehensive income and does not reduce the carrying amount of the debt securities in the balance sheet.

(ii) Regulatory capital

The Group's 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	6,887	5,731	6,757
Risk weighted assets	38,387	37,864	38,097
	%	%	%
Common equity Tier 1 (CET 1) Ratio	17.9	15.1	17.7

The Group's capital impact on the pro-forma fully loaded CET1 ratio as at 1 January 2018, based on the full implementation of the Basel III rules in 2024, considering the completion of the sale of the Romanian disposal group (note 17) is shown in the table below:

Pro-forma fully loaded with the completion of the disposal of the Romanian subsidiaries	As at		
	31 December 2017 IAS 39 € million	1 January 2018 IFRS 9 full impact € million	IFRS 9 Impact € million
Common equity Tier 1 Capital	5,653	4,498	(1,155)
Risk weighted assets	37,154	36,631	(523)
	%	%	%
Common equity Tier 1 (CET 1) Ratio	15.2	12.3	(2.9)

The Group 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 as of 1 January 2023. As a

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consequence, CET1 ratio has been reduced approximately by 20 basis points on the first year of IFRS 9 adoption, corresponding to a reduction of € 130 million in regulatory capital by applying regulatory transitional arrangements.

3. Critical accounting estimates and judgments in applying accounting policies

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

3.1 Impairment losses on loans and advances to customers

Policy applicable from 1 January 2018

ECL measurement

The ECL measurement requires management to apply significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in significant changes to the timing and amount of allowance for credit loss to be recognized.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

Determination of a significant increase of credit risk

IFRS 9 does not include a definition of what constitutes a significant increase in credit risk (SICR). An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument. The Group assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable forward-looking information that includes significant management judgment. More stringent criteria could significantly increase the number of instruments migrating to stage 2.

For retail lending exposures the primary criterion is the change in the residual cumulative lifetime PD above specified thresholds. These thresholds are set and vary per portfolio, modification status (modified/non-modified), product type as well as per origination PD level. In general, thresholds for lower origination PDs are higher than those assessed for higher origination PDs.

As of 31 December 2018, the range of lifetime PD thresholds based on the above segmentation, that triggers allocation to stage 2 for Greece's retail exposures are set out below:

Retail exposures	Range of SICR thresholds
Mortgage	30%-50%
Home Equity	10%-80%
SBB	10%-65%
Consumer	60%-100%

For wholesale portfolios, the origination PD curves and the residual lifetime PD curves at each reporting date are mapped to credit rating bands. Accordingly, SICR thresholds are based on the comparison of the origination and reporting date credit ratings, whereby rating downgrades represent changes in residual lifetime PD. Similar to retail exposures, the Group segments the wholesale portfolios based on asset class, loan type and credit rating at origination.

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As of 31 December 2018, the credit rating deterioration thresholds as per applicable borrower internal rating scale, that trigger allocation to stage 2 per rating bands for Greece's wholesale portfolio are set out in the tables below:

Wholesale internal rating bands	SICR threshold range
1-2	Two to Three notches
3-4	Two notches or more
5-8	One notch or more

Determination of scenarios, scenario weights and macroeconomic factors

To achieve the objective of measuring ECL, the Group evaluates a range of possible outcomes in line with the requirements of IFRS 9 through the application of a minimum three macroeconomic scenarios i.e. baseline, adverse and optimistic, in a way that reflects an unbiased and probability weighted outcome. Each of the scenarios is based on management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. As of 31 December 2018, the probability weights for the above mentioned scenarios applied by the Group in the ECL measurement calculations are 50% for the baseline scenario and 25% for the adverse and optimistic scenarios.

The Group ensures that impairment estimates and macroeconomic forecasts applicable for business and regulatory purposes are fully consistent. Accordingly, the baseline scenario applied in the ECL calculation coincides with the one used for ICAAP, business planning and stress testing purposes. In addition, all experience gained from the stress tests imposed by the regulator, have been taken into account in the process of developing the macroeconomic scenarios, as well as, impairments for stress testing purposes have been forecasted in line with IFRS 9 ECL methodology.

In terms of macroeconomic assumptions, the Group assesses a number of indicators in projecting the risk parameters, namely Residential and Commercial Property Price Indices, unemployment, Gross Domestic Product (GDP), Greek Government Bond (GGB) spread over Euribor and inflation as well as Interest and FX rates. Regarding the key macroeconomic indicators used in the ECL measurement of Greek lending portfolios for the year ended 31 December 2018, the arithmetic averages of the scenarios' probability-weighted annual forecasts from 2019 to 2022, are set in the following table:

Key macroeconomic indicator	Arithmetic average (2019-2022) probability-weighted annual forecast
Gross Domestic Product	1.74%
Unemployment	17.72%
Residential property prices' index	1.70%
Commercial property prices' index	2.20%

Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables for the forecast horizon would have a significant effect on the ECL amount. The Group independently validates all models and underlying methodologies used in the ECL measurement through competent resources, who are independent of the model development process.

Development of ECL models, including the various formulas, choice of inputs and interdependencies

For the purposes of ECL measurement the Group performs the necessary model parameterization based on observed point-in-time data on a granularity of monthly intervals. The ECL calculations are based on input parameters, i.e. EAD, PDs, LGDs, CCFs, etc. incorporating management's view of the future. The Group also determines the links between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Furthermore, the PDs are unbiased rather than conservative and incorporate relevant forward looking information including macroeconomic scenarios. The forecasting risk parameters models incorporate a number of explanatory variables, such as GDP, unemployment etc. which are used as independent variables for optimum predictive capability. The models are based on logistic regressions and run under the different macroeconomic scenarios and relevant changes and shocks in the macro environment reflected accordingly in a non-linear manner.

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recovery values of all types of real estates' collaterals used for the measurement of the impairment allowance of the Group's wholesale lending portfolio, would give rise to an additional impairment loss in 2017 of approximately € 117 million.

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

Collective impairment assessment

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

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

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

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

For the Group's mortgage portfolios, the recovery rates, which are calculated based on statistical models, reflect the management's best estimate regarding the net realizable value of residential properties held as collateral as well as the timing foreclosure is expected to occur, which in turn is impacted by the local legal framework. Both the amount and timing of expected cash flows have been affected by the reduction in the level of activity in the real estate market and the changes in the local tax and legal environment in Greece. A 3% decline in the estimated recovery rates used for the measurement of the impairment allowance of the Group's mortgage portfolio, would give rise to an additional impairment loss in 2017 of approximately € 141 million.

For the rest of retail portfolios, statistical analysis of historical loss experience is the primary tool used in order to determine future customer behavior and payment patterns. Due to the stressed macroeconomic environment during the last years, depending on the portfolio under examination, there is a level of uncertainty in terms of the level of future cash flows as well as the time that these cash flows will come. With regards to unsecured consumer and small business exposures, management exercises judgment to determine the assumptions underlying to the applicable recovery rates, which are calculated based on statistical models and affected by the existing economic conditions. A 5% decrease in the estimated recovery rates used for the measurement of the impairment allowance of the Group's unsecured consumer portfolio would give rise to an additional impairment loss in 2017 of approximately € 28 million. The same decrease in the small business lending portfolio's recovery rates would give rise to an additional impairment loss of approximately € 45 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.

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

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

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

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

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

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

Information in respect of the fair valuation of the Group's financial assets and liabilities is provided in note 6.3.

3.3 Impairment of available-for-sale equity investments

Policy applicable before 1 January 2018

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

3.4 Classification of financial instruments

The Group applies significant judgment in assessing the classification of its financial instruments and especially, in the below areas:

Business model assessment

Judgment is exercised in order to determine the appropriate level at which to assess the business model. In assessing the business model of financial instruments, these are aggregated into groups (business lines) based on their characteristics, and the way they are managed in order to achieve the Group's business objectives. In general the assessment is performed at the business unit level both for loans and debt securities. However, further disaggregation may be performed by business strategy/ region, etc.

In assessing the business model for financial instruments, the Group performs a past sales evaluation of the financial instruments and assesses their expected evolution in the future. Judgment is exercised in determining the effect of sales to a "hold to collect" business model depending on their objective and their acceptable level and frequency.

Contractual cash flow characteristics test (SPPI test)

The Group performs the SPPI assessment of loans and debt securities by considering all the features which might potentially lead to SPPI failure. Judgment is applied by the responsible Business Units when considering whether certain contractual features significantly affect future cash flows. Accordingly, for non-recourse loans, the Group assesses jointly criteria such as the adequacy of equity, LTV

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(Loan-to-Value) and DSCR (Debt-Service-Coverage-Ratio) ratios as well as the existence of corporate and personal guarantees. Furthermore, in order to assess whether any variability in the cash flows is introduced by the modified time value of money element, the Group performs a quantitative assessment (as described in note 2). Moreover, the Group evaluates certain cases on whether the existence of performance-related terms exposes the Group to asset risk rather to the borrower's credit risk.

The Group has established a robust framework to perform the necessary assessments in accordance with Group's policies in order to ensure appropriate classification of financial instruments, including reviews by experienced staff for both lending exposures and debt securities.

3.5 Assess control over investees

The management exercises judgment in order to assess if the Group has control over another entity based on the control elements set out in note 2.2.1 (i).

(a) Subsidiaries

The Group holds more than half of the voting rights in all subsidiaries, except from Hellenic Post Credit S.A. Further information in respect of the control assessment for the said subsidiary is provided in note 27.

(b) Structured entities

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

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

Further information in respect of the structured entities the Group is involved, either consolidated or not, is provided in note 29.

3.6 Income taxes

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

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

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

As at 31 December 2018, the Group revisited its estimates regarding the level of future taxable profits against which the unused tax losses and the deductible temporary differences can be utilized and evaluated accordingly the recoverability of the recognized deferred tax assets based on a) 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 and b) the update of the Plan for the period till the end of 2021 that was submitted to the Board of Directors and the Hellenic Financial Stability Fund (HFSF) in December 2018. The

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implementation of the abovementioned Business Plan and its update largely depend on the risks and uncertainties that stem from the macroeconomic environment in Greece as well as in the countries that the Group operates.

As at 31 December 2018, an amount of € 63 million has been recognized in respect to unused tax losses using the Group's best estimation and judgment as described above. Further information in respect of the recognized deferred tax assets and the Group's assessment for their recoverability is provided in note 16.

3.7 Retirement benefit obligations

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

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

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

For information in respect of the sensitivity analysis of the Group's retirement benefit obligations to reasonably possible, at the time of preparation of these financial statements, changes in the abovementioned key actuarial assumptions, refer to note 39.

3.8 Investment properties and repossessed collateral

The Group reviews its investment properties portfolio to assess whether there is an indication of impairment, such as a decline in the market prices and level of activity for properties of different nature and location, at each reporting date. If such an indication exists, management is required to exercise judgment in estimating the fair value less cost to sell of the investment properties. The fair values are determined by independent certified valuers and Eurobank Property Services S.A. and its subsidiaries (note 27), which is specialized in the area of real estate valuations, utilizes internal or external independent qualified appraisers and is regulated by the Royal Institute of Chartered Surveyors. The main factors underlying the determination of fair value are related with the receipt of contractual rentals, future vacancy rates and periods, discount rates or rates of return, the terminal values as well as the level of future maintenance and other operating costs. Additionally, where the fair value less cost to sell is determined based on market prices of comparable transactions those prices are subject to appropriate adjustments, in order to reflect current economic conditions and the management's best estimate regarding the future trend of properties market.

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

Further information in respect of the fair valuation of the Group's investment properties is included in note 31.

3.9 Provisions and contingent liabilities

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

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

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

Further information in relation to the Group's provisions and contingent liabilities is provided in note 38 and note 46.

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3.10 Other significant accounting estimates and judgments

Information in respect of other estimates and judgments that are made by the Group is provided in notes 4 and 17.

4. Credit exposure to Greek sovereign debt

The carrying value of Greek sovereign major exposures is as follows:

	2018 € million	2017 € million
Greek government bonds	3,180	2,530
Derivatives with the Greek state	1,189	1,181
Exposure relating with Greek sovereign risk financial guarantee	197	196
Loans guaranteed by the Greek state	103	117
Loans to Greek local authorities and public organizations	55	54
Treasury bills	0	1,044
Total	4,724	5,122

The adequacy of the impairment allowance for loans and receivables either guaranteed by the Greek state or granted to public related entities was evaluated in the context of the Group's impairment policy. The Group monitors the developments for the Greek 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 Group's financial instruments is provided in note 6.3.

5. Capital Management

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

	2018 € million	2017 € million
Total equity	5,031	7,150
Add: Adjustment due to IFRS 9 transitional arrangements	1,003	-
Less: Preferred securities	(42)	(43)
Less: Goodwill	(1)	-
Less: Other regulatory adjustments	(482)	(220)
Common Equity Tier 1 Capital	5,509	6,887
Add: Preferred securities subject to phase-out	17	21
Less: Other regulatory adjustments	-	(21)
Total Tier 1 Capital	5,526	6,887
Tier 2 capital-subordinated debt	950	-
Add: Other regulatory adjustments	25	28
Total Regulatory Capital	6,501	6,915
Risk Weighted Assets	38,849	38,387
Ratios:	%	%
Common Equity Tier 1	14.2	17.9
Tier 1	14.2	17.9
Total Capital Adequacy Ratio	16.7	18.0

Note: The Group's CET1 as at 31 December 2018, based on the full implementation of the Basel III rules in 2024 (fully loaded CET1), would be 11.3% (31 December 2017: 14.9%), while the respective pro-forma ratio with the completion of Grivalia Properties REIC merger (note 48) would be 13.4%.

The Group has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) as adopted by the European Central Bank 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 Group

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considers a broader range of risk types and the Group's risk management capabilities. ICAAP aims ultimately to ensure that the Group has sufficient capital to cover all material risks that it is exposed to, over a three-year horizon.

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 2018 SREP decision, starting from 1 March 2019, the Bank is required to meet on a consolidated basis a Common Equity Tier 1 ratio of at least 10.25% and a Total Capital Adequacy Ratio of at least 13.75% (Overall Capital Requirements including the Capital Conservation Buffer and the Other Systemically Important Institutions Buffer).

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 coordinated the EU-wide stress test exercise in cooperation with the ECB and national authorities. The results of the stress test 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 was conducted according to the EBA's methodology, which was published in November 2017, templates and scenarios. The exercise was carried out on the basis of year-end 2017 figures as restated with the impact of the IFRS 9 adoption and assessed 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 was 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, was 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 were 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, underwent the same stress test (ST) under the EBA scenarios and methodology. The timetable for the Greek systemic banks was accelerated in order to complete the test before the end of the third European Stability Mechanism stability support program for Greece.

2018 Eurobank Stress Test Results

On 5 May 2018, the ECB announced the results of the ST for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome along with other factors that have been assessed by the Supervisory Board (SB) of the SSM, pointed to no capital shortfall and no capital plan needed for the Bank as a result of the exercise.

Under the adverse scenario, the Bank's total capital adequacy ratio (CAD), including the effect of Tier 2 securities, issued in January 2018, is 9.5%, and the Core Tier 1 Capital (CET1) ratio is 6.8%. These ratios would be ca. 40 bps higher, at 9.9% and 7.2% respectively, if the positive impact from the sale of the Romanian disposal group (completed in early April 2018) was taken into account. The capital depletion stood at € 3.4 bn (8.7 ppts, excluding the negative impact of 250 bps related to the phase-out of grandfathered preference shares). Under the baseline scenario, the Bank is capital accretive, with CAD and CET1 ratios increasing at 19.3% and 16.6%, respectively. These ratios would be ca. 40 bps higher if the positive impact from the sale of the Romanian disposal group was included.

The Bank's performance in the ST confirms that it remains resilient to external shocks. The Bank's total capital and overall solid performance allows it to further streamline efforts on the implementation and delivery of its business priorities, focusing on effective management and rapid decrease of stock of non-performing exposures in line with its plans, as well as providing financing to its clients, to the Greek economy and the region. The above business priorities, along with additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad will generate or release further capital and/or reduce risk weighted assets, contributing to the further strengthening of the Group's capital position.

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Restructuring plan and Monitoring Trustee

The Bank's commitments included in the revised restructuring plan, as approved by the European Commission on 26 November 2015, have been fully met until the end of 2018. In particular, during 2018, the Group has met/respected the remaining commitments of the restructuring plan including: (a) the reduction of the portfolio of the Group's foreign assets (non-related to Greek clients), following the completion of the sale of the Romanian disposal group, in April 2018 (note 17) and (b) the reduction of the net loans to deposits ratio for the Group's Greek banking activities below the limit of 115%, as the respective ratio has improved to 105% on 31 December 2018 (31 December 2017: 128%).

Grant Thornton S.A. that was appointed as the Bank's Monitoring Trustee (MT) had undertaken to monitor the implementation of the restructuring plan that ended on 31 December 2018 and report to the European Commission.

Further information in respect of the restructuring plan, the relating principal commitments included therein and the Bank's MT was provided in the note 6 of the consolidated financial statements for the year ended 31 December 2017.

6. Financial risk management and fair value

6.1 Use of financial instruments

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

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

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

6.2 Financial risk factors

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

Risk Management 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 in a manner that enables the Group to identify and deal with the risks associated with those changes. The Bank's structure, internal processes and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision.

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

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

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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 and to ensure the Group's adherence to regulatory requirements.

Risk appetite that is clearly communicated throughout the Group, determines risk culture and forms the basis on which risk policies and risk limits are established at Group and regional level.

Board Risk Committee (BRC)

The Board Risk Committee (BRC) is a committee of the BoD and its task is to assist the BoD to ensure that the Group has a well-defined risk and capital strategy in line with its business plan and an adequate and robust risk appetite.

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

The BRC consists of six non-executive directors, meets at least on a monthly basis and reports to the BoD on a quarterly basis and on ad hoc instances if it is needed.

Management Risk Committee

The Management Risk Committee (MRC) is a management committee established by the CEO in 2016 and operates as an advisory committee to the BRC.

The main responsibility of the MRC is to oversee the risk management framework of the Group. As 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 which 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, market, operational and liquidity risks of the Group. It comprises of the Group Credit General Division, the Group Credit Control Sector (GCCS), the Group Credit Risk Capital Adequacy Control Sector (GCRACS), the Group Market and Counterparty Risk Sector (GMCRS), the Group Operational Risk Sector, the Group Model Validation and Governance Sector, the Group Risk Management Strategy Planning and Operations Unit and the Supervisory Relations and Resolution Planning Division (dual reporting also to the Group Chief Financial Officer). In addition to the above a position of a Senior Advisor has been established who reports directly to the Group Chief Risk Officer.

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, Act No. 102/30.08.2016 and Act No. 134/5.3.2018, that detail 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 Troubled Assets Committee (TAC), with direct reporting line to the BRC, has been established in order to provide strategic guidance and monitoring of the troubled assets of Eurobank ensuring independence from business and compliance with the requirements of Decision 42/2014. 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.

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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 responsible for the management of the Group's troubled assets portfolio, for the whole process, from the pre-delinquency status in case of high risk exposures up to legal workout. It 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 Remedial General Division, the Collaterals Recovery Sector, the TAG Business Planning Sector, the TAG Risk Management and Business Policies Sector, the TAG Operational Risk Management Sector and the Business Improvement Program Management 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;
- 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 Bank of Greece (BoG), in cooperation with the supervisory arm of the European Central Bank (ECB), has designed an operational targets framework for NPEs management, supported by several key performance indicators. Pursuant to the said framework, the Greek banks submitted at the end of September 2016 a set of NPEs operational targets together with a detailed NPEs management strategy with a 3-year time horizon, which is henceforth revised annually in order to align with changes in the operating environment and the Bank's strategic priorities. In September 2018, the Greek banks submitted an updated set of NPEs operational targets, together with an updated NPEs management strategy, for the years 2018-2021. According to the revised NPEs targets, the Bank's NPEs stock is projected to reach € 11.6 bn (NPE ratio 33.0%) by the end of 2019, and € 5.4 bn (NPE ratio 16.9%) by the end of 2021, representing a reduction of 70% in NPE volumes from December 2017 to 2021 (74% for Retail and 63% for Corporate). The mix of solutions to be used is differentiated versus the previous submission, involving securitization of NPEs, increased sales and liquidations.

As at 31 December 2018, the Bank has reduced the stock of NPEs by € 2.8 bn since 31 December 2017 to € 15.3 bn which is in line with the revised target submitted to SSM in September 2018.

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.

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The Bank is preparing for the re-submission of the updated NPE Strategy and Operational Targets (2019-2021) end of March 2019, at both Bank and, for the first time, Group level, as required by SSM in alignment of reporting cycles with other EU Significant Institutions as per the ECB guidance and based on New NPE strategy template. In this respect a wide-scope project has been initiated to enable all involved Group entities to adhere to the new demanding regulatory requirements. The new submission takes into account the NPE reduction Acceleration Plan that was recently announced in the context of the Bank's Transformation Plan and aims to achieve a Group NPE ratio of 16% in 2019 and a single digit by 2021.

Legal framework

In June 2018, significant legislative changes towards the reduction of NPEs include the voting of Law 4549/2018, which amends the Individual Insolvency Law 3869/2010 and the Law 4469/2017 for the operating framework of the out-of-court workout mechanism for businesses. In this context, a new protection scheme on primary residence was voted by the Greek Parliament on 29 March 2019.

6.2.1 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 Group remits payments before it can ascertain that the counterparties' payments have been received.

Credit risk arises principally from the wholesale and retail lending activities of the Group, including from credit enhancements provided, such as financial guarantees and letters of credit. The Group is also exposed to credit risk arising from other activities such as investments in debt securities, trading, capital markets and settlement activities. Taking into account that credit risk is the primary risk the Group is exposed to, it is very closely managed and 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.

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Group Credit General Division (GCGD)

The main responsibilities of the GCGD 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, 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 qualitative and quantitative 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.
- Review and 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;
- Safeguard compliance of the Lending Units with specific policies (such as SPPI/ derecognition process, assessment of individual customers for impairment review purposes, 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.

The GCGD through its specialized International Credit Sector (ICS) is also 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 and Special Handling);
- Participation in the sessions of Special Handling 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 Risk's credit related special projects such as acquisition and /or sale of wholesale portfolio; and
- In cooperation with Group Credit Control Sector (GCCS), it conducts field reviews regarding the quality of the loan portfolios and specific loan segments.

The Group's international subsidiaries in Bulgaria, 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.

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 and differentiated between performing and non-performing businesses. It is based on specialized credit scoring models and credit criteria taking into account the

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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.

(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:

- supervise, support and maintain the credit rating and impairment systems used to assess the 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 and review the performance of all of the Group's loan portfolios;
- supervise and control the foreign subsidiaries' credit risk management units;
- 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;
- monitor and evaluate the efficiency of adopted strategies and proposed solutions in terms of dealing with Non Performing Exposures (NPEs) and the achievement of targets for NPEs reduction, as communicated and agreed with the Supervisory Authorities;
- 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;
- ensure that EBA classifications are made in accordance with the relevant provisions and guidelines;
- participate in the approval of new credit policies and new loan products;
- participate in the Troubled Asset Committee;
- attend meetings of Credit Committees and Special Handling Committees, without voting right;
- formulate the Group's credit impairment policy and regularly review the adequacy of provisions of all of the Group's loan portfolios;
- formulate, in collaboration with the responsible lending Units the credit policy manuals for performing borrowers; and
- provide guidance and monitor the process of designing and reviewing credit policies before approved by Management.

Furthermore, in the context of reviewing performance of Group's wholesale portfolio, GCCS through its specialized Early Warning Unit (EWU), is also responsible to assess the wholesale portfolio and detect distress signals for specific borrowers. EWU 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 consequently the Bank should take actions for close monitoring and effective management.

Group Credit Risk Capital Adequacy Control Sector

The Group Credit Risk Capital Adequacy Control Sector implements and maintains the Internal Ratings Based (IRB) approach in accordance with the Basel framework and the Capital Requirements Directive (CRD) and maintains the credit risk assessment models for the loans portfolio of the Group. The Sector reports directly to the GCRO.

Specifically, the main responsibilities of the Group Credit Risk Capital Adequacy Control Sector are to:

- control, measure and monitor the capital requirements arising from the Bank's loan portfolio along with the relevant reporting to Management and regulators (ECB/SSM);
- measure and monitor the risk parameters (PD, LGD, EAD) for the purposes of capital adequacy calculations, as well as, the estimation of risk related parameters (such as forecast 12-m PD, forecast lifetime PD) for impairment calculation purposes;
- reviewing the grouping of lending exposures and ensuring their homogeneity under IFRS, re-assessing and re-developing the significant increase in credit risk (SICR) threshold;
- prepare monthly capital adequacy calculations (Pillar 1) and relevant management, as well as, regulatory reports (COREPs, SREP) on a quarterly basis;

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- perform stress tests, both internal and external (EBA/SSM), and maintain the credit risk stress testing infrastructure;
- coordinate the stress testing exercises for the loan portfolios at Group Level;
- monitoring of the regulatory framework in relation to the IRB framework performing impact assessment by initiating and managing relevant projects;
- manage the models development, implementation, maintenance and validation of the IRB models of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for evaluating credit risk;
- prepare the credit risk analyses for Internal Capital Adequacy Assessment (ICAAP)/ Pillar 2 purposes;
- implement the IRB roll-out plan of the Group;
- prepare the Basel Pillar 3 disclosures for credit risk;
- 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: risk models performance, risk parameters (PD, LGD, EAD), updates on regulatory changes and impact assessment and asset quality reviews;
- guide, monitor and supervise the Credit Risk divisions of the subsidiaries on modelling, credit stress testing and other credit risk related regulatory issues.
- monitor and guide Group's international subsidiaries on credit risk related ICAAP, stress testing and other regulatory credit risk related issues, based on Group standards. Review of local credit risk stress test exercises;
- participate in the preparation of the business plan, the NPE targets 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 credit risk models in business decisions, for funding purposes, in the capital impact assessment of strategic initiatives and the development and usage of risk related metrics such as risk adjusted pricing, Risk Adjusted Return on Capital (RAROC) etc.; and
- assist Troubled Asset Group in the risk assessment and risk impact of various programs and products.

Group Model Validation and Governance Sector

The Group Model Validation and Governance Sector was established in September 2018, with key mandates:

- the establishment of a comprehensive model governance and validation framework, and
- the independent validation of the technical and operational completeness of all models used by the Group and their parameters, as well as their compliance with the provisions of the regulatory framework.

In more detail, the tasks of the Sector are outlined as follows:

- Prepare and update the Group's Models Framework (to include model definition, roles involved per model, model classification principles and methodology, model validation principles, materiality classifications and thresholds, models' registry governance, etc.);
- Establish and update the Group's Models Registry;
- Review models' classification, in accordance with the methodology provided in the Group Models Framework;
- Prepare and update the Group Models Validation Framework, while providing support to Group's subsidiaries in its implementation;
- Monitor changes in ECB guidelines on models' validation;
- Propose and escalate for approval the quantitative thresholds, in order to assess the results of the validation tests;
- Conduct model validation tests in alignment with the Group Model Validation Framework and regulatory requirements;
- Prepare detailed reports of the model valuation results according to the specific requirements of the model validated, if any, which are communicated to BRC on an annual basis along with any related proposed remediation plan;
- Disseminate models' validation test results within the Group's BRC or MRC following reporting to Group CRO, as appropriate;
- Prepare action plan for remediation actions, if any, as a result of the model validation tests implemented, and escalate the plan for its approval by the appropriate Management Authority;
- Participate in the approval process of new models for assessing ratings' system accuracy and suitability; and
- Monitor industry practices on the development and use of models as well as related ECB guidelines and restrictions.

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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 6.2.1 (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 Group measures the current exposure along with the potential future exposure (PFE) using financial models. The combined exposure is used for the monitoring of limit utilization.

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

(c) Credit related commitments

The primary purpose of credit related commitments is to ensure that funds are available to a customer as agreed. Financial guarantee contracts carry the same credit risk as loans since they represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are secured by the underlying shipment of goods to which they relate and therefore carry less risk than a loan. Commitments to extend credit represent contractual commitments to provide credit under pre-specified terms and conditions (note 46) in the form of loans, guarantees or letters of credit for which the Group usually receives a commitment fee. Such commitments are irrevocable over the life of the facility or revocable only in response to a material adverse effect.

(d) Concentration risk

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

Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. Risk concentrations are monitored regularly and reported to the BRC. Such reports include the 25 largest exposures, major 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 Group 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. Accordingly, the Group employs the following rating models for the wholesale portfolio:

- Moody's Risk Analyst model ("MRA" or "Fundamental Analysis"- "FA") is used to assess the risk of borrowers for Corporate Lending.
- Internal Credit Rating model ("ICR") is used for those customers that cannot be rated by MRA.
- Transactional Rating model ("TR") has been developed in order to assess the risk of transactions taking into consideration their specific factors. Specifically, aiming to facilitate its understanding of the Expected Loss (EL) when approving a credit limit, the Bank has developed a relevant application, whereby a borrower's credit rating along with proposed credit limit and provided collaterals/guarantees are considered for the calculation of the TR.
- Slotting rating models are employed in view of assessing the risk of specialized exposures, which are part of the Specialized Lending corporate portfolio.
- Finally, an assessment of the borrowers' viability and the identification of impairment triggers is performed using the Viability and the Impairment scorecards.

Notes to the Consolidated Financial Statements

MRA, ICR, Slotting, Viability and Impairment scorecards functions are supported by the Risk Analyst (“RA”) computing platform provided by an external provider (Moody’s Analytics), while the TR is internally developed and is being supported by the core applications of the Bank.

MRA follows the Moody’s fundamental analysis (FA) approach. The FA models belong to a family of models defined as Knowledge Based Systems and rely on a probabilistic reasoning approach. They use quantitative and qualitative information of individual obligors in order to assess their creditworthiness and determine their credit rating. In particular, MRA takes into account the entity’s balance sheets, profit & loss accounts and cash flow statements to calculate key ratios. Its ratio analysis includes assessments of each ratio’s trend across multiple periods, both in terms of the slope and volatility of the trend. It also compares the value of the ratio for the most recent period with the quartile values for a comparable peer group. Moreover, MRA is supplied with a commonly used set of qualitative factors relating to the quality of the company’s management, the standing of the company within its industry and the perceived riskiness of the industry. 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.

The MRA is not employed for certain types of entities that use different accounting methods to prepare their financial statements, such as Insurance companies and brokerage firms. Moreover, entities such as start-ups that have not produced financial information for at least two annual accounting periods are not rated with MRA. In such cases, the Internal Credit Rating (“ICR”) is utilized, which is a scorecard consisting of a set of factors grouped into 3 main sections corresponding to particular areas of analysis: Financial Information, Qualitative Criteria, and Behavior Analysis.

In addition, the Group performs an overall assessment of wholesale 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 wholesale customers are reviewed at least once a year, whereas higher risk customers are reviewed either on a semi-annual or a quarterly basis.

With reference to Specialized Lending portfolio (for which the Bank is using Slotting rating models) and in line with European Banking Authority (EBA) definitions, it comprises types of exposures towards entities specifically created to finance or operate physical assets, where the primary source of income and repayment of the obligation lies directly with the assets being financed. Accordingly, three of its product lines that are included in the Specialized Lending exposure class: Project Finance (assessed with the Project Finance Scorecard), Commercial Real Estate (assessed with the CRE investor & CRE Developer Scorecards) and Object Finance (assessed with the Object Finance Scorecard tailored for the Shipping portfolio).

Regarding the assessment of a borrower’s viability and the corresponding classification into Viable-Non-Viable, it is performed by the responsible relationship manager at least annually, as a part of a credit review process. The assessment is made through the RA platform, as part of the credit limit application, renewal or amendment process. The criteria considered for the classification of a borrower as “Viable” or “Non-Viable” include the level of turnover, the values of specific financial ratios, the future cash flow generation capacity, as well as a number of qualitative characteristics.

In addition, the Group has developed an Impairment Rating Scorecard in accordance to which borrowers should be assessed and classified as impaired or not. The Impairment Rating Scorecard is embedded in the RA platform, in order to depict and archive in the most effective way, the information which is taken into consideration during credit limit reviews, especially in respect to the assessment of impairment triggers.

The Bank has further enhanced its wholesale credit risk assessment models linking risk parameters estimation with macro-economic factors allowing the forecasting of rating transitions under different macroeconomic scenarios (base, adverse and optimistic).

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

- the credit approval or rejection, both at the origination and review process;
- the allocation of competence levels for credit approval;
- risk-adjusted pricing;
- the calculation of Economic Value Added (EVA) and internal capital allocation; and
- the impairment calculation (staging criteria and subsequent ECL estimation of forecasted risk parameters).

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Rating of retail lending exposures

The Group 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 Bank's models were developed based on 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).

In the context of IFRS9 implementation, the Bank has further enhanced its retail credit risk assessment models linking risk parameters estimation with macro-economic factors allowing their forecasting over one year and lifetime horizon under different macroeconomic scenarios (base, adverse and optimistic) and supporting the staging analysis and allocation to risk classes under homogeneous pools.

The Group Credit Risk Capital Adequacy Control 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 on an ongoing basis. The Group Models Validation and Governance Sector implements the Bank's validation policy which 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 in wholesale and retail rating systems annually.

(f) Credit risk mitigation

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

Types of collateral commonly accepted by the Group

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

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

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

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

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Valuation principles of collaterals

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

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

The Group performs collaterals' valuation in accordance with its processes and policies. 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. and its subsidiaries (note 27), 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 order to monitor the valuation of residential property held as collateral, the Bank uses the Residential Property Index developed in collaboration with other major banks in Greece. This methodology, 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. The Residential Property Index is used in combination with physical inspection and desktop valuation, depending on the EBA status and the balance of the loan.

For commercial real estates, the Bank uses the Commercial Real Estate Index developed by Eurobank Property Services S.A. This index is based on internationally accepted methodology and constitutes a tool for the statistical monitoring of possible changes of the values of the commercial properties as well as for the trends in the particular market. It is updated on an annual basis. The Commercial Real Estate Index is used in combination with physical inspection and desktop valuation, depending on the EBA status and the balance of the loan.

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 through the use of advanced statistical reports and 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, Group'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 Group 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 Group are largely issued by central and regional governments in the countries in which it operates. The National Fund for Entrepreneurship and Development (ETEAN SA) and similar funds, banks and insurance companies are also significant guarantors of credit risk.

Management of repossessed properties

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

To this end, the management of repossessed assets aims at improving rental and other income from the exploitation of such assets, and at the same time reducing the respective holding and maintenance costs. Additionally, the Group is actively engaged in identifying

Notes to the Consolidated Financial Statements

suitable potential buyers for its portfolio of repossessed assets (including specialized funds involved in acquiring specific portfolios of properties repossessed), both in Greece and abroad, in order to reduce its stock of properties with a time horizon of 3-5 years.

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

Counterparty risk

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

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

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

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

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

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

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6.2.1.1 Maximum exposure to credit risk before collateral held

Amounts under IFRS 9

	2018	
	€ million	
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from credit institutions	2,309	
Less: Impairment allowance	(2)	2,307
Debt securities held for trading		22
Derivative financial instruments		1,871
Loans and advances to customers at amortised cost:		
- Wholesale lending	18,302	
- Mortgage lending	16,262	
- Consumer lending	3,988	
- Small business lending	6,421	
Less: Impairment allowance	(8,800)	36,173
Loans and advances to customers measured at FVTPL		
Investment securities:		59
- Debt securities measured at amortised cost	1,451	
Less: Impairment allowance	(31)	1,420
Debt securities measured at FVOCI		6,248
Investment securities at FVTPL		104
Other financial assets ⁽¹⁾	71	
Less: Impairment allowance	(18)	53
Credit risk exposures relating to off-balance sheet items (note 46):		
- Loan commitments		3,585
- Financial guarantee contracts and other commitments		1,122
Total		52,964

⁽¹⁾ It refers to financial assets subject to IFRS 9 impairment requirements, which are recognised within other assets.

The above table represents the Group's maximum credit risk exposure as at 31 December 2018, without taking account of any collateral held or other credit enhancements that do not qualify for offset in the Group's financial statements.

For on-balance sheet assets, the exposures set out above are based on the carrying amounts as reported in the balance sheet. For off-balance sheet items, the maximum exposure is the nominal amount that the Group may be required to pay if the financial guarantee contracts and other commitments are called upon and the loan commitments are drawn down. Off-balance sheet loan commitments presented above, include revocable commitments to extend credit of € 3 bn that are subject to ECL measurement.

Notes to the Consolidated Financial Statements

Amounts under IAS 39

	2017 € million
Credit risk exposures relating to on-balance sheet assets are as follows:	
Due from credit institutions	2,123
Debt securities held for trading	20
Derivative financial instruments	1,878
Loans and advances to customers:	
- Wholesale lending	18,351
- Mortgage lending	16,667
- Consumer lending	5,251
- Small business lending	6,973
Less: Impairment allowance	(10,134)
Investment securities:	
- Debt securities	7,519
Other assets	1,349
Credit risk exposures relating to off-balance sheet items (note 46)	1,406
Total	<u>51,403</u>

Note: Other assets exclude repossessed properties and relative prepayments of € 375 million.

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

For on-balance sheet assets, the exposures set out above are based on the 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.

6.2.1.2 Loans and advances to customers

The section below provides an overview of the Group's exposure to credit risk arising from its customer lending portfolios in line with the guidelines set by the Hellenic Capital Markets Commission and the Bank of Greece (BoG) released on 30 September 2013. In addition, the types of the Group's forbearance programs are in line with the BoG's Executive Committee Act 42/30.05.2014 and its amendments. Following the adoption of IFRS 9 from 1 January 2018, the Group updated the disclosures in relation to the guidelines stated above in order to comply with the revised IFRS 7 'Financial Instruments: Disclosures'. Given that the Group has adopted IFRS 9 without restatement of comparative information, the information applicable under IFRS 9 is presented in separate sections from the respective disclosures under IAS 39, where appropriate.

(a) Credit quality of loans and advances to customers

Applicable from 1 January 2018

Loans and advances to customers carried at amortised cost are classified depending on how ECL is measured.

Accordingly, loans reported as non-impaired include loans for which a '12-month ECL allowance' is recognized as they exhibit no significant increase in credit risk since initial recognition and loans for which a 'Lifetime ECL allowance' is recognized as they exhibit a significant increase in credit risk since initial recognition but are not considered to be in default.

Credit impaired loans category includes loans that are considered to be in default, for which a loss allowance equal to 'Lifetime ECL' is recognized and loans classified as 'Purchased or originated credit impaired' (POCI) which are always measured on the basis of lifetime ECL.

Loans and advances to customers carried at FVTPL are not subject to ECL measurement and therefore are not included in the quantitative information provided in the below sections for loans and advances measured at amortised cost, except where indicated.

The Group's accounting policy regarding impairment of financial assets is set out in note 2.2.13.

Notes to the Consolidated Financial Statements

Applicable before 1 January 2018

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

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

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

For loans in the above categories, although not considered impaired, the Group recognizes a collective impairment loss (as set out in note 2.2.13 ‘Impairment of financial assets’).

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

The evidence considered by the Group in determining whether there is objective evidence of impairment is set out in note 2.2.13.

Regulatory definitions

‘Default exposures’, in line with the regulatory definition of default as adopted by the Group, include material exposures that are past due more than 90 days, exposures that are assessed by Group as unlikely to pay as well as those that are assessed for impairment individually and carry an individual impairment allowance. As at 31 December 2018, the Group’s default exposures amounted to € 15,655 million (2017: € 18,516 million).

‘Non-performing exposures’ as currently monitored and reported by the Group, in line with the guidelines set by the European Banking Authority (EBA Implementing Technical Standards), include 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 2018, the Group’s non performing exposures included in loans and advances to customers at amortised cost amounted to € 16,653 million (1 January 2018: € 20,022 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 2018, the Group’s performing exposures included in loans and advances to customers at amortised cost amounted to € 28,320 million (1 January 2018: € 27,100 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.

Quantitative information

Amounts under IFRS 9

The following tables present the total gross carrying and nominal amount, representing the maximum exposure to credit risk before the impairment allowance, of loans and advances and credit related commitments respectively, that are classified as non-impaired (stage 1 and stage 2) and those classified as credit-impaired (stage 3 and POCI). They also present the total impairment allowance recognized in respect of all loans and advances and credit related commitments, analyzed into individually or collectively assessed, based on how the respective impairment allowance has been calculated, the carrying amount of loans and advances, as well as the value of collateral held to mitigate credit risk.

Public Sector lending exposures include exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, excluding public and private companies with commercial activity. For credit risk management purposes, exposures to Public Sector are incorporated in wholesale lending.

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

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The following table presents information about the credit quality of the gross carrying amount of loans and advances to customers carried at amortised cost, the nominal exposure of credit related commitments and the respective impairment allowance as well as the carrying amount of loans and advances to customers carried at FVTPL as at 31 December 2018:

	31 December 2018										
	Non impaired		Credit-impaired		Total gross carrying amount/nominal exposure € million	Impairment allowance				Carrying amount € million	Value of collateral € million
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired			12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired			
			Individually assessed € million	Collectively assessed € million				Individually assessed € million	Collectively assessed € million		
Retail Lending	10,535	5,080	615	10,441	26,671	(89)	(600)	(307)	(4,644)	21,031	16,565
- Mortgage	6,706	3,513	297	5,746	16,262	(35)	(284)	(143)	(2,085)	13,715	12,722
<i>Value of collateral</i>	<i>5,959</i>	<i>2,751</i>	<i>175</i>	<i>3,837</i>							
- Consumer	1,468	308	2	1,008	2,786	(32)	(90)	(1)	(771)	1,892	
<i>Value of collateral</i>	<i>44</i>	<i>5</i>	<i>2</i>	<i>128</i>							<i>179</i>
- Credit card	757	51	0	394	1,202	(7)	(13)	(0)	(321)	861	
<i>Value of collateral</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>							<i>0</i>
- Small business	1,604	1,208	316	3,293	6,421	(15)	(213)	(163)	(1,467)	4,563	
<i>Value of collateral</i>	<i>1,014</i>	<i>800</i>	<i>168</i>	<i>1,682</i>							<i>3,664</i>
Wholesale Lending	10,759	1,880	4,280	1,316	18,235	(56)	(111)	(2,394)	(597)	15,077	9,924
- Large corporate	8,332	1,166	2,299	71	11,868	(40)	(63)	(1,264)	(33)	10,468	
<i>Value of collateral</i>	<i>4,374</i>	<i>918</i>	<i>1,105</i>	<i>28</i>							<i>6,425</i>
- SMEs	2,427	714	1,981	1,245	6,367	(16)	(48)	(1,130)	(564)	4,609	
<i>Value of collateral</i>	<i>1,580</i>	<i>503</i>	<i>960</i>	<i>456</i>							<i>3,499</i>
Public Sector	65	1	0	1	67	(1)	(0)	(0)	(1)	65	5
- Greece	56	-	0	1	57	(1)	-	(0)	(1)	55	
<i>Value of collateral</i>	<i>5</i>	<i>-</i>	<i>-</i>	<i>0</i>							<i>5</i>
- Other countries	9	1	-	-	10	-	(0)	-	-	10	
Loans and advances to customers										59	52
Total	21,359	6,961	4,895	11,758	44,973	(146)	(711)	(2,701)	(5,242)	36,232	26,546
Total value of collateral	12,976	4,977	2,410	6,131							26,546
Credit related commitments	4,406	194	96	11	4,707	(12)	(1)	(42)	(3)		
Loan commitments	3,511	69	4	1	3,585	(7)	(0)	(1)	(0)		
Financial guarantee contracts and other commitments	895	125	92	10	1,122	(5)	(1)	(41)	(3)		
<i>Value of collateral</i>	<i>448</i>	<i>30</i>	<i>3</i>	<i>2</i>							

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The Group assesses the credit quality of its loans and advances to customers and credit related commitments that are subject to ECL using internal credit rating systems for the wholesale portfolio, which are based on a variety of quantitative and qualitative factors, while the credit quality of the retail portfolio is based on the allocation of risk classes into homogenous pools.

The following tables present the distribution of the gross carrying amount of loans and advances and the nominal exposure of credit related commitments based on the credit quality classification categories and stage allocation:

		31 December 2018			Total gross carrying amount € million
		Non impaired		Credit-impaired	
Retail Lending	Internal credit rating	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total gross carrying amount € million
		€ million	€ million	€ million	
- Mortgage					
	PD<2.5%	3,509	49	-	3,558
	2.5%<=PD<4%	2,119	593	-	2,712
	4%<=PD<10%	915	616	-	1,531
	10%<=PD<16%	57	392	-	449
	16%<=PD<99.99%	106	1,863	-	1,969
	100%	-	-	6,043	6,043
- Consumer					
	PD<2.5%	712	5	-	717
	2.5%<=PD<4%	440	11	-	451
	4%<=PD<10%	141	31	-	172
	10%<=PD<16%	170	9	-	179
	16%<=PD<99.99%	5	252	-	257
	100%	-	-	1,010	1,010
- Credit card					
	PD<2.5%	540	-	-	540
	2.5%<=PD<4%	167	17	-	184
	4%<=PD<10%	25	7	-	32
	10%<=PD<16%	21	3	-	24
	16%<=PD<99.99%	4	24	-	28
	100%	-	-	394	394
- Small business					
	PD<2.5%	254	3	-	257
	2.5%<=PD<4%	1,188	8	-	1,196
	4%<=PD<10%	70	23	-	93
	10%<=PD<16%	46	12	-	58
	16%<=PD<99.99%	46	1,162	-	1,208
	100%	-	-	3,609	3,609
Wholesale Lending					
- Large corporate					
	Strong	5,015	26	-	5,041
	Satisfactory	3,304	523	-	3,827
	Watch list	13	617	-	630
	Impaired (Defaulted)	-	-	2,370	2,370
- SMEs					
	Strong	979	27	-	1,006
	Satisfactory	1,404	220	-	1,624
	Watch list	44	467	-	511
	Impaired (Defaulted)	-	-	3,226	3,226
Public Sector					
All countries					
	Strong	6	0	-	6
	Satisfactory	59	1	-	60
	Watch list	0	0	-	0
	Impaired (Defaulted)	-	-	1	1
Total		21,359	6,961	16,653	44,973

Notes to the Consolidated Financial Statements

Internal credit rating	31 December 2018			
	Non impaired		Credit-impaired	Total nominal amount € million
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	
Credit Related Commitments				
Retail Lending				
Loan commitments				
PD<2.5%	1,513	2	-	1,515
2.5%<=PD<4%	1,034	1	-	1,035
4%<=PD<10%	72	13	-	85
10%<=PD<16%	21	2	-	23
16%<=PD<99.99%	1	11	-	12
100%	-	-	1	1
Financial guarantee contracts and other commitments				
PD<2.5%	38	0	-	38
2.5%<=PD<4%	93	0	-	93
4%<=PD<10%	0	0	-	0
10%<=PD<16%	-	0	-	0
16%<=PD<99.99%	-	-	-	-
100%	-	-	1	1
Wholesale Lending				
Loan commitments				
Strong	315	9	-	324
Satisfactory	545	20	-	565
Watch list	10	11	-	21
Impaired (Defaulted)	-	-	4	4
Financial guarantee contracts and other commitments				
Strong	496	0	-	496
Satisfactory	261	64	-	325
Watch list	7	61	-	68
Impaired (Defaulted)	-	-	101	101
Total	4,406	194	107	4,707

The table below depicts the internal credit rating bands (MRA rating scale or equivalent) for the wholesale portfolio that correspond to the credit quality classification categories presented in the above tables.

Wholesale Lending	
Credit Quality classification categories	Internal Credit Rating
Strong	1-4
Satisfactory	5-6
Watch list	7-9
Impaired (Defaulted)	10

Notes to the Consolidated Financial Statements

The following table presents the movement of the gross carrying amounts for loans and advances to customers by product line and stage and is calculated by reference to the opening and closing balances for the reporting year from 1 January 2018 to 31 December 2018:

	31 December 2018												Total € million
	Wholesale			Mortgage			Consumer			Small business			
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	
Gross carrying amount at 1 January	9,209	2,464	6,558	6,657	3,557	6,453	2,148	441	2,662	1,506	1,118	4,349	47,122
New loans and advances originated or purchased	3,222	-	-	310	-	-	484	-	-	297	-	-	4,313
Transfers between stages													
-to 12-month ECL	873	(853)	(20)	559	(536)	(23)	140	(136)	(4)	123	(116)	(7)	-
-to lifetime ECL not credit-impaired loans	(434)	518	(84)	(191)	973	(782)	(107)	200	(93)	(75)	416	(341)	-
-to lifetime ECL credit-impaired loans	(53)	(289)	342	(73)	(430)	503	(57)	(86)	143	(29)	(177)	206	-
Loans and advances derecognised/ reclassified as held for sale during the year	(2)	(0)	(190)	(0)	-	(6)	(11)	(2)	(995)	(6)	(1)	(6)	(1,219)
Amounts written-off	-	-	(566)	-	-	(105)	-	-	(265)	-	-	(536)	(1,472)
Repayments	(1,668)	(138)	(509)	(709)	(186)	(136)	(407)	(73)	(86)	(219)	(87)	(107)	(4,325)
Foreign exchange differences and other movements	(323)	179	66	153	135	139	35	15	42	7	55	51	554
Gross Carrying amount at 31 December	10,824	1,881	5,597	6,706	3,513	6,043	2,225	359	1,404	1,604	1,208	3,609	44,973
Impairment allowance	(57)	(111)	(2,992)	(35)	(284)	(2,228)	(39)	(103)	(1,093)	(15)	(213)	(1,630)	(8,800)
Carrying amount at 31 December	10,767	1,770	2,605	6,671	3,229	3,815	2,186	256	311	1,589	995	1,979	36,173

Note 1: Wholesale product line category includes also Public sector loans portfolio.

Note 2: "Loans and advances derecognised/ reclassified as held for sale during the year" presents loans sold, modified (where the modification resulted in a derecognition) and those that have been reclassified as held for sale during the year.

Notes to the Consolidated Financial Statements

Credit impaired loans and advances to customers

The following table presents the ageing analysis of credit impaired (Stage 3) loans and advances by product line at their gross carrying amounts, as well as the respective cumulative loss allowances and the value of collaterals held to mitigate credit risk.

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

	31 December 2018							Lifetime ECL credit- impaired € million
	Retail lending			Wholesale lending			Public sector	
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	
up to 90 days	1,280	135	25	574	885	573	-	3,472
90 to 179 days	250	51	12	84	40	56	-	493
180 to 360 days	175	67	16	73	35	46	-	412
more than 360 days	4,338	757	341	2,878	1,410	2,551	1	12,276
Total gross carrying amount	6,043	1,010	394	3,609	2,370	3,226	1	16,653
Impairment allowance	(2,228)	(772)	(321)	(1,630)	(1,297)	(1,694)	(1)	(7,943)
Carrying amount	3,815	238	73	1,979	1,073	1,532	0	8,710
Value of Collateral	4,012	130	0	1,850	1,133	1,416	0	8,541

Note: As at 31 December 2018, total gross carrying amount of credit impaired loans includes POCI loans of € 5 million.

Amounts under IAS 39

The following tables present the total gross amount, representing the maximum exposure to credit risk before 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 exposure is assessed for impairment, the total net amount, as well as the value of collateral held to mitigate credit risk.

Public Sector lending includes exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, excluding public and private companies with commercial activity.

In 2018 the Group proceeded with a change in the presentation of exposures included under Public Sector in order to align with the types of exposures monitored under Public Sector for regulatory and credit risk management purposes. Consequently, for 31 December 2017, Public Sector exposures of total net amount € 653 million, are restated to € 72 million, whereas an amount of € 581 million is now presented within Wholesale Lending. The tables for 31 December 2017 where Public Sector is presented separately have been amended accordingly.

Notes to the Consolidated Financial Statements

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

	31 December 2017								
	Non impaired		Impaired		Total gross amount	Impairment allowance		Total net amount	Value of collateral
	Neither past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed		Individually assessed	Collectively assessed		
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	
Retail Lending	12,573	2,850	374	13,094	28,891	(171)	(6,292)	22,428	17,217
- Mortgage	8,353	1,858	161	6,295	16,667	(87)	(2,231)	14,349	13,071
- Consumer	1,447	316	2	2,048	3,813	(1)	(1,633)	2,179	184
- Credit card	770	55	0	613	1,438	(0)	(442)	996	34
- Small business	2,003	621	211	4,138	6,973	(83)	(1,986)	4,904	3,928
Wholesale Lending	10,575	1,065	6,627	8	18,275	(3,461)	(206)	14,608	10,394
- Large corporate	7,866	870	2,830	3	11,569	(1,576)	(107)	9,886	6,720
- SMEs	2,709	195	3,797	5	6,706	(1,885)	(99)	4,722	3,674
Public Sector	75	0	1	-	76	(1)	(3)	72	4
- Greece	73	0	1	-	74	(1)	(3)	70	4
- Other countries	2	0	-	-	2	-	-	2	-
Total	23,223	3,915	7,002	13,102	47,242	(3,633)	(6,501)	37,108	27,615

Loans and advances neither past due nor impaired

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

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

	31 December 2017				
	Strong	Satisfactory (risk)	Watch list (higher risk)	Total neither past due nor impaired	Value of collateral
	€ million	€ million	€ million	€ million	€ million
Retail Lending	32	12,541	-	12,573	8,643
- Mortgage	-	8,353	-	8,353	7,211
- Consumer	-	1,447	-	1,447	52
- Credit card	-	770	-	770	0
- Small business	32	1,971	-	2,003	1,380
Wholesale Lending	6,931	3,274	370	10,575	6,543
- Large corporate	5,226	2,466	174	7,866	4,771
- SMEs	1,705	808	196	2,709	1,772
Public Sector	1	74	-	75	4
- Greece	1	72	-	73	4
- Other countries	-	2	-	2	-
Total	6,964	15,889	370	23,223	15,190

Notes to the Consolidated Financial Statements

Loans and advances past due but not impaired

The following table presents 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								Total past due but not impaired € million
	Retail lending			Wholesale lending			Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	
up to 29 days	1,479	270	40	502	705	134	0	-	3,130
30 to 59 days	269	32	10	74	60	29	-	-	474
60 to 89 days	110	14	5	45	105	32	-	0	311
Total	1,858	316	55	621	870	195	0	0	3,915
Value of collateral	1,517	2	-	395	593	155	-	-	2,662

Impaired loans and advances

The following table presents the movement of impaired loans and advances by product line:

	31 December 2017								Total impaired € million
	Retail lending			Wholesale lending			Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	Other countries € million	
Balance at 31 December 2016	6,759	2,742	741	4,733	3,258	4,651	1	-	22,885
Transfers among product lines	0	0	(0)	(0)	203	(203)	-	-	-
Balance at 1 January	6,759	2,742	741	4,733	3,461	4,448	1	-	22,885
Transferred to discontinued operations	(106)	(10)	(6)	(81)	(17)	(37)	-	-	(257)
Impaired exposures for the year	694	145	24	310	188	126	-	-	1,487
Transferred to non-impaired	(738)	(140)	(16)	(563)	(211)	(104)	-	-	(1,772)
Repayments	(114)	(64)	(15)	(63)	(142)	(134)	-	-	(532)
Amounts written off	(59)	(122)	(64)	(34)	(391)	(453)	-	-	(1,123)
Disposals	(0)	(546)	(62)	(0)	(6)	(16)	-	-	(630)
Foreign exchange differences and other movements	20	45	11	47	(49)	(28)	0	-	46
Balance at 31 December	6,456	2,050	613	4,349	2,833	3,802	1	-	20,104
Cumulative impairment allowance	(2,166)	(1,536)	(426)	(2,015)	(1,576)	(1,886)	(1)	-	(9,606)
Net balance at 31 December	4,290	514	187	2,334	1,257	1,916	0	-	10,498

Notes to the Consolidated Financial Statements

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

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

	31 December 2017							Total impaired € million
	Retail lending			Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € million	
up to 29 days	826	104	8	378	740	348	-	2,404
30 to 59 days	193	21	1	60	4	20	-	299
60 to 89 days	148	9	0	82	83	67	-	389
90 to 179 days	245	19	5	91	46	83	-	489
180 to 360 days	213	18	4	100	40	67	-	442
more than 360 days	2,665	343	169	1,623	344	1,331	0	6,475
Total	4,290	514	187	2,334	1,257	1,916	0	10,498
Value of collateral	4,343	130	34	2,153	1,356	1,747	0	9,763

(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:

	2018 € million
Mortgages	
Less than 50%	3,366
50%-70%	2,101
71%-80%	1,445
81%-90%	1,250
91%-100%	2,625
101%-120%	1,554
121%-150%	1,362
Greater than 150%	2,559
Total exposure	16,262
Average LTV	89.79%

	2017 € million
Mortgages	
Less than 50%	3,451
50%-70%	2,302
71%-80%	1,202
81%-90%	1,075
91%-100%	965
101%-120%	1,802
121%-150%	2,180
Greater than 150%	3,690
Total exposure	16,667
Average LTV	98.25%

Notes to the Consolidated Financial Statements

The breakdown of collateral and guarantees for loans and advances to customers at amortised cost is presented below:

	31 December 2018				
	Value of collateral received				Guarantees received
	Real Estate	Financial	Other	Total	
€ million	€ million	€ million	€ million	€ million	
Retail Lending	15,979	361	225	16,565	215
Wholesale Lending ⁽¹⁾	4,601	870	4,453	9,924	180
Public sector	2	3	-	5	-
Total	20,582	1,234	4,678	26,494	395

	31 December 2017				
	Value of collateral received				Guarantees Received
	Real Estate	Financial	Other	Total	
€ million	€ million	€ million	€ million	€ million	
Retail Lending	16,625	286	306	17,217	176
Wholesale Lending ⁽¹⁾	5,240	897	4,257	10,394	194
Public sector	2	2	0	4	1
Total	21,867	1,185	4,563	27,615	371

⁽¹⁾ Other collaterals include assigned receivables, equipment, inventories, vessels, etc.

Repossessed assets

The Group recognizes collateral assets on the balance sheet by taking possession usually through legal processes or by calling upon other credit enhancements. The main type of collateral that the Group repossesses against repayment or reduction of the outstanding loan is real estate, which is recognized within repossessed assets and carried at the lower of cost or net realizable value (see also notes 2.2.18 and 33). In cases where the Group makes use of repossessed properties as part of its operations, they are classified as own-used or investment properties, as appropriate (notes 2.2.6, 30 and 31).

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

	31 December 2018						
	Gross amount	Of which:		Of which:	Net amount	Net Sale Price	Net gain/(loss) on sale
		added this year	Accumulated impairment				
€ million	€ million	€ million	€ million	€ million	€ million	€ million	
Real estate auction items	663	175	(188)	(5)	475	36	(1)
- Residential	279	62	(63)	4	216	21	(1)
- Commercial	384	113	(125)	(9)	259	15	0
Other collateral	1	0	0	0	1	0	0

	31 December 2017						
	Gross amount	Of which:		Of which:	Net amount	Net Sale Price	Net gain/(loss) on sale
		added this year	Accumulated impairment				
€ million	€ million	€ million	€ million	€ million	€ million	€ million	
Real estate auction items	547	53	(185)	(18)	362	28	(5)
- Residential	249	13	(68)	(5)	181	22	(2)
- Commercial	298	40	(117)	(13)	181	6	(3)
Other collateral	1	1	(0)	1	1	1	0

Properties that have been classified as investment property or own used in 2018 as a result of repossession or transfer from repossessed properties category, amounted to € 22 million (2017: € 6 million). In 2017 the Group repossessed securities amounting to € 20 million, which were classified as available for sale investment securities.

Notes to the Consolidated Financial Statements

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

As described above in note 6.2.1, the Group holds diversified portfolios across markets and countries and implements limits on concentrations arising from the geographical location or the activity of groups of borrowers that could be similarly affected by changes in economic or other conditions, in order to mitigate credit risk.

Amounts under IFRS 9

The following table breaks down the Group's exposure into loans and advances to customers and credit related commitments at their gross carrying amount and nominal amount respectively by stage, product line, industry and geographical region and impairment allowance by product line, industry and geographical region:

	31 December 2018											
	Greece				Rest of Europe				Other Countries			
	Gross carrying/nominal amount				Gross carrying/nominal amount				Gross carrying/nominal amount			
	12-month ECL € million	Lifetime ECL not credit- impaired € million	Lifetime ECL credit- impaired € million	Impairment allowance € million	12-month ECL € million	Lifetime ECL not credit- impaired € million	Lifetime ECL credit- impaired € million	Impairment allowance € million	12-month ECL € million	Lifetime ECL not credit- impaired € million	Lifetime ECL credit- impaired € million	Impairment allowance € million
Retail Lending	8,580	4,833	10,630	(5,433)	1,948	247	425	(207)	7	0	1	(0)
-Mortgage	5,686	3,398	5,812	(2,454)	1,014	115	230	(93)	6	0	1	(0)
-Consumer	899	230	967	(860)	568	78	43	(34)	1	0	0	(0)
-Credit card	664	33	389	(336)	93	18	5	(5)	0	0	0	(0)
-Small business	1,331	1,172	3,462	(1,783)	273	36	147	(75)	-	-	-	-
Wholesale Lending	6,514	1,501	5,018	(2,831)	2,442	296	469	(250)	1,803	83	109	(77)
-Commerce and services	2,435	621	2,308	(1,388)	493	3	144	(80)	51	25	56	(43)
-Manufacturing	1,980	262	1,026	(556)	455	71	31	(17)	6	-	-	(0)
-Shipping	39	0	-	(0)	161	8	78	(59)	1,549	52	35	(24)
-Construction	751	319	1,158	(692)	536	56	83	(54)	78	6	18	(10)
-Tourism	677	286	506	(180)	275	94	13	(5)	0	-	-	(0)
-Energy	594	11	9	(14)	55	0	17	(6)	16	-	-	(0)
-Other	38	2	11	(1)	467	64	103	(29)	103	-	-	(0)
Public Sector	56	0	1	(2)	1	1	0	(0)	8	0	-	(0)
Total	15,150	6,334	15,649	(8,266)	4,391	544	894	(457)	1,818	83	110	(77)
Credit related Commitments	2,971	91	102	(55)	1,370	87	5	(3)	65	16	0	(0)
-Loan commitments	2,400	7	1	(6)	1,054	62	4	(2)	57	0	0	(0)
-Financial guarantee contracts and other commitments	571	84	101	(49)	316	25	1	(1)	8	16	0	(0)

As at 31 December 2018, the carrying amount of Group's loans measured at FVTPL amounted to € 59 million, all of which were included in Wholesale lending portfolio. Out of which amount € 46 million were held by operations in Greece, while amount € 13 million were held by operations in Rest of Europe.

Notes to the Consolidated Financial Statements

Amounts under IAS 39

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

	31 December 2017								
	Greece			Rest of Europe			Other Countries		
	Gross amount	Out of which: impaired amount	Impairment allowance	Gross amount	Out of which: impaired amount	Impairment allowance	Gross amount	Out of which: impaired amount	Impairment allowance
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	
Retail Lending	26,251	12,839	(6,159)	2,636	629	(304)	4	0	(0)
-Mortgage	15,295	6,153	(2,204)	1,368	303	(114)	4	-	(0)
-Consumer	3,225	2,003	(1,607)	588	47	(27)	0	0	-
-Credit card	1,320	609	(439)	118	4	(3)	0	-	-
-Small business	6,411	4,074	(1,909)	562	275	(160)	-	-	-
Wholesale Lending	13,197	5,625	(3,024)	3,231	846	(506)	1,847	164	(137)
-Commerce and services	5,764	2,730	(1,631)	1,317	353	(200)	638	103	(96)
-Manufacturing	3,081	1,033	(516)	438	74	(47)	10	-	(0)
-Shipping	94	31	(18)	160	68	(61)	973	60	(40)
-Construction	2,265	1,250	(658)	934	317	(178)	90	1	(1)
-Tourism	1,478	570	(181)	143	2	(1)	0	-	-
-Energy	504	9	(20)	51	17	(5)	11	-	-
-Other	11	2	(0)	188	15	(14)	125	-	(0)
Public Sector	74	1	(4)	2	-	-	-	-	-
Total	39,522	18,465	(9,187)	5,869	1,475	(810)	1,851	164	(137)

(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. The Group has employed a range of forbearance solutions 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 Group, 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 Group grants a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties.

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

Forbearance solutions

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

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

- arrears capitalization;
- arrears repayment plan;
- reduced payment above interest only;
- interest-only payments;
- reduced payment below interest only;
- grace period;
- interest rate reduction;

Notes to the Consolidated Financial Statements

- loan term extensions;
- split balance;
- partial debt forgiveness/write-down;
- operational restructuring; and
- debt to equity swaps.

Specifically for unsecured consumer loans (including credit cards), forbearance programs (e.g. term extensions), are applied in combination with debt consolidation whereby all existing consumer balances are pooled together. Forbearance solutions are applied in order 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, in alignment with the Bank of Greece Executive Committee Act 42/30.05.2014 and its amendments. TAG controls and monitors the effectiveness of the forbearance schemes and warrants the continuous improvement and adjustment of policies and procedures.

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 6.2.

Debt for equity swaps

For wholesale portfolios, the Group on occasion participates in debt for equity transactions as part of forbearance measures, as described in note 2.2.9. In 2018, equity positions acquired by the Group and held as of 31 December 2018 are: (a) 10.67% of the non-voting shares of Pillarstone Bidco S.C.A. for € 0.02 million, in the context of the restructuring of Famar S.A. (note 28) and b) 12.1% of Regency Hellenic Investments S.A. for € 8.5 million, following the debt restructuring of Regency Entertainment S.A. Similarly in 2017, equity positions acquired by the Group and held as of 31 December 2017 were: (a) 100% of Standard Ktimatiki S.A. (note 27), (b) 24.37% of Famar S.A, (c) 47.66% of the non-voting preferred shares of ELTER S.A. for € 0.3 million, (d) 0.86% of FRIGOGLOSS S.A.I.C. for € 0.03 million and (e) 18.02% of UNISOFT S.A. for € 27.

Applicable from 1 January 2018

i. Classification of Forborne loans

Forborne loans are classified either as non-impaired (stage 2), or impaired (stage 3) by assessing their delinquency and credit quality status.

Credit impaired forborne 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 forborne loans (stage 2). In addition, non-impaired forborne loans, including those that were previously classified as credit 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 aggregate amount, there are no past due amounts over 30 days and the loans are neither credit impaired nor any other SICR criteria are met they exit forborne status and are classified as stage 1.

Particularly, the category of credit impaired forborne loans includes those that (a) at the date when forbearance measures were granted, were more than 90 days past due 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 credit impaired status.

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Furthermore, forbore loans that fail to perform under the new modified terms and are subsequently denounced cease to be monitored as part of the Group's forbearance activities and are reported as denounced credit impaired loans (stage 3) consistently with the Group's management and monitoring of all denounced loans.

ii. Impairment assessment

Where forbearance measures are extended, the Group performs an assessment of the borrower's financial condition and its ability to repay, under the Group's impairment policies, as described in notes 2.2.13 and 6.2.1. Accordingly, forbore loans to wholesale customers, retail individually significant exposures and financial institutions are assessed on an individual basis. Forborne retail lending portfolios are generally assessed for impairment separately from other retail loan portfolios on a collective basis as they consist of large homogenous portfolio.

iii. Loan restructurings

In cases where the contractual cash flows of a forbore loan have been substantially modified, the original forbore loan is derecognized and a new loan is recognized. The Group records the modified asset as a 'new' financial asset at fair value and the difference with the carrying amount of the existing one is recorded in the income statement as derecognition gain or loss.

In cases where the modification as a result of forbearance measures is not considered substantial, the Group recalculates the gross carrying amount of the loan and recognizes the difference as a modification gain or loss in the income statement. The Group continues to monitor the modified forbore loan in order to determine if the financial asset exhibits significant increase in credit risk since initial recognition during the forbearance period.

As at 31 December 2018, the carrying amount of Group's forbore loans measured at FVTPL amounted to € 35 million.

Applicable before 1 January 2018

i. Classification of Forborne loans

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 forbore 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 forbore. 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 forbore status.

Particularly, the category of impaired loans includes those that (a) at the date when forbearance measures were granted, were more than 90 days past due 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, forbore loans that fail to perform under the new modified terms and are subsequently denounced cease to be monitored as part of the Group's forbearance activities and are reported as denounced impaired loans consistently with the Group's management and monitoring of all denounced loans.

Notes to the Consolidated Financial Statements

ii. Impairment assessment

Where forbearance measures are extended, the Group performs an assessment of the borrower's financial condition and its ability to repay, under the Group's impairment policies, as described in notes 2.2.13 and 6.2.1. 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.

iii. Loan restructurings

An existing loan whose terms have been modified may be derecognized and the forbore loan may be recognized as a new loan, when changes to the original contractual terms result in the forbore loan, being considered, as a whole, a substantially different financial asset. Examples of circumstances that will likely lead to derecognition are described in note 2.2.13. Upon derecognition, any difference between the old loan and the fair value of the new loan is recognized in the income statement. Impaired loans that are derecognized 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.

Amounts under IFRS 9

The following tables present an analysis of Group's forbore activities for loans measured at amortised cost. In order to align with the quantitative information provided in section (a) based on revised IFRS 7 requirements, the relevant tables below are presented on a gross carrying amount basis, while cumulative impairment allowance is presented separately, in line with the Group's internal credit risk monitoring and reporting.

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

	2018
	€ million
Forbearance measures:	
Split balance	3,218
Loan term extension	3,318
Arrears capitalisation	564
Reduced payment below interest owed	285
Interest rate reduction	825
Reduced payment above interest owed	568
Arrears repayment plan	308
Interest only	75
Grace period	113
Debt/equity swaps	65
Partial debt forgiveness/Write-down	54
Operational restructuring	95
Other	174
Total gross carrying amount	9,662
Less: cumulative impairment allowance	(2,236)
Total carrying amount	7,426

Notes to the Consolidated Financial Statements

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

	31 December 2018		
	Total loans & advances at amortised cost € million	Forborne loans & advances € million	% of Forborne loans & advances
Gross carrying amounts:			
12-month ECL	21,359	0	0.0
Lifetime ECL not credit-impaired	6,961	4,883	70.1
Lifetime ECL credit-impaired	16,653	4,779	28.7
Total Gross Amount	44,973	9,662	21.5
Cumulative ECL Loss allowance:			
12-month ECL allowance	(146)	(0)	
Lifetime ECL (not credit-impaired) allowance	(711)	(546)	
Lifetime ECL (credit-impaired) allowance of which:	(7,943)	(1,690)	
- Individually assessed	(2,701)	(579)	
- Collectively assessed	(5,242)	(1,111)	
Total carrying amount	36,173	7,426	20.5
Collateral received	26,494	6,498	

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

	2018 € million
Gross carrying amount at 1 January	11,074
Forbearance measures in the year ⁽¹⁾	1,253
Forborne loans derecognised/ reclassified as held for sale during the year ⁽²⁾	(42)
Write-offs of forborne loans	(81)
Repayment of loans	(484)
Loans & advances that exited forbearance status ⁽³⁾	(2,201)
Other	143
Less: cumulative impairment allowance	(2,236)
Carrying amount at 31 December	7,426

⁽¹⁾ Forbearance measures in the year depict loans to which forbearance measures were granted for the first time during the reporting period.

⁽²⁾ Forborne loans derecognised/ reclassified as held for sale during the year presents loans sold, modified (where the modification resulted in a derecognition) and those that have been reclassified as held for sale during the year.

⁽³⁾ An amount of € 946 million loans and advances that exited forbearance status refers to loans that were denounced.

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

	2018 € million
Retail Lending	7,276
- Mortgage	5,071
- Consumer	423
- Credit card	75
- Small business	1,707
Wholesale Lending	2,386
- Large corporate	1,391
- SMEs	995
Total gross carrying amount	9,662
Less: cumulative impairment allowance	(2,236)
Total carrying amount	7,426

Notes to the Consolidated Financial Statements

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

	2018
	€ million
Greece	9,084
Rest of Europe	544
Other countries	34
Total gross carrying amount	9,662
Less: cumulative impairment allowance	(2,236)
Total carrying amount	7,426

The following table provides information on modifications due to forbearance measures on lending exposures which have not resulted in derecognition. Such financial assets were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

Modified lending exposures	2018
	€ million
Loans modified during the year with loss allowance measured at an amount equal to lifetime ECL	
Gross carrying amount at 31 December ⁽¹⁾	2,221
Modification loss	70
Loans modified since initial recognition at a time when loss allowance was based on lifetime ECL	
Gross carrying amount at 31 December for which loss allowance has changed to 12-month ECL measurement	1,461

⁽¹⁾ Gross carrying amount at 31 December includes all loans modifications due to forbearance during the year.

In the year ended 31 December 2018, the gross carrying amount of loans previously modified for which the loan allowance has reverted to being measured at an amount equal to lifetime ECL amounted to € 306 million. The contractual amount outstanding on lending exposures that were written off during the year ended 31 December 2018 and that are still subject to enforcement activity is € 1,238 million.

Amounts under IAS 39

For comparison purposes the tables that depict forbore loans and advances to customers i) by type, ii) by product line and iii) by geographical region, have been amended in order to be presented on a gross carrying amount basis, while cumulative impairment allowance is presented separately, in line with the Group's internal credit risk monitoring and reporting.

Notes to the Consolidated Financial Statements

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

	2017 € million
Forbearance measures:	
Split balance	3,998
Loan term extension	3,574
Arrears capitalisation	732
Reduced payment below interest owed	753
Interest rate reduction	642
Reduced payment above interest owed	385
Arrears repayment plan	358
Interest only	227
Grace period	189
Debt/equity swaps	91
Partial debt forgiveness/Write-down	44
Operational restructuring	51
Other	110
Total gross amount	<u>11,154</u>
Less: cumulative impairment allowance	<u>(2,353)</u>
Total net amount	<u>8,801</u>

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

	31 December 2017		
	Total loans & advances € million	Forborne loans & advances € million	% of Forborne loans & advances
Neither past due nor impaired	23,223	3,533	15.2
Past due but not impaired	3,915	1,552	39.6
Impaired	20,104	6,069	30.2
Total Gross Amount	<u>47,242</u>	<u>11,154</u>	<u>23.6</u>
Individual impairment allowance	(3,633)	(667)	
Collective impairment allowance	(6,501)	(1,686)	
Total Net amount	<u>37,108</u>	<u>8,801</u>	<u>23.7</u>
Collateral received	27,615	7,214	

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

	2017 € million
Balance at 1 January	9,556
Forbearance measures in the year ⁽²⁾	1,207
Interest income	207
Repayment of loans (partial or total)	(476)
Loans & advances that exited forbearance status ⁽¹⁾	(1,218)
Impairment loss	(184)
Transferred to discontinued operations	(104)
Other	(187)
Balance at 31 December	<u>8,801</u>

⁽¹⁾ For 2017, an amount of € 669 million loans and advances that exited forbearance status refers to loans that were denounced

⁽²⁾ Forbearance measures in the year depict loans to which forbearance measures were granted for the first time during the reporting period

Notes to the Consolidated Financial Statements

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

	2017 € million
Retail Lending	8,552
- Mortgage	5,726
- Consumer	765
- Credit card	71
- Small business	1,990
Wholesale Lending	2,602
- Large corporate	1,449
- SMEs	1,153
Total gross amount	<u>11,154</u>
Less: cumulative impairment allowance	<u>(2,353)</u>
Total net amount	<u><u>8,801</u></u>

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

	2017 € million
Greece	10,520
Rest of Europe	500
Other countries	134
Total gross amount	<u>11,154</u>
Less: cumulative impairment allowance	<u>(2,353)</u>
Total net amount	<u><u>8,801</u></u>

6.2.1.3 Debt Securities

Following the transition to IFRS 9 at 1 January 2018, the Group has adjusted where necessary the relevant information for the year ended 2018, in accordance with the revised IFRS 7 'Financial Instruments: Disclosures'. Given that the Group has adopted IFRS 9 without restatement of comparative information, the information on the Group's exposure to credit risk from debt securities for the year ended 2018 applicable under IFRS 9, is presented separately from the respective disclosures under IAS 39.

Amounts under IFRS 9

The following tables present an analysis of debt securities by external credit rating agency designation at 31 December 2018, based on Moody's ratings or their equivalent:

	31 December 2018		
	12-month ECL € million	Lifetime ECL not credit-impaired securities € million	Total € million
Investment securities at amortised cost			
Aaa	100	-	100
Aa1 to Aa3	-	-	-
A1 to A3	-	-	-
Lower than A3	597	754	1,351
Unrated	-	-	-
Gross Carrying Amount	<u>697</u>	<u>754</u>	<u>1,451</u>
Impairment Allowance	<u>(3)</u>	<u>(28)</u>	<u>(31)</u>
Carrying Amount	<u>694</u>	<u>726</u>	<u>1,420</u>
Investment securities at FVOCI			
Aaa	480	-	480
Aa1 to Aa3	1,119	-	1,119
A1 to A3	437	-	437
Lower than A3	4,108	26	4,134
Unrated	78	-	78
Carrying Amount	<u>6,222</u>	<u>26</u>	<u>6,248</u>

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	31 December 2018	
	Securities held for trading € million	Investment securities measured at FVTPL € million
Securities at FVTPL		
Aaa	-	-
Aa1 to Aa3	-	4
A1 to A3	-	-
Lower than A3	22	0
Unrated	0	-
Carrying Amount	<u>22</u>	<u>4</u>

Securities rated lower than A3 include: € 3,180 million related to Greek sovereign debt, € 1,533 million related to Eurozone members sovereign debt and € 384 million related to sovereign debt issued mainly by European Union members and candidate members.

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

	31 December 2018						Total € million
	Greece		Other European countries		Other countries		
	12-month ECL € million	Lifetime ECL not credit-impaired securities € million	12-month ECL € million	Lifetime ECL not credit-impaired securities € million	12-month ECL € million	Lifetime ECL not credit-impaired securities € million	
Investment securities at amortised cost							
Sovereign	216	754	481	-	-	-	1,451
Banks	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-
Gross Carrying Amount	<u>216</u>	<u>754</u>	<u>481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,451</u>
Impairment Allowance	(2)	(28)	(1)	-	-	-	(31)
Net Carrying Amount	<u>214</u>	<u>726</u>	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,420</u>
Investment securities at FVOCI							
Sovereign	2,224	5	3,112	-	50	-	5,391
Banks	61	-	273	-	4	-	338
Corporate	215	16	202	5	81	-	519
Carrying Amount	<u>2,500</u>	<u>21</u>	<u>3,587</u>	<u>5</u>	<u>135</u>	<u>-</u>	<u>6,248</u>

	31 December 2018		
	Greece € million	Other European countries € million	Total € million
Investment securities at FVTPL			
Sovereign	-	-	-
Banks	-	-	-
Corporate	0	4	4
Carrying Amount	<u>0</u>	<u>4</u>	<u>4</u>
Securities held for trading			
Sovereign	11	4	15
Banks	-	6	6
Corporate	1	-	1
Carrying Amount	<u>12</u>	<u>10</u>	<u>22</u>

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Amounts under IAS 39

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

	31 December 2017				Total € million
	Securities held for trading € million	Available- for-sale securities € million	Debt securities lending portfolio € million	Held-to- maturity securities € million	
Aaa	-	272	-	115	387
Aa1 to Aa3	-	742	362	65	1,169
A1 to A3	-	238	109	34	381
Lower than A3	20	4,104	1,183	228	5,535
Unrated	0	67	-	0	67
Total	20	5,423	1,654	442	7,539

Securities rated lower than A3 include: € 3,574 million related to Greek sovereign debt, € 1,157 million related to Eurozone members sovereign debt and € 507 million related to sovereign debt issued mainly by European Union members and candidate members.

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

	31 December 2017			Total € million
	Greece € million	Other European countries € million	Other countries € million	
Sovereign	3,574	3,350	16	6,940
Banks	30	100	-	130
Corporate	227	182	60	469
Total	3,831	3,632	76	7,539

6.2.1.4 Offsetting of financial assets and financial liabilities

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

- (a) are offset in the Group's balance sheet according to IAS 32 'Financial Instruments: Presentation' criteria; or
- (b) are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in balance sheet.

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

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 Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties may not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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

The following tables present financial assets and financial liabilities that meet the criteria for offsetting and thus are reported on a net basis in the balance sheet, as well as amounts that are subject to enforceable master netting arrangements and similar agreements for which the offset criteria mentioned above are not satisfied. The latter amounts, which mainly relate to derivatives,

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repos and reverse repos, are not set off in the balance sheet. In respect of these transactions, the Group receives and provides collateral in the form of marketable securities and cash that are included in the tables below under columns 'financial instruments' and 'cash collateral' at their fair value.

	31 December 2018					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the BS		
				Financial instruments (incl. non-cash collateral)	Cash collateral received	Net amount
€ million	€ million	€ million	€ million	€ million	€ million	
Financial Assets						
Reverse repos with central banks	38	-	38	(38)	-	-
Reverse repos with banks	168	(100)	68	(68)	-	-
Derivative financial instruments	1,870	-	1,870	(1,788)	(21)	61
Other financial assets	48	(48)	-	-	-	-
Total	2,124	(148)	1,976	(1,894)	(21)	61

	31 December 2018					
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the BS		
				Financial instruments (incl. non-cash collateral)	Cash collateral pledged	Net amount
€ million	€ million	€ million	€ million	€ million	€ million	
Financial Liabilities						
Derivative financial instruments	1,893	-	1,893	(598)	(1,282)	13
Repurchase agreements with banks	5,752	(100)	5,652	(5,652)	-	-
Other financial liabilities	48	(48)	-	-	-	-
Total	7,693	(148)	7,545	(6,250)	(1,282)	13

	31 December 2017					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the BS		
				Financial instruments (incl. non-cash collateral)	Cash collateral received	Net amount
€ million	€ million	€ million	€ million	€ million	€ million	
Financial Assets						
Reverse repos with central banks	38	-	38	(38)	-	-
Reverse repos with banks	281	(235)	46	(46)	-	-
Derivative financial instruments	1,869	-	1,869	(1,747)	(2)	120
Other financial assets	40	(40)	-	-	-	-
Total	2,228	(275)	1,953	(1,831)	(2)	120

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	31 December 2017					
	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not offset in the BS		
				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	3,603	(235)	3,368	(3,368)	-	-
Other financial liabilities	40	(40)	-	-	-	-
Total	<u>5,492</u>	<u>(275)</u>	<u>5,217</u>	<u>(3,934)</u>	<u>(1,274)</u>	<u>9</u>

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.

6.2.2 Market risk

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

GMCRS is responsible for the measurement, monitoring and reporting of market risk and specifically interest rate risk in the Banking Book (IRRBB) of the Group. The Sector reports to the GCRO and its main responsibilities include:

- Monitoring of all key market & IRRBB risk indicators (VaR, sensitivities, interest rate gaps);
- Implementation of Stress Testing methodologies for market risk (historical and hypothetical), and IRRBB;
- Monitoring and reporting of market and IRRBB risk limits utilization; and
- Development, maintenance and expansion of risk management infrastructure.

The market risks the Group is exposed to, are the following:

(a) Interest rate risk

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

(b) Currency risk

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

(c) Equity risk

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

(d) Implied volatilities

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

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

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

(i) VaR summary for 2018 and 2017

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

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

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

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

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

	2018 € million	2017 € million
Interest Rate Risk	35	17
Foreign Exchange Risk	1	1
Equities Risk	1	1
Total VaR	35	18

⁽¹⁾ Interest rate volatility applied to all portfolios. Credit spread volatility applied to FVTPL and FVOCI positions.

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

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

Interest rate exposure for the Group's securities, derivatives portfolio, covered bonds, securitizations and Tier 2 notes can be analyzed into time bands as shown in the following tables:

	31 December 2018				
	less than 1 month € million	1-3 months € million	3-12 months € million	1-5 years € million	More than 5 years € million
Securities held for trading	-	2	1	3	16
-Fixed coupon bonds	-	-	1	3	16
-Variable coupon bonds	-	2	-	-	-
Investment securities	76	269	605	2,812	3,491
-Fixed coupon bonds	29	91	605	2,812	3,491
-Variable coupon bonds	47	178	-	-	-
Debt issued (Third parties)	-	(1,246)	-	(500)	(950)
-Fixed coupon covered bonds	-	-	-	(500)	-
-Fixed coupon subordinated notes (Tier 2)	-	-	-	-	(950)
-Variable coupon securitisations	-	(1,246)	-	-	-
Derivatives⁽¹⁾	348	1,837	1,439	(1,471)	(2,197)

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	31 December 2017				
	less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
	€ million	€ million	€ million	€ million	€ million
Securities held for trading	18	3	1	12	11
-Fixed coupon bonds	18	3	1	12	11
Investment securities	677	631	494	2,846	2,383
-Fixed coupon bonds	410	432	473	2,846	2,383
-Variable coupon bonds	267	199	21	-	-
Covered bonds	-	-	-	(500)	-
-Fixed coupon covered bonds	-	-	-	(500)	-
Derivatives ⁽¹⁾	300	(645)	1,227	81	(984)

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

(ii) Sensitivity analysis for 2018 and 2017

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

	31 December 2018		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	5	(6)	(1)
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	(0)	-	(0)
Foreign exchange: -10% depreciation of functional currency over foreign currencies	9	(58)	(49)

	31 December 2017		
	Sensitivity of income statement € million	Sensitivity of equity € million	Total sensitivity € million
Interest Rate: +100 bps parallel shift	4	(12)	(8)
Equities / Equity Indices / Mutual Funds: -10% decrease on prices	(0)	-	(0)
Foreign exchange: -10% depreciation of functional currency over foreign currencies	3	(60)	(57)

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(iii) Foreign exchange risk

The following table presents the Group's exposure to foreign currency exchange risk as at 31 December 2018 and 2017:

	31 December 2018							Total € million
	USD € million	CHF € million	RON € million	RSD € million	BGN € million	OTHER € million	EUR € million	
ASSETS								
Cash and balances with central banks	12	3	0	99	362	7	1,441	1,924
Due from credit institutions	216	19	25	0	0	97	1,950	2,307
Securities held for trading	0	-	-	1	4	-	38	43
Derivative financial instruments	13	2	-	0	0	0	1,856	1,871
Loans and advances to customers	1,920	3,546	22	393	1,945	275	28,131	36,232
Investment securities	537	-	0	101	4	-	7,130	7,772
Other assets ⁽¹⁾	12	1	1	53	107	3	7,638	7,815
Assets of disposal groups classified as held for sale	-	-	-	-	-	-	20	20
Total Assets	2,710	3,571	48	647	2,422	382	48,204	57,984
LIABILITIES								
Due to central banks and credit institutions	172	1	0	0	15	3	8,235	8,426
Derivative financial instruments	12	0	0	0	0	1	1,880	1,893
Due to customers	3,411	80	0	229	2,218	447	32,698	39,083
Debt securities in issue	0	-	-	-	-	-	2,707	2,707
Other liabilities	27	1	18	8	33	2	755	844
Total Liabilities	3,622	82	18	237	2,266	453	46,275	52,953
Net on balance sheet position	(912)	3,489	30	410	156	(71)	1,929	5,031
Derivative forward foreign exchange position	939	(3,485)	(25)	27	0	69	1,508	(967)
Total Foreign Exchange Position	27	4	5	437	156	(2)	3,437	4,064
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	9	2	0	104	189	5	1,215	1,524
Due from credit institutions	385	11	0	1	0	81	1,645	2,123
Securities held for trading	1	-	-	3	7	-	38	49
Derivative financial instruments	9	2	-	1	0	0	1,866	1,878
Loans and advances to customers	1,459	3,729	25	355	1,746	250	29,544	37,108
Investment securities	219	-	0	101	3	2	7,280	7,605
Other assets ⁽¹⁾	9	3	3	51	53	3	7,436	7,558
Assets of disposal groups classified as held for sale	53	102	1,477	-	-	8	544	2,184
Total Assets	2,144	3,849	1,505	616	1,998	349	49,568	60,029
LIABILITIES								
Due to central banks and credit institutions	77	0	0	0	14	3	13,897	13,991
Derivative financial instruments	11	0	0	0	-	1	1,841	1,853
Due to customers	3,362	92	1	185	1,898	351	27,954	33,843
Debt securities in issue	0	-	-	-	-	-	549	549
Other liabilities	22	1	1	5	25	6	624	684
Liabilities of disposal groups classified as held for sale	53	4	1,255	-	-	6	641	1,959
Total Liabilities	3,525	97	1,257	190	1,937	367	45,506	52,879
Net on balance sheet position	(1,381)	3,752	248	426	61	(18)	4,062	7,150
Derivative forward foreign exchange position	1,419	(3,762)	(274)	(3)	(0)	13	1,007	(1,600)
Total Foreign Exchange Position	38	(10)	(26)	423	61	(5)	5,069	5,550

⁽¹⁾ Other assets include Investments in associates and joint ventures, Property, plant and equipment, Investment property, Intangible assets, Deferred tax assets and Other assets.

Notes to the Consolidated Financial Statements

6.2.3 Liquidity risk

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

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

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

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

Liquidity Risk Management Framework

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

- Board Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk;
- Group Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Group's risk appetite, and to review at least monthly the overall liquidity position of the Group;
- Group Treasury is responsible for the implementation of the Group's liquidity strategy, the daily management of the Group's liquidity and for the preparation and monitoring of the Group's liquidity budget; and
- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Group.

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

- (a) The regulatory liquidity gap report along with the regulatory liquidity ratios;
- (b) Stress test scenarios. These scenarios evaluate the impact of a number of systemic stress events on the Group's liquidity position;
- (c) Report on market sensitivities affecting liquidity;
- (d) Liquidity coverage ratios (LCR) estimation (Basel III new regulatory ratio); and
- (e) Reporting on the Bank's Asset Encumbrance.

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Maturity analysis of assets and assets held for managing liquidity risk

The following tables present maturity analysis of Group assets as at 31 December 2018 and 2017, based on their carrying values. Loans without contractual maturities are presented in the 'less than 1 month' time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Under these contracts the Group has posted or received collateral, which covers the corresponding net liabilities or net assets from derivative transactions. The collateral posted is not presented in the below tables. For derivative assets not covered by ISDA/CSA agreements the positive valuation is presented at fair value in the 'over 1 year' time bucket.

	31 December 2018				Total € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	
- Cash and balances with central banks	1,924	-	-	-	1,924
- Due from credit institutions	390	74	5	274	743
- Loans and advances to customers	3,723	655	2,664	29,190	36,232
- Debt Securities	24	97	619	6,954	7,694
- Equity securities	-	-	-	121	121
- Derivative financial instruments	-	-	-	67	67
- Other assets ⁽¹⁾	55	15	7	7,738	7,815
- Assets of disposal groups classified as held for sale	20	-	-	-	20
Total	6,136	841	3,295	44,344	54,616

	31 December 2017				Total € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	
- Cash and balances with central banks	1,524	-	-	-	1,524
- Due from credit institutions	647	51	2	36	736
- Loans and advances to customers	4,081	825	2,376	29,826	37,108
- Debt Securities	437	528	448	6,126	7,539
- Equity securities	-	-	-	115	115
- Derivative financial instruments	-	-	-	78	78
- Other assets ⁽¹⁾	54	14	7	7,483	7,558
- Assets of disposal groups classified as held for sale	775	27	106	1,276	2,184
Total	7,518	1,445	2,939	44,940	56,842

⁽¹⁾ Other assets include Investments in associates and joint ventures, Property, plant and equipment, Investment property, Intangible assets, Deferred tax assets and Other assets.

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

- Cash and balances with central banks;
- Eligible bonds and other financial assets for collateral purposes; and
- Current accounts with banks and interbank placings maturing within one month.

The unutilized assets, containing highly liquid and central banks eligible assets, provide a contingent liquidity reserve of € 13.0 bn as at 31 December 2018 (2017: € 7.7 bn). In addition, the Group holds other types of highly liquid assets, as defined by the regulator, amounting to € 1.3 bn (cash value) (2017: € 2.2 bn). It should be noted that the major part of ECB's available collateral of € 2.6 bn (cash value) (2017: € 2.8 bn) is held by Group's subsidiaries for which temporary local regulatory restrictions are applied and currently limit the level of its transferability between group entities.

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Maturity analysis of liabilities

The amounts disclosed in the tables below are the contractual undiscounted cash flows for the years 2018 and 2017. Liabilities without contractual maturities (sight and saving deposits) are presented in the 'less than 1 month' time bucket. The Group has established credit risk mitigation contracts with its interbank counterparties (ISDA/CSA). Due to these contracts the Group has already posted collateral which covers the valuation of its net liabilities from interbank derivatives. For derivative liabilities not covered by ISDA/CSA agreements the negative valuation is presented at fair value in the 'less than 1 month' time bucket.

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

	31 December 2018				Gross nominal (inflow)/ outflow € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	
Non-derivative liabilities:					
- Due to central banks and credit institutions	5,858	778	57	1,737	8,430
- Due to customers	29,285	3,797	5,791	247	39,120
- Debt securities in issue	1	85	327	3,059	3,472
- Other liabilities	289	129	404	22	844
	35,433	4,789	6,579	5,065	51,866
Derivative financial instruments:	13	-	-	-	13

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	3,780	927
Capital expenditure	18	-
Operating lease commitments	33	101
Total	3,831	1,028

	31 December 2017				Gross nominal (inflow)/ outflow € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	
Non-derivative liabilities:					
- Due to central banks and credit institutions	11,435	880	17	1,668	14,000
- Due to customers	24,742	3,775	5,215	130	33,862
- Debt securities in issue	50	-	14	531	595
- Other liabilities	234	104	327	18	683
- Liabilities of disposal groups classified as held for sale	1,315	233	376	37	1,961
	37,776	4,992	5,949	2,384	51,101
Derivative financial instruments:	9	-	-	-	9

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Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	559	935
Capital expenditure	31	-
Operating lease commitments	37	96
Total	627	1,031

6.3 Fair value of financial assets and liabilities

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

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

- (a) Level 1-Financial instruments measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Group can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. Level 1 financial instruments include actively quoted debt instruments held or issued by the Group, 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, less liquid debt instruments held or issued by the Group and equity instruments.
- (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, loans and advances to customers and asset backed securities issued by the Group.

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Financial instruments carried at fair value

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

	31 December 2018			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Securities held for trading	43	0	-	43
Investment securities at FVTPL	39	7	58	104
Derivative financial instruments	0	1,870	1	1,871
Investment securities at FVOCI	6,130	118	-	6,248
Loans and advances to customers mandatorily at FVTPL	-	-	59	59
Financial assets measured at fair value	6,212	1,995	118	8,325
Derivative financial instruments	0	1,893	-	1,893
Trading liabilities	4	-	-	4
Financial liabilities measured at fair value	4	1,893	-	1,897
	31 December 2017			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Securities held for trading	48	0	1	49
Derivative financial instruments	0	1,877	1	1,878
Available-for-sale investment securities	5,464	4	41	5,509
Financial assets measured at fair value	5,512	1,881	43	7,436
Derivative financial instruments	0	1,853	-	1,853
Due to customers:				
- Structured deposits	-	2	-	2
Debt securities in issue:				
- Structured notes	-	3	-	3
Financial liabilities measured at fair value	-	1,858	-	1,858

The Group recognizes transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected. During the year ended 31 December 2018, the Group transferred OTC derivative instruments of € 0.6 million from Level 3 to Level 2 following the assessment on the significance of the CVA adjustment to their entire fair value measurement, calculated based on internal rating models. In addition, equity instruments of € 2 million were transferred from Level 1 to Level 2 as their market was not considered active.

Reconciliation of Level 3 fair value measurements

	2018	2017
	€ million	€ million
Balance at 1 January	43	57
Transition to IFRS 9	65	-
Transfers into Level 3	0	0
Transfers out of Level 3	(1)	(0)
Additions, net of disposals and redemptions	4	(1)
Total gain/(loss) for the year included in profit or loss	6	(1)
Total gain/(loss) for the year included in other comprehensive income	-	(6)
Foreign exchange differences and other	1	(2)
Discontinued operations	-	(4)
Balance at 31 December	118	43

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Group's valuation processes and techniques

The Group's processes and procedures governing the fair valuations are established by the Group Market Counterparty Risk Sector in line with the Group's accounting policies. The Group uses widely recognized valuation models for determining the fair value of common financial instruments that are not quoted in an active market, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. 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 Group entity and the counterparty, where appropriate.

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

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

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

For debt securities issued by the Group and designated at FVTPL (as of 1 January 2018 the Group has revoked the fair value option designation on its debt securities issued and therefore currently there are no such liabilities carried at FVTPL, note 37), fair values are determined by discounting the expected cash flows at a risk-adjusted rate, where the Group's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Group or other Greek issuers.

Unquoted equity instruments at FVTPL under IFRS 9 (AFS under IAS 39) 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.

Loans and advances to customers which contractual cash flows do not represent solely payments of principal and interest (SPPI failures) are measured mandatorily at fair value through profit or loss. Quoted market prices are not available as there are no active markets where these instruments are traded. Their fair values are estimated on an individual loan basis by discounting the future expected cash flows over the time period they are expected to be recovered, using an appropriate discount rate. Expected cash flows which incorporate credit risk represent significant unobservable input in the valuation and as such the entire fair value measurement is categorized as Level 3 in the fair value hierarchy. A reasonably possible increase/decrease in those recovery rates by +5%/-5% would increase/decrease the total fair value measurement by € 2.3 million.

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Financial instruments not carried at fair value

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

	31 December 2018				Carrying amount € million
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	
Loans and advances to customers	-	-	35,940	35,940	36,173
Investment securities at amortised cost	491	398	-	889	1,420
Financial assets not carried at fair value	491	398	35,940	36,829	37,593
Debt securities in issue	510	738	1,247	2,495	2,707
Financial liabilities not carried at fair value	510	738	1,247	2,495	2,707

	31 December 2017				Carrying amount € million
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	
Loans and advances to customers	-	-	36,767	36,767	37,108
Investment securities					
- Debt securities lending portfolio	232	894	-	1,126	1,654
- Held-to-maturity securities	314	149	-	463	442
Financial assets not carried at fair value	546	1,043	36,767	38,356	39,204
Debt securities in issue	501	49	-	550	546
Financial liabilities not carried at fair value	501	49	-	550	546

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:

- Loans and advances to customers: for loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Group makes assumptions on expected prepayments, product spreads and timing of collateral realization. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate;
- 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
- Debt securities in issue: the fair values of the debt securities in issue are determined using quoted market prices, if available. If quoted prices are not available, fair values are determined based on quotes for similar debt securities or by discounting the expected cash flows at a risk-adjusted rate, where the Group's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Group or other Greek issuers.

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

Notes to the Consolidated Financial Statements

7. Net interest income

	2018
	€ million
Interest income	
Customers	1,554
- <i>measured at amortised cost</i>	1,553
- <i>measured at FVTPL</i>	1
Banks and other (measured at amortised cost)	19
Securities ⁽¹⁾	179
- <i>measured at amortised cost</i>	30
- <i>measured at FVOCI</i>	148
- <i>measured at FVTPL</i>	1
Derivatives (hedge accounting)	12
Derivatives (no hedge accounting)	421
	2,186
Interest expense	
Customers (measured at amortised cost)	(178)
Banks (measured at amortised cost)	(114)
Debt securities in issue (measured at amortised cost)	(87)
Derivatives (hedge accounting)	(2)
Derivatives (no hedge accounting)	(389)
	(770)
Total from continuing operations	1,416
	2017
	€ million
Interest income	
Customers	1,616
Banks and other	6
Securities ⁽¹⁾	195
Derivatives	347
	2,164
Interest expense	
Customers	(165)
Banks	(212)
Debt securities in issue	(6)
Derivatives	(317)
	(700)
Total from continuing operations	1,464

⁽¹⁾ The interest income from trading securities included is immaterial for the year ended 31 December 2018 and 2017.

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

	31 December 2018		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	589	319	908
Wholesale lending ⁽¹⁾	498	148	646
Total interest income from customers	1,087	467	1,554

	31 December 2017		
	Interest income on non-impaired loans and advances € million	Interest income on impaired loans and advances € million	Total € million
Retail lending	658	292	950
Wholesale lending ⁽¹⁾	494	172	666
Total interest income from customers	1,152	464	1,616

⁽¹⁾ Including interest income on loans and advances to Public Sector.

The unwinding of the discount of the impairment allowance (note 25) amounting to € 283 million (retail lending € 183 million and wholesale lending € 100 million) is included in interest income on impaired loans and advances to customers (2017: retail lending € 189 million and wholesale lending € 97 million).

8. Net banking fee and commission income

The following table includes net banking fees and commission income from contracts with customers in the scope of IFRS 15, disaggregated by major type of services and operating segments (note 47).

	31 December 2018						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Lending related activities	8	55	0	5	8	(0)	76
Mutual funds and assets under management	12	1	26	3	7	1	50
Capital markets	-	11	2	29	2	1	45
Network activities and credit cards	33	4	(0)	12	70	(1)	118
Other	0	10	(1)	-	0	(0)	9
Total from continuing operations	53	81	27	49	87	1	298

	31 December 2017						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Lending related activities	10	43	0	6	9	(0)	68
Mutual funds and assets under management	6	1	26	3	7	1	44
Capital markets	-	24	3	2	2	2	33
Network activities and credit cards	31	4	(0)	11	67	(0)	113
Other	0	9	(1)	(8)	(0)	(0)	0
Total from continuing operations	47	81	28	14	85	3	258

Notes to the Consolidated Financial Statements

9. Income from non banking services

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

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

	2018 € million
Debt securities of which:	82
- measured at amortised cost	0
- measured at FVOCI	81
- measured at FVTPL	1
Equity securities measured at FVTPL	(6)
Gains/(losses) on derivative financial instruments (hedge accounting)	(1)
Gains/(losses) on derivative financial instruments (no hedge accounting)	23
Revaluation on foreign exchange positions	22
Total from continuing operations	120
	2017 € million
Debt securities and other financial instruments	45
Equity securities	29
Gains/(losses) on derivative financial instruments	53
Revaluation on foreign exchange positions	13
Total from continuing operations	140

11. Other income/ (expenses)

For the year ended 31 December 2018, other income/(expenses) mainly include: (a) € 5.5 million derecognition gain on loans measured at amortised cost, the terms of which were substantially modified, (b) € 1.6 million loss from the disposal of ERB Leasing E.A.D. (note 27), (c) € 2.2 million gain from the disposal of Mesal Holdings Ltd (note 27) and (d) € 6.8 million fee expense related to the deferred tax credits according to article 82 of Law 4472/2017 (note 16).

12. Operating expenses

	2018 € million	2017 € million
Staff costs (note 13)	(487)	(506)
Administrative expenses	(208)	(206)
Contributions to resolution and deposit guarantee funds	(67)	(67)
Depreciation of real estate properties and equipment	(37)	(36)
Amortisation of intangible assets	(26)	(24)
Operating lease rentals	(54)	(56)
Total from continuing operations	(879)	(895)

For the year ended 31 December 2018, the amount of operating expenses (excluding any contribution to a deposit guarantee or resolution fund) for the Group's Greek activities was € 638 million (2017: € 664 million).

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

Notes to the Consolidated Financial Statements

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 as a part of the total amount of contributions (note 46).

13. Staff costs

	2018 € million	2017 € million
Wages, salaries and performance remuneration	(357)	(367)
Social security costs	(68)	(78)
Additional pension and other post employment costs	(16)	(15)
Other	(46)	(46)
Total from continuing operations	(487)	(506)

The average number of employees of the Group's continuing operations during the year was 13,256 (31 December 2017: 13,738). As at 31 December 2018, the number of branches and business/private banking centers of the Group amounted to 653.

14. Other impairments, restructuring costs and provisions

	2018 € million	2017 € million
Impairment losses and valuation losses on real estate properties	(30)	(34)
Impairment losses/ reversal on bonds (note 26)	15	(1)
Other impairment losses and provisions ⁽¹⁾	(6)	(15)
Other impairment losses and provisions	(21)	(50)
Voluntary exit schemes and other related costs (note 38)	(57)	(8)
Other restructuring costs	(5)	(5)
Restructuring costs	(62)	(13)
Total from continuing operations	(83)	(63)

⁽¹⁾ Includes impairment losses on equity securities (under IAS 39 for the year 2017), other assets and provisions on litigations and other operational risk events.

For the year ended 31 December 2018, considering the trend in real estate market prices and the particular characteristics of the Group's real estate portfolio, an amount of € 30 million impairment and valuation losses on PPE, investment and repossessed properties has been recognised in the income statement of which € 21 million refers to the Greek operations.

As at 31 December 2018, the Group recognized restructuring costs amounting to € 5 million mainly related with the optimization of its lending operations. As at 31 December 2017, the Group had recognized restructuring expenses amounting to € 5 million, mainly relating to the rationalization of its branch network in Greece.

15. Income tax

	2018 € million	2017 € million
Current tax	(46)	(34)
Deferred tax (note 16)	(16)	29
Tax adjustments	(14)	-
Total income tax from continuing operations	(76)	(5)

According to Law 4172/2013 currently in force, the nominal Greek corporate tax rate for the year 2018 is 29%. In addition, dividends distributed as of 1 January 2019 other than intragroup dividends, which under certain preconditions are relieved from both income and withholding tax, are subject to 10% withholding tax. According to article 23 of Law 4579/2018, which was enacted in December 2018 and amended Law 4172/2013, the Greek corporate tax rate for entities other than credit institutions will decrease annually by 1% for each of the next four years starting from 2019, resulting to 25% for the year 2022 and onwards. This resulted to a reduction in the net deferred tax asset by € 0.2 million for the Bank's Greek subsidiaries that has been recorded in the income statement.

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For the year ended 31 December 2018, a provision of € 14 million has been recognized in the income statement against income tax receivables, which are further pursued in courts.

In October 2018, the Greek Council of State communicated its decisions to the Bank and another Greek banking institution, ruling against their refund right in reference to taxes prepaid (by way of withholding) on interest arising from bonds and treasury bills for the year 2008 (amounting to € 4 million for the Bank). The said decisions interpreted the Greek tax law applicable for the year 2008 and stated that such withholding taxes are allowed to be offset only against the banks' annual corporate income tax and any excess part is not refundable. However, in respect of such withholding taxes, two previous favorable decisions for different years (the one related to the Bank for the year 2010 and a second to another banking institution) have been issued by the same Council of State body. The Bank challenged the respective Council of State decision at the European Court. In addition to the above, the Bank has similar pending tax cases in the context of the interpretation of Law 2238/1994, amounting to € 46 million for the year 2012.

On 29 March 2019, a legislative bill was voted by the Greek Parliament including provisions which safeguard the collectability of both the tax receivables of Law 2238/1994 arising (as mentioned above) from withholding taxes on interest from bonds (for years 2008, 2010, 2011 and 2012) as well as the tax receivables of Law 4046/2012 (for years 2010, 2011 and 2012) arising from taxes of € 13 million for the Bank, withheld on interest from Greek sovereign bonds, Greek T-bills and corporate bonds with Greek State guarantee.

In reference to its total uncertain tax positions, the Group assesses all relevant developments (e.g. legislative changes, case law, ad hoc tax/legal opinions, administrative practices) and raises adequate provisions.

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

	2018 € million	2017 € million
Profit before tax from continuing operations	232	181
Tax at the applicable tax rate	(67)	(52)
Tax effect of:		
- income not subject to tax and non deductible expenses	(24)	(6)
- effect of different tax rates in different countries	26	23
- tax adjustments	(14)	-
- other ⁽¹⁾	3	30
Total income tax from continuing operations	(76)	(5)

⁽¹⁾ For the year ended 31 December 2017, it includes an amount of € 32 million deferred tax effect related to the impairment charge against the Bank's loans and other receivables and investment cost in certain subsidiaries.

Tax certificate and open tax years

The Bank and its subsidiaries, associates and joint ventures, which operate in Greece (notes 27 and 28) have in principle 1 to 6 open tax years. For the open tax years 2013-2015 the Bank and the Group's Greek companies whose annual financial statements were audited compulsorily, were required to obtain an 'Annual Tax Certificate' pursuant to the Law 4174/2013, 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 and (as a general rule) the Group's Greek companies will continue to obtain such certificate.

The Bank has obtained by external auditors unqualified tax certificates for the open tax years 2013-2017. For the year ended 31 December 2018, 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.

The tax certificates, which have been obtained by the Bank's subsidiaries, associates and joint ventures, which operate in Greece, are unqualified for the open tax years 2013-2017. For the year ended 31 December 2018, the tax audits from external auditors are in progress.

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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 2012 (included) has been time-barred for the Bank and the Group's Greek companies.

The open tax years of the foreign banking entities of the Group are as follows: (a) Eurobank Cyprus Ltd, 2014-2018, (b) Eurobank Bulgaria A.D., 2013-2018, (c) Eurobank A.D. Beograd (Serbia), 2013-2018, and (d) Eurobank Private Bank Luxembourg S.A., 2014-2018. The remaining foreign entities of the Group (notes 27 and 28), which operate in countries where a statutory tax audit is explicitly stipulated by law, have 1 to 6 open tax years in principle, subject to certain preconditions of the applicable tax legislation of each jurisdiction.

16. Deferred income taxes

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

The movement on deferred income tax is as follows:

	2018 € million	2017 € million
Balance at 1 January	4,855	4,926
IFRS 9 transition impact (note 2.3.2)	5	-
Income statement credit/(charge) from continuing operations	(16)	29
Investment securities at FVOCI	64	-
Available for sale investment securities	-	(85)
Cash flow hedges	(2)	(8)
Discontinued operations (note 17)	7	(7)
Other	(1)	-
Balance at 31 December	4,912	4,855

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

	2018 € million	2017 € million
Impairment/ valuation relating to loans and accounting write-offs ⁽¹⁾	3,132	3,011
PSI+ tax related losses	1,151	1,201
Losses from disposals and crystallized write-offs of loans	265	239
Other impairments/ valuations through the income statement	248	311
Unused tax losses	63	22
Costs directly attributable to equity transactions	23	31
Cash flow hedges	15	17
Defined benefit obligations	13	14
Own used, investment and repossessed properties	(20)	(16)
Investment securities at FVOCI	(24)	-
Valuations directly to available-for-sale revaluation reserve	-	(84)
Other ⁽¹⁾	46	109
Net deferred income tax	4,912	4,855

⁽¹⁾ As at 31 December 2018, deferred tax asset of € 61 million on provisions for credit related commitments of the Bank to its subsidiaries (mainly to reflect the carrying values of their loans' portfolios) has been reclassified from "other" category of temporary taxable differences to "Impairment/ valuation relating to loans and accounting write-offs".

Following the completion of the sale of the Romanian disposal group (note 17), the relevant valuation temporary differences were reversed, but were not fully utilized against taxable profits. This resulted to the increase of the deferred tax on unused tax losses and the decrease of deferred tax on valuations through the income statement for the year ended 31 December 2018.

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The net deferred income tax is analyzed as follows:

	2018 € million	2017 € million
Deferred tax assets	4,916	4,859
Deferred tax liabilities (note 38)	(4)	(4)
Net deferred income tax	4,912	4,855

Deferred income tax (charge)/credit from continuing operations is attributable to the following items:

	2018 € million	2017 € million
Impairment/ valuation relating to loans, disposals and write-offs	82	104
Unused tax losses	41	(8)
Tax deductible PSI+ losses	(50)	(50)
Change in fair value and other temporary differences	(89)	(17)
Deferred income tax (charge)/credit from continuing operations	(16)	29

As at 31 December 2018, the Group recognized net deferred tax assets amounting to € 4.9 bn as follows:

- € 3,132 million refer to deductible temporary differences arising from impairment/ valuation relating to loans including the accounting debt write-offs according to the Greek tax law 4172/2013, as in force. These temporary differences can be utilized in future periods with no specified time limit and according to current tax legislation of each jurisdiction;
- € 1,151 million refer to losses resulted from the Group's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;
- € 265 million refer to the unamortized part of the crystallized tax losses arising from write-offs and disposals of loans, which are subject to amortization (i.e. 1/20 of losses per year starting from year 2016 and onwards), according to the Greek tax law 4172/2013, as in force;
- € 63 million mainly refer to unused tax losses of which € 62 million resulted from the Bank's operations in 2018 (including ca € 48 million tax losses, which resulted from the sale of the Romanian disposal group in April 2018 -note 17). The ability for the Bank to utilize tax losses carried forward expires in five tax years after the year of their recognition;
- € 23 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
- € 278 million refer to other deductible temporary differences (i.e. valuation losses, provisions for pensions and other post-retirement benefits, etc.) the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation of each jurisdiction.

Assessment of the recoverability of deferred tax assets

The recognition of the above presented deferred tax assets is based on management's assessment, as at 31 December 2018, that the Group's legal entities will have sufficient future taxable profits, against which the unused tax losses, the deductible temporary differences, as well as the losses from PSI+ and the Greek state's debt buyback program can be utilized. The deferred tax assets are determined on the basis of the tax treatment of each deferred tax asset category, as provided by the applicable tax legislation of each jurisdiction, the eligibility of carried forward losses for offsetting with future taxable profits and the actual tax results for the year ended 31 December 2018. Additionally, the Group's assessment on the recoverability of recognized deferred tax assets is based on (a) the future performance expectations (projections of operating results) and growth opportunities relevant for determining the expected future taxable profits, (b) the expected timing of reversal of the deductible and taxable temporary differences, (c) the probability that the Group entities will have sufficient taxable profits in the future, in the same period as the reversal of the deductible and taxable temporary differences (i.e. profits/ losses on sale of investments or other assets, etc.) or in the years into which the tax losses can be carried forward, and (d) the historical levels of Group entities' performance in combination with the previous years' tax losses caused by one off or non-recurring events.

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For the year ended 31 December 2018 the Group has conducted a deferred tax asset (DTA) recoverability assessment based on a) its three-year Business Plan that was approved by the Board of Directors in January 2018 and provided outlook of its profitability and capital position for the period up to the end of 2020 and b) the update of the Plan for the period till the end of 2021 that was submitted to the Board of Directors and the Hellenic Financial Stability Fund (HFSF) on December 2018. The January 2018 Business Plan has also been submitted to the Hellenic Financial Stability Fund (HFSF) and to the Single Supervisory Mechanism (SSM).

For the years beyond 2021, the forecast of operating results was based on the management projections considering the growth opportunities of the Greek economy, the banking sector and the Group itself.

The level of the abovementioned projections adopted in the Group's Business Plan is mainly based on assumptions and estimates regarding (a) the further reduction of its funding cost driven by the gradual repatriation of customer deposits replacing more expensive funding sources, (b) the lower loan impairment losses as a result of the macroeconomic conditions in Greece that are expected to improve gradually and the strategic initiatives in line with the Non-Performing Exposures (NPEs) strategy that the Group has committed to 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 and its update largely depend on the risks and uncertainties that stem from the macroeconomic environment in Greece as well as in the countries that the Group operates (note 2.1).

The Group is in the process of the finalization of its updated business plan, subject to the completion of all the remaining actions and the receipt of all the necessary approvals from the competent authorities, relating to the merger of the Bank with Grivalia Properties REIC (note 48) and the Group's planned strategic initiatives for the accelerated reduction of NPEs (note 6).

Deferred tax credit against the Greek State and tax regime for loan losses

As at 31 December 2018, pursuant to the Law 4172/2013, as in force, the Bank's eligible DTAs/deferred tax credits (DTCs) against the Greek State amounted to € 3,927 million. The DTCs will be converted into directly enforceable claims (tax credit) against the Greek State provided that the Bank's after tax accounting result for the year is a loss. In particular, DTCs are accounted for on: (a) the losses from the Private Sector Involvement (PSI) and the Greek State Debt Buyback Program and (b) 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 and other losses in general due to credit risk recorded up to 30 June 2015.

In accordance with the tax regime, in force, the above crystallized tax losses arising from write-offs and disposals on customers' loans are amortised over a twenty-year period, maintaining the DTC status during all this period, while they are disconnected from the accounting write-offs. Accordingly, the recovery of the Bank's deferred tax asset recorded on loans and advances to customers and the regulatory capital structure are safeguarded, contributing substantially to the achievement of the NPEs reduction targets, through the acceleration of write-offs and disposals.

As of 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 for credit institutions (i.e. 29%) and the tax rate applicable on 30 June 2015 (i.e. 26%). For the year ended 31 December 2018, an amount of € 6.8 million has been recognized in "Other income/(expenses)".

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17. Discontinued operations

Romanian disposal group

In September 2017, the sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group) was considered highly probable, therefore, as of 30 September 2017 Romanian disposal group was classified as held for sale. On 24 November 2017, the Bank announced that it had reached an agreement with Banca Transilvania (BT) with regards to the above sale. Following the said agreement, on 3 April 2018, Eurobank and BT concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Group in the above companies to BT.

The Romanian disposal group was the major part of the Group's operations in Romania, which are presented in the International segment.

The results of the Romanian disposal group are set out below:

	For the period ended	
	31 March 2018 ⁽¹⁾ € million	31 December 2017 € million
Net interest income	24	98
Net banking fee and commission income	5	22
Gains less losses from investment securities	0	5
Other income/(expenses)	1	2
Operating expenses	(22)	(89)
Profit before impairments, remeasurement losses and provisions from discontinued operations	8	38
Impairment losses on loans and advances	(3)	(35)
Remeasurement losses on non current and other assets	(0)	(60)
Other impairment losses and provisions	(1)	(10)
Profit/ (loss) before tax from discontinued operations	4	(67)
Income tax	(1)	(4)
Profit/ (loss) after tax from discontinued operations before loss on disposal	3	(71)
Loss on disposal before tax	(80)	-
Income tax on disposal	8	-
Loss after tax from discontinued operations	(69)	(71)
Net profit from discontinued operations attributable to non controlling interests	0	0
Net loss from discontinued operations attributable to shareholders	(69)	(71)

⁽¹⁾ It includes the adjusted loss on disposal for the year ended 31 December 2018.

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The major classes of assets and liabilities of Romanian disposal group were as follows:

	31 March 2018 € million	31 December 2017 € million
Loans and advances to customers	1,251	1,254
Investment securities	328	328
Cash and balances with central banks ⁽¹⁾	224	333
Due from credit institutions ⁽¹⁾	197	243
Securities held for trading	8	26
Total assets of disposal group classified as held for sale	2,008	2,184
Due to customers	1,768	1,831
Due to credit institutions	26	93
Other liabilities	33	35
Total liabilities of disposal group classified as held for sale	1,827	1,959
Net Intragroup assets associated with the Romanian disposal group	28	30
Net assets of disposal group classified as held for sale	209	255
Net assets of disposal group classified as held for sale attributable to non controlling interests	2	2
Net assets of disposal group classified as held for sale attributable to shareholders	207	253

⁽¹⁾ As at 31 March 2018, the cash and cash equivalents included above amounted to € 285 million.

Up to the date of the disposal, cumulative losses (mainly currency translation differences) attributable to shareholders recognized in other comprehensive income amounted to € 46 million (31 December 2017: € 42 million).

The consideration of the transaction, net of related costs, reached € 205 million, in addition to the € 25 million special dividend and € 50 million capital return received in 2017 and in the first quarter 2018, respectively. In the fourth quarter of 2018, the Group has recognized a provision of € 14.6 million with regards to the completion statements of the Romanian disposal group.

According to the Sale Purchase Agreement (SPA) executed between Eurobank Group (the Seller) and Banca Transilvania (BT) (the Purchaser), there are also specific indemnity clauses based on which the Purchaser could claim specific amounts, subject to certain limitations on total claims. In the above context in the third quarter 2018, the Group has recognized a provision of € 15 million for Bancpost S.A. tax issues (see "Tax audit" below). Accordingly, an amount of € 72 million loss after tax has been recognized in the income statement for the year ended 31 December 2018, including the recylement to the income statement of the aforementioned € 46 million cumulative losses previously recognized in other comprehensive income. The transaction has been capital accretive and liquidity positive for the Group.

Tax audit

According to the tax audit assessment communicated to Bancpost S.A. within July 2018, following the completion of the tax audit for the years 2011-2015, the additional taxes to be paid amount in total to € 40 million, approximately. The said taxes result from the imposition of additional withholding taxes of € 30 million (including surcharges of € 10 million) and additional corporate income tax of € 10 million deriving from both the disallowance for tax deduction of certain expenses and the recognition of deemed taxable income.

The Group is in close cooperation with BT, which is in the process of challenging the tax audit assessment in courts.

According to the SPA, the Purchaser could claim, subject to certain limitations on the total claim, from the Seller the tax liabilities that will be assessed by a tax authority as a result of a Tax audit covering all tax matters in respect of all open (non-expired) taxable periods of Bancpost S.A. until the completion of the transaction. In respect of the above, in the third quarter of 2018, the Group has recognized the aforementioned provision of € 15 million in the income statement.

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Romanian National Authority for Consumer Protection (ANPC)

In addition, in July and August, the Romanian National Authority for Consumer Protection (ANPC) has imposed two fines on Bancpost S.A. in connection with complaints raised by certain Bancpost S.A. lending clients. The cases related to portfolios of performing loans which were assigned by Bancpost S.A. to ERB New Europe Funding II B.V. (NEF II) (an SPV in the Netherlands controlled by Eurobank) in 2008. The ANPC has imposed fines on Bancpost S.A. totalling € 68 thousand, as it challenged the capacity of NEF II to acquire the loan receivables from Bancpost S.A. and of certain alleged breaches of consumer protection laws. Furthermore, the ANPC concluded that payments by the consumers such as interests, fees, penalties in relation to all loans assigned to NEF II were illegally cashed in by NEF II for a period of ten years and should be reimbursed by Bancpost S.A.

The Group is in close cooperation with BT, which is in the process of challenging the ANPC minutes in courts.

The SPA for the sale of Bancpost S.A. mentioned above between Eurobank Group and BT also provides for an indemnity in respect of losses incurred from claims made against the Purchaser or Bancpost S.A. in relation to loans and receivables of the above perimeter.

The Group is closely monitoring the developments of all the above cases of Bancpost S.A. and is in the process of analyzing the potential implications that may affect its legal rights and obligations, including those arising under the SPA with BT.

Insurance operations

In the fourth quarter of 2018, based on the agreement for the sale of 80% of the Group's insurance operations, which was completed in August 2016, the Bank was entitled to a refund of € 4.9 million following the resolution of a legal claim in favor of EuroLife ERB Life Insurance S.A., affecting the results from discontinued operations with a profit of € 3.5 million, after tax accordingly.

Grivalia subgroup

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

The held for sale operations of Grivalia subgroup included: a) Grivalia Properties R.E.I.C. and its subsidiaries in Greece and Luxembourg, which were presented in other operations segment, and b) Grivalia's subsidiaries in Romania and Serbia, which were presented in International segment.

On 4 July 2017, the Bank announced the successful sale of its shareholding in Grivalia Properties R.E.I.C. The net profit of the Grivalia subgroup for the year ended 31 December 2017 including the result on disposal, amounted to gain € 10 million in total, of which loss € 1 million attributable to the shareholders.

Further information in relation to the disposal of Grivalia subgroup is provided in note 17 of the consolidated financial statements for the year ended 31 December 2017.

18. Earnings per share

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

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Group has issued convertible, subject to certain conditions preferred securities (Series D, note 41). Until 31 December 2017, the potential ordinary shares which could result from the conversion of the aforementioned preferred securities were not deemed to be issuable on the basis of the restrictions in force relevant to the restructuring plan (note 5). Accordingly, the Series D of preferred securities was not included in the calculation of diluted earnings per share. As of 1 January 2018, the above restrictions have been lifted.

Notes to the Consolidated Financial Statements

		Year ended 31 December	
		2018	2017
Net profit for the year attributable to ordinary shareholders ⁽¹⁾	€ million	89	104
Net profit for the year from continuing operations attributable to ordinary shareholders ⁽¹⁾	€ million	154	176
Weighted average number of ordinary shares in issue for basic earnings per share	Number of shares	2,184,028,111	2,183,903,315
Weighted average number of ordinary shares in issue for diluted earnings per share	Number of shares	2,228,346,292	-
Earnings per share			
- Basic and diluted earnings per share	€	<u>0.04</u>	<u>0.05</u>
Earnings per share from continuing operations			
- Basic and diluted earnings per share	€	<u>0.07</u>	<u>0.08</u>

⁽¹⁾ After deducting dividend attributable to preferred securities holders and after including gains/(losses) on preferred securities (note 41).

Basic and diluted losses per share from discontinued operations for the year ended 31 December 2018 amounted to € 0.03 (31 December 2017: € 0.03 basic and diluted losses per share).

19. Cash and balances with central banks

	2018 € million	2017 € million
Cash in hand	429	421
Balances with central banks	1,495	1,103
Total	<u>1,924</u>	<u>1,524</u>
of which:		
Mandatory and collateral deposits with central banks	<u>495</u>	<u>421</u>

Mandatory deposits with central banks include deposits of € 495 million (2017: € 421 million) with the Bank of Greece and other central banks which represent the minimum level of average monthly deposits which the banks are required to maintain; the majority can be withdrawn at any time provided the average monthly minimum deposits are maintained.

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

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

	2018 € million	2017 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	1,429	1,103
Due from credit institutions	520	598
Securities held for trading	-	3
Cash and cash equivalents presented within assets of disposal groups classified as held for sale	-	439
Total	<u>1,949</u>	<u>2,143</u>

Notes to the Consolidated Financial Statements

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

	2018	2017
	€ million	€ million
Amortisation of premiums/discounts and accrued interest	(81)	(59)
(Gains)/losses from investment securities	(83)	(73)
Dividends	(2)	(3)
Total	(166)	(135)

For the year ended 31 December 2018 in cash flows arising from continuing financing activities is included a capital return from discontinued operations (i.e. Bancpost S.A.) amounting to € 50 million. Furthermore, other adjustments on profit before income tax from continuing operations mainly include share of results of associates and joint ventures of € 29 million.

Changes in liabilities arising from financing activities

During the year ended 31 December 2018, changes in the Group's liabilities arising from financing activities, i.e., debt securities in issue (note 37), are attributable to: a) debt issuance amounting to € 2,362 million (net of issuance costs) of which € 946 million are related to the issuance of Tier 2 capital instruments following the full redemption of preference shares, b) debt repayment amounting to € 206 million and c) accrued interest and amortisation of debt issuance costs amounting to € 2 million.

21. Due from credit institutions

	2018	2017
	€ million	€ million
Pledged deposits with banks	1,791	1,513
Placements and other receivables from banks	267	312
Current accounts and settlement balances with banks	249	298
Total	2,307	2,123

As at 31 December 2018, the Group's pledged deposits with banks mainly include: a) € 1,653 million cash collaterals on risk mitigation contracts for derivative transactions and repurchase agreements (CSAs, GMRAs), b) € 93 million pledged deposits relating to the securitized issues and c) € 44 million cash collateral relating to the sale of the Romanian disposal group (note 17).

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

	2018	2017
	€ million	€ million
Greece	77	8
Other European countries	2,060	1,910
Other countries	170	205
Total	2,307	2,123

22. Securities held for trading

	2018	2017
	€ million	€ million
Debt securities (note 6.2.1.3)	22	20
Equity securities	21	29
Total	43	49

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23. Derivative financial instruments and hedge accounting

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

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

	31 December 2018			31 December 2017		
	Contract/ notional amount € million	Fair values		Contract/ notional amount € million	Fair values	
		Assets € million	Liabilities € million		Assets € million	Liabilities € million
Derivatives for which hedge accounting is not applied/ held for trading						
- Interest rate swaps	24,413	1,723	1,263	16,404	1,734	1,278
- Interest rate options	7,112	35	76	3,490	32	87
- Cross currency interest rate swaps	366	20	20	780	17	30
- Currency forwards/currency swaps	2,552	15	11	1,585	11	13
- Currency options	210	1	1	1,209	13	9
- Commodity derivatives	56	7	7	88	4	4
- Credit default swaps	801	4	7	458	-	5
- Other (see below)	30	0	0	160	0	0
		1,805	1,385		1,811	1,426
Derivatives designated as fair value hedges						
- Interest rate swaps	3,215	1	349	1,684	10	313
- Cross currency interest rate swaps	4	0	0	-	-	-
		1	349		10	313
Derivatives designated as cash flow hedges						
- Interest rate swaps	154	-	58	134	0	50
- Cross currency interest rate swaps	3,078	65	101	3,032	56	64
		65	159		56	114
Derivatives designated as net investment hedges						
- Currency forwards/currency swaps	-	-	-	210	1	0
		-	-		1	0
Total derivatives assets/liabilities		1,871	1,893		1,878	1,853

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

Information on the fair value measurement and offsetting of derivatives is provided in notes 6.3 and 6.2.1.4, respectively.

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

(a) Fair value hedges

The Group hedges a proportion of its existing interest rate risk resulting from any potential change in the fair value of fixed rate debt securities held or fixed rate loans, denominated both in local and foreign currencies, using interest rate swaps and cross currency interest rate swaps. In 2018, the Group recognized a loss of € 60.2 million (2017: € 71 million gain) from changes in the carrying amount of the hedging instruments, used as the basis of recognizing hedge ineffectiveness and € 60 million gain (2017: € 73 million loss) from changes in the carrying amount of the hedged items attributable to the hedged risk. The amount of hedge ineffectiveness recognized for 2018 in income statement was € 0.2 million loss (2017: € 2 million loss).

Notes to the Consolidated Financial Statements

(b) Cash flow hedges

The Group hedges a proportion of its existing interest rate and foreign currency risk resulting from any cash flow variability on floating rate performing customer loans or deposits, denominated both in local and foreign currency, or unrecognized highly probable forecast transactions, using interest rate and cross currency interest rate swaps. For the year ended 31 December 2018, an amount of € 3 million gain was recognised in other comprehensive income in relation to derivatives designated as cash flow hedges. Furthermore, in 2018, the ineffectiveness recognized in the income statement that arose from cash flow hedges was nil (2017: nil).

(c) Net investment hedges

During the year 2017 and in 2018 until the sale of the Romanian disposal group (note 17), the Group hedged part of the currency translation risk of net investments in foreign operations, including any monetary items that formed part of the net investment, using derivative financial instruments and/or borrowings designated as hedging instruments, the results of which were recognized in the currency translation reserve of other comprehensive income. In 2017, borrowings of € 296 million denominated in RON 1.4 bn, gave rise to currency gains of € 8 million. In 2018, following the above sale, an amount of € 37 million attributable to net investment hedges was reclassified from the foreign currency translation reserve to the income statement.

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

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

	31 December 2018			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,210	-	-	1,210
Banks	7	291	301	599
Corporate	60	1	1	62
Total	1,277	292	302	1,871

	31 December 2017			
	Greece € million	Other European countries € million	Other countries € million	Total € million
Sovereign	1,197	-	-	1,197
Banks	0	291	316	607
Corporate	72	1	1	74
Total	1,269	292	317	1,878

At 31 December 2018, the maturity profile of the nominal amount of the financial instruments designated by the Group in hedging relationships is presented in the table below:

	31 December 2018								
	Fair Value Hedges				Cash Flow Hedges				
	3 - 12 months € million	1-5 years € million	Over 5 years € million	Total € million	1 - 3 months € million	3 - 12 months € million	1-5 years € million	Over 5 years € million	Total € million
Interest rate swaps	42	554	2,619	3,215	-	27	35	92	154
Cross currency interest rate swaps	-	-	4	4	500	1,343	1,060	175	3,078
Total	42	554	2,623	3,219	500	1,370	1,095	267	3,232

Notes to the Consolidated Financial Statements

(a) Fair value hedges

The following table presents data relating to the hedged items under fair value hedges for the year ended 31 December 2018:

	31 December 2018		
	Carrying amount	Accumulated amount of FV hedge adjustments on the hedged item	Change in value as the basis for recognising hedge ineffectiveness
	€ million	€ million	€ million
Loans and advances to customers	312	22	(2)
Debt securities AC	776	220	5
Debt securities FVOCI	2,433	48	57
Total	3,521	290	60

At 31 December 2018, the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any items that have ceased to be adjusted for hedging gains and losses was € 183 million.

(b) Cash flow hedges

The cash flow hedge reserves for continuing hedges as at 31 December 2018 were € 26 million loss, of which € 5 million gain relates to loans and advances to customers and € 31 million loss to deposits.

As at 31 December 2018, the balances remaining in the cash flow hedge reserve from any cash flow hedging relationships for which hedge accounting is no longer applied was € 26 million loss.

The reconciliation of the components of Group's special reserves including cash flow and net investment hedges is provided in note 42.

24. Loans and advances to customers

	As at		
	31 December 2018	1 January 2018	31 December 2017
	€ million	€ million	€ million
Loans and advances to customers at amortised cost			
- Gross carrying amount	44,973	47,122	47,242
- Impairment allowance	(8,800)	(11,107)	(10,134)
Carrying Amount	36,173	36,015	37,108
Loans and advances to customers at FVTPL	59	65	-
Total	36,232	36,080	37,108

Notes to the Consolidated Financial Statements

The table below presents the carrying amount of loans and advances to customers per business unit and per stage as at 31 December 2018:

	31 December 2018				1 January 2018	31 December 2017
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired ⁽¹⁾ € million	Total amount € million	Total amount € million	Total amount € million
Loans and advances to customers at amortised cost						
Mortgage lending:						
- Gross carrying amount	6,706	3,513	6,043	16,262	16,667	16,667
- Impairment allowance	(35)	(284)	(2,228)	(2,547)	(2,646)	(2,318)
Carrying Amount	6,671	3,229	3,815	13,715	14,021	14,349
Consumer lending:						
- Gross carrying amount	2,225	359	1,404	3,988	5,251	5,251
- Impairment allowance	(39)	(103)	(1,093)	(1,235)	(2,294)	(2,076)
Carrying Amount	2,186	256	311	2,753	2,957	3,175
Small Business lending:						
- Gross carrying amount	1,604	1,208	3,609	6,421	6,973	6,973
- Impairment allowance	(15)	(213)	(1,630)	(1,858)	(2,386)	(2,069)
Carrying Amount	1,589	995	1,979	4,563	4,587	4,904
Wholesale lending:						
- Gross carrying amount	10,824	1,881	5,597	18,302	18,231	18,351
- Impairment allowance	(57)	(111)	(2,992)	(3,160)	(3,781)	(3,671)
Carrying Amount	10,767	1,770	2,605	15,142	14,450	14,680
Total loans and advances to customers at AC						
- Gross carrying amount	21,359	6,961	16,653	44,973	47,122	47,242
- Impairment allowance	(146)	(711)	(7,943)	(8,800)	(11,107)	(10,134)
Carrying Amount	21,213	6,250	8,710	36,173	36,015	37,108
Loans and advances to customers at FVTPL						
Carrying Amount				59	65	-
Total				36,232	36,080	37,108

⁽¹⁾ As at 31 December 2018 it includes POCL loans of € 5 million gross carrying amount and € 0.1 million impairment allowance (1 January 2018: € 5 million gross carrying amount and € 1 million impairment allowance).

Non-performing loans sale transactions

As of 30 September 2018, a non performing unsecured consumer loan (NPL) portfolio of the Bank of total unpaid principal ca. € 1.1 bn (€ 1 bn on balance sheet exposure that carried an impairment allowance of € 0.94 bn) was classified as held for sale, as its sale was considered highly probable. On 16 October 2018, the Bank, in line with its NPE reduction plan, announced that it has entered into an agreement with the consortium of B2Holding ASA and Waterfall Asset Management to sell the aforementioned portfolio. The servicing of the portfolio will remain with Financial Planning Services (FPS), which is the 100% owned by the Bank licensed NPL servicer, and will take place in cooperation with the licensed company B2Kapital S.A. In December 2018, the Bank completed the disposal with no impact in the income statement.

In addition, in the third quarter of 2018, the Group completed the disposal of a portfolio of non-performing corporate loans of gross carrying amount € 59 million (€ 17 million, net of impairment allowance) related with its Bulgarian activities, which was P&L neutral for the Group.

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 Group 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).

Notes to the Consolidated Financial Statements

Non-performing loans classified as held for sale

In December 2018, the Bank entered into an agreement for the disposal of a non-performing corporate loans' portfolio. Accordingly, gross loans of € 65 million, which carried an impairment allowance of € 45 million were classified as held for sale, as their sale was considered highly probable. In January 2019, the disposal of the aforementioned loan portfolio was completed.

The above sales of non-performing lending exposures in 2018 which were performed within the context of the Group's NPE reduction targets are consistent with the hold-to-collect business model for loans and advances to customers carried at amortized cost.

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

	2018	2017
	€ million	€ million
Gross investment in finance leases receivable:		
Not later than 1 year	499	526
Later than 1 year and not later than 5 years	232	282
Later than 5 years	457	631
	1,188	1,439
Unearned future finance income on finance leases	(80)	(119)
Net investment in finance leases	1,108	1,320
Less: Impairment allowance	(468)	(490)
Total	640	830
The net investment in finance leases is analysed as follows:		
Not later than 1 year	483	504
Later than 1 year and not later than 5 years	194	226
Later than 5 years	431	590
	1,108	1,320
Less: Impairment allowance	(468)	(490)
Total	640	830

Notes to the Consolidated Financial Statements

25. Impairment allowance for loans and advances to customers

The movement of the impairment allowance for loans and advances to customers by product line and stage is calculated by reference to opening and closing balances for the reporting period from 1 January 2018 to 31 December 2018:

	31 December 2018												Total € million
	Wholesale			Mortgage			Consumer			Small business			
	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Lifetime ECL credit-impaired	
	12-month ECL € million	loans € million	loans ⁽¹⁾ € million	12-month ECL € million	loans € million	loans ⁽¹⁾ € million	12-month ECL € million	loans € million	loans ⁽¹⁾ € million	12-month ECL € million	loans € million	loans ⁽¹⁾ € million	
Impairment allowance as at 1 January (note 2.3.2)	71	170	3,540	26	306	2,314	44	127	2,123	19	207	2,160	11,107
Transfer of ECL allowance ⁽²⁾	(1)	(5)	(44)	-	-	-	(7)	(0)	(0)	(5)	(0)	-	(62)
New loans and advances originated or purchased	7	-	-	1	-	-	13	-	-	3	-	-	24
Transfers between stages													
- to 12-month ECL	5	(4)	(1)	37	(30)	(7)	41	(37)	(4)	23	(21)	(2)	-
- to lifetime ECL not credit-impaired loans	(1)	16	(15)	(2)	174	(172)	(5)	63	(58)	(2)	90	(88)	-
- to lifetime ECL credit-impaired loans	(2)	(25)	27	(1)	(52)	53	(5)	(34)	39	(0)	(34)	34	-
Impact of ECL net remeasurement	(13)	(47)	280	(28)	(113)	191	(38)	(15)	265	(23)	(28)	150	581
Recoveries from written - off loans	0	0	9	0	0	1	0	0	4	0	0	2	16
Loans and advances derecognised/reclassified													
as held for sale during the year ⁽³⁾	(0)	(0)	(177)	(0)	-	(0)	(0)	(0)	(951)	(0)	(0)	(0)	(1,128)
Amounts written off	-	-	(566)	-	-	(105)	-	-	(265)	-	-	(536)	(1,472)
Unwinding of Discount	(0)	(0)	(100)	(0)	(0)	(65)	(0)	(0)	(44)	(0)	(0)	(74)	(283)
Foreign exchange and other movements	(9)	6	39	2	(1)	18	(4)	(1)	(16)	0	(1)	(16)	17
Impairment allowance as at 31 December	57	111	2,992	35	284	2,228	39	103	1,093	15	213	1,630	8,800

⁽¹⁾ As at 31 December 2018 it includes impairment allowance for POCI loans of € 0.1 million (1 January 2018: € 1 million).

⁽²⁾ As of 1 January 2018, the impairment allowance for credit related commitments (off balance sheet items) is monitored separately from the impairment allowance on loans and advances to customers and accordingly is presented within other liabilities (note 38).

⁽³⁾ Impairment allowances in relation to loans sold, modified (where the modification resulted in a derecognition) and those that have been reclassified as held for sale during the year, are presented in line "Loans and advances derecognized/reclassified as held for sale during the year".

Notes to the Consolidated Financial Statements

The impairment losses relating to loans and advances to customers recognized in the Group's income statement for the year ended 31 December 2018 amounted to € 680 million and are analyzed as follows:

	31 December 2018 € million
Impairment loss on loans and advances to customers	(605)
Modification loss on loans and advances to customers	(70)
Impairment loss for credit related commitments	(5)
Total	(680)

The movement of the impairment allowance for loans and advances to customers by product line for the reporting period from 1 January 2017 to 31 December 2017 is as follows:

	31 December 2017				
	Wholesale € million	Mortgage € million	Consumer € million	Small business € million	Total € million
Balance at 1 January	4,509	2,272	2,732	2,085	11,598
Impairment loss for the year	185	248	196	121	750
Recoveries of amounts previously written off	5	1	7	2	15
Amounts written off/ sales ⁽²⁾	(840)	(59)	(770)	(35)	(1,704)
NPV unwinding	(97)	(68)	(37)	(84)	(286)
Allowance for discontinued operations	(32)	(46)	(16)	(49)	(143)
Foreign exchange differences and other movements ⁽¹⁾	(59)	(30)	(36)	29	(96)
Balance at 31 December	3,671	2,318	2,076	2,069	10,134

⁽¹⁾ It includes € 70 million impairment allowance (€ 31 million mortgage and € 39 million small business loans) relating to the sale of gross loans of € 150 million from Bancpost S.A., which had been classified as held for sale (note 17), to the Bank's subsidiary ERB New Europe Funding II B.V.

⁽²⁾ For the year ended 31 December 2017, an amount of € 584 million included relates to the non performing loans sale transactions (note 24).

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

26. Investment securities

	As at		
	31 December 2018 € million	1 January 2018 € million	31 December 2017 € million
Investment securities at FVOCI	6,248	5,966	-
Investment securities at amortised cost	1,420	1,398	-
Investment securities at FVTPL	104	187	-
Available-for-sale investment securities	-	-	5,509
Debt securities lending portfolio	-	-	1,654
Held-to-maturity investment securities	-	-	442
Total	7,772	7,551	7,605

Following the transition to IFRS 9, the Group reclassified debt securities from the 'Available-for-sale' portfolio to 'Investment securities' portfolio carried at amortized cost. As at 31 December 2018, the fair value of the reclassified securities was € 71 million. Had the financial assets not been reclassified, the change in fair value that would have been recognised in other comprehensive income for the period from the reclassification date until 31 December 2018 would have resulted in € 1 million gain net of tax.

Further information in relation to investment securities is provided in note 6.2.1.3.

Notes to the Consolidated Financial Statements

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, the Bank had 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 for fixed rate ones, which would be sold back after a short holding period to EFSF.

In January 2018, the Bank concluded the sale of its entire position in the aforementioned EFSF notes, as the remaining fixed rate said bonds of face value of € 362 million were sold back to the EFSF, with no effect in the Bank's income statement.

26.1 Movement of investment securities

	31 December 2018					Total € million
	Investment securities at FVOCI		Investment securities at amortised cost		Investment securities at FVTPL	
	Lifetime ECL not credit- impaired		Lifetime ECL not credit- impaired			
	12-month ECL € million	€ million	12-month ECL € million	€ million	€ million	
Gross carrying amount at 1 January	5,937	29	710	745	187	7,608
Additions, net of disposals and redemptions	314	(7)	(10)	-	(91)	206
Transfers	(2)	2	-	-	-	-
Net gains/(losses) from changes in fair value for the year	(121)	1	-	-	3	(117)
Amortisation of premiums/discounts and interest	76	0	2	3	0	81
Changes in fair value due to hedging	-	-	(1)	6	-	5
Exchange adjustments and other movements	18	1	(4)	-	5	20
Gross carrying amount at 31 December	6,222	26	697	754	104	7,803
Impairment allowance	-	-	(3)	(28)	-	(31)
Net carrying amount at 31 December	6,222	26	694	726	104	7,772

	31 December 2017			Total € million
	Available- for-sale securities € million	Debt securities lending portfolio € million	Held-to- maturity securities € million	
Balance at 1 January	3,670	8,282	566	12,518
Additions, net of disposals and redemptions	1,779	(6,596)	(121)	(4,938)
Net gains/(losses) from changes in fair value for the year	348	-	-	348
Amortisation of premiums/discounts and interest	58	4	(3)	59
Changes in fair value due to hedging	-	(36)	-	(36)
Impairment losses/reversal	(2)	-	-	(2)
Exchange adjustments and other	(20)	0	-	(20)
Discontinued operations	(324)	-	-	(324)
Balance at 31 December	5,509	1,654	442	7,605

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26.2 Movement of ECL

	31 December 2018		
	Measured at amortised cost € million	Measured at FVOCI € million	Total € million
Balance at 1 January	57	14	71
New financial assets purchased	0	12	12
- of which 12-month ECL	0	12	12
Changes due to change in ECL risk parameters	(26)	0	(26)
- of which lifetime ECL not credit-impaired	(25)	(0)	(25)
Financial assets disposed during the year	-	(6)	(6)
- of which 12-month ECL	-	(6)	(6)
Financial assets redeemed during the year	(0)	(1)	(1)
Foreign exchange and other movements	(0)	(2)	(2)
Balance as at 31 December	31	17	48

During the year ended 31 December 2018, the impairment allowance of the investment securities of the Group decreased by € 23 million, mainly due to the improvement of the credit quality of the Hellenic Republic as depicted in the markets and due to the improvement of the long-term prospects of the Greek Economy after the end of the third economic adjustment programme.

26.3 Equity reserve: revaluation of the investment securities at FVOCI

Gains and losses arising from the changes in the fair value of investment securities at FVOCI (available-for-sale investment securities until the end of 31 December 2017) are recognized in a corresponding revaluation reserve in equity. The movement of the reserve is as follows:

	2018 € million	2017 € million
Balance at 1 January under IAS 39	282	17
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3.2)	9	-
Balance at 1 January under IFRS 9	291	-
Net gains/(losses) from changes in fair value	(118)	340
Tax (expense)/benefit	30	(96)
Revaluation reserve from associated undertakings, net of tax	(33)	52
	(121)	296
Net (gains)/losses transferred to net profit on disposal	(79)	(66)
Impairment losses (ECL as of 1 January 2018) transferred to net profit	9	1
Recyclement of reserve relating to discontinued operations net of tax (note 17)	12	-
Tax (expense)/benefit on net (gains)/losses transferred to net profit on disposal	22	16
Tax (expense)/benefit on impairment losses (ECL as of 1 January 2018) transferred to net profit	(3)	(0)
	(39)	(49)
Net (gains)/losses transferred to net profit from fair value hedges/amortisation of mark-to-market	(51)	21
Tax (expense)/benefit	15	(3)
	(36)	18
Balance at 31 December	95	282

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27. Shares in subsidiaries

The following is a listing of the Bank's subsidiaries at 31 December 2018, included in the consolidated financial statements for the year ended 31 December 2018:

<u>Name</u>	<u>Note</u>	<u>Percentage holding</u>	<u>Country of incorporation</u>	<u>Line of business</u>
Be Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services		98.01	Greece	Business-to-business e-commerce, accounting, tax and sundry 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.		100.00	Greece	Loans and Credits Claim Management
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.		100.00	Greece	Real estate
Modern Hoteling	f	100.00	Greece	Real estate
Eurobank Bulgaria A.D.		99.99	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Rendering of financial services and credit card management
ERB Property Services Sofia E.A.D.	h	99.99	Bulgaria	Real estate services
IMO 03 E.A.D.		100.00	Bulgaria	Real estate services
IMO Property Investments Sofia E.A.D.		100.00	Bulgaria	Real estate services
ERB Leasing Bulgaria EAD	i	100.00	Bulgaria	Leasing
ERB Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
Eurobank Cyprus Ltd		100.00	Cyprus	Banking
CEH Balkan Holdings Ltd ⁽¹⁾	d	100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd ⁽¹⁾	c	100.00	Cyprus	Special purpose investment vehicle
ERB New Europe Funding III Ltd		100.00	Cyprus	Finance company
Foramonio Ltd		100.00	Cyprus	Real estate
NEU 03 Property Holdings Ltd		100.00	Cyprus	Holding company
NEU BG Central Office Ltd ⁽¹⁾	e	100.00	Cyprus	Holding company
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Lenevino Holdings Ltd		100.00	Cyprus	Real estate
Rano Investments Ltd	j	100.00	Cyprus	Real estate
Neviko Ventures Ltd	l	100.00	Cyprus	Real estate
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		100.00	Luxembourg	Fund management
Eurobank Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company
ERB Lux Immo S.A.	g	100.00	Luxembourg	Real estate
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Funding II B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.		100.00	Netherlands	Holding company
ERB IT Shared Services S.A.		100.00	Romania	Informatics data processing
Eurobank Finance S.A. ⁽¹⁾		100.00	Romania	Investment banking
Eurobank Property Services S.A.		100.00	Romania	Real estate services
IMO Property Investments Bucuresti S.A.		100.00	Romania	Real estate services
IMO-II Property Investments S.A.		100.00	Romania	Real estate services

Notes to the Consolidated Financial Statements

<u>Name</u>	<u>Note</u>	<u>Percentage holding</u>	<u>Country of incorporation</u>	<u>Line of business</u>
Eurobank A.D. Beograd		99.99	Serbia	Banking
ERB Leasing A.D. Beograd ⁽¹⁾		99.99	Serbia	Leasing
ERB Property Services d.o.o. Beograd		100.00	Serbia	Real estate services
IMO Property Investments A.D. Beograd		100.00	Serbia	Real estate services
ERB Istanbul Holding A.S.		100.00	Turkey	Holding company
ERB Hellas Plc		100.00	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc ⁽¹⁾		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc ⁽¹⁾		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc ⁽¹⁾		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc ⁽¹⁾		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc ⁽¹⁾		-	United Kingdom	Special purpose financing vehicle
Tegea Plc ⁽¹⁾		-	United Kingdom	Special purpose financing vehicle
Maximus Hellas Designated Activity Company	k	-	Ireland	Special purpose financing vehicle
Astarti Designated Activity Company	m	-	Ireland	Special purpose financing vehicle

⁽¹⁾ Entities under liquidation at 31 December 2018.

The Group holds half of the voting rights of Hellenic Post Credit S.A. which is fully consolidated. The Bank with the consent of the other shareholder who holds the remaining 50% of the share capital, has appointed the majority of the Board's directors and directs the current operations that significantly affect the returns of the company.

The following entities are not included in the consolidated financial statements mainly due to immateriality:

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

(ii) Dormant entity: Enalios Real Estate Development S.A.

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

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

In December 2017, the Board of Directors of the Bank and its wholly owned subsidiary Eurobank Household Lending Services S.A. decided the merger of the two companies, by absorption of the latter by the former. In June 2018, the above merger was completed, after all necessary approvals from the competent authorities were obtained. The transaction was accounted for in the Group's financial statements by using the pooling of interests method (also known as merger accounting) with no effect in the said statements. Further information about the transaction, is provided in the note 25 of the Bank's financial statements for the year ended 31 December 2018.

(b) NEU II Property Holdings Ltd, Cyprus

In the first half of 2018, the General Meeting of the Shareholders of the company decided its liquidation, which was completed in September 2018.

(c) Chamia Enterprises Company Ltd, Cyprus

In June 2018, the extraordinary General Meeting of the Shareholders of the company decided its liquidation.

(d) CEH Balkan Holdings Ltd, Cyprus

In December 2018, the liquidation of the company was decided.

(e) NEU BG Central Office Ltd, Cyprus

In the fourth quarter of 2018, the liquidation of the company was decided.

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Changes in ownership interest in subsidiaries which did not result in loss of control

(f) Modern Hoteling, Greece

In the context of the management of its non performing exposures (NPEs), in January 2018, the Bank established a wholly owned subsidiary, Modern Hoteling, to operate as a real estate company in Greece.

(g) ERB Lux Immo S.A., Luxembourg

In January 2018, the Bank's subsidiary Eurobank Private Bank Luxembourg S.A. acquired 100% of the shares and voting rights of BHF Lux Immo S.A. for a cash consideration of € 8.7 million. The acquisition was accounted for as a business combination using the purchase method of accounting. At the date of acquisition, the fair value of the total assets amounted to € 19.2 million, while total liabilities amounted to € 11.4 million, mainly consisting of intragroup funding of € 9 million and of € 2.1 million deferred tax liability arising from the fair value measurement of the assets acquired. Accordingly, the resulting goodwill asset amounted to € 0.9 million. Additionally, at the acquisition date, according to the decision of the General Meeting of the Shareholders of the acquired company its name changed to ERB Lux Immo S.A.

(h) ERB Property Services Sofia E.A.D., Bulgaria

In January 2018, the Bank and its subsidiary Eurobank Property Services S.A. disposed their participations in ERB Property Services Sofia A.D. to Eurobank Bulgaria A.D., where the Group's percentage holding is 99.99% and thus, the Group participation to the company decreased from 100% to 99.99%. In June 2018, following the aforementioned transactions, the company's name changed to ERB Property Services Sofia E.A.D.

(i) 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.

(j) Rano Investments Ltd, Cyprus

In the context of the management of its NPEs, in the second quarter of 2018, the Bank's subsidiary Eurobank Cyprus Ltd established a wholly owned subsidiary, Rano Investments Ltd, to operate as a real estate company in Cyprus.

(k) Maximus Hellas Designated Activity Company, Ireland

In the second quarter of 2018, the Bank established Maximus Hellas Designated Activity Company, a special purpose financing vehicle for the securitization of a portfolio of corporate and SME (small and medium enterprise) loans (note 37).

(l) Neviko Ventures Ltd, Cyprus

In the context of the management of its NPEs, in August 2018, the Bank's subsidiary Eurobank Cyprus Ltd established a wholly owned subsidiary, Neviko Ventures Ltd, to operate as a real estate company in Cyprus.

(m) Astarti Designated Activity Company, Ireland

In October 2018, the Bank established Astarti Designated Activity Company, a special purpose financing vehicle for the securitization of a portfolio of consumer and SME (small and medium enterprise) loans (note 37).

In 2017, the changes in ownership in the Group's subsidiaries without loss of control are as follows:

(i) 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. The acquisition took place following an enforcement of collateral on the company's shares under a Group's finance lease arrangement of an outstanding amount of € 20 million (net of an impairment allowance of € 23 million), which was effectively settled at acquisition date and resulted in the recognition of € 0.75 million as the Bank's investment cost in the company.

The acquisition was accounted for as a business combination using the purchase method of accounting. At the date of acquisition, the fair value of the total assets amounted to € 22 million, while for total liabilities (mainly referring to the intragroup finance lease) amounted to € 44 million. The resulting goodwill asset of € 23 million was immediately written off

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against the impairment allowance of the intragroup finance lease arrangement, as it was not supported by the cash flows analysis of the specific business.

(ii) Densho Investments Ltd, Lenevino Holdings Ltd and Mesal Holdings Ltd, Cyprus

In 2017, the Bank's subsidiary Eurobank Cyprus Ltd acquired 100% of the shares and voting rights of Densho Investments Ltd, Lenevino Holdings Ltd and Mesal Holdings Ltd for an immaterial cash consideration. The said transactions have taken place, in order for the entities to acquire specific properties, which were held by Eurobank Cyprus Ltd as mortgage collaterals for non performing borrowers, in the context of the reduction of the Group's non performing exposures.

Changes in ownership interest in subsidiaries which resulted in loss of control

(n) Mesal Holdings Ltd, Cyprus

In the first half of 2018, Eurobank Cyprus Ltd disposed of the 100% of the shares and voting rights of Mesal Holdings Ltd with a resulting gain of € 2.2 million recognized in "other income/expenses".

(o) Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A., Romania

On 4 April 2018, the Bank announced the completion of the sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group) to Banca Transilvania. Hence, as of that date, the subsidiaries of the Romanian disposal group are not consolidated (note 17).

(p) Densho Investments Ltd, Cyprus

In July 2018, Eurobank Cyprus Ltd disposed of the 100% of the shares and voting rights of Densho Investments Ltd with a resulting gain of € 0.02 million recognized in "other income/expenses".

(q) ERB Leasing E.A.D, Bulgaria

In November 2018, the Bank completed the sale of the 100% of the shares and voting rights of ERB Leasing E.A.D. with a resulting loss of € 1.6 million recognized in "other income/expenses".

(r) IMO Central Office E.A.D., Bulgaria

In January 2018, the Bank's subsidiary NEU BG Central Office Ltd disposed its participation in IMO Central Office E.A.D. to Eurobank Bulgaria A.D., where the Group's percentage holding is 99.99% and thus, the Group participation to the company decreased from 100% to 99.99%. In December 2018, the merger of IMO Central Office E.A.D. and Eurobank Bulgaria A.D. by absorption of the former by the latter, was completed. The transaction was accounted for in the Group's financial statements by using the pooling of interests method (also known as merger accounting) with no effect in the said statements.

During 2017, the changes in ownership in the Group's subsidiaries which resulted in loss of control are as follows:

(i) Grivalia Properties R.E.I.C., Greece and its subsidiaries

In February 2017, the participation of the Bank's subsidiary Grivalia Properties R.E.I.C in its subsidiary Grivalia Hospitality S.A. decreased from 100% to 50% following a share capital increase of € 58 million, in favor of the new shareholder of the company Eurolife ERB Life Insurance S.A. As of then and until 4 July 2017, based on the contractual terms of the shareholders' agreements, Grivalia Hospitality S.A. was accounted as a joint venture of the Group under the equity method. On 4 July 2017, the Group announced the completion of the sale of 20% of Grivalia Properties R.E.I.C. Hence, as of that date, Grivalia Properties R.E.I.C. and the remaining of its subsidiaries (Reco Real Property A.D., Cloud Hellas S.A., Eliade Tower S.A., Retail Development S.A., Seferco Development S.A. and Grivalia New Europe S.A.) are not consolidated (note 17).

(ii) 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. The resulting gain from the transaction recognized in the Group's income statement amounts to € 0.5 million.

(iii) Kamlo Investments Ltd, Cyprus

In May 2017, the Bank's subsidiary Eurobank Cyprus Ltd acquired 100% of the shares and voting rights of Kamlo Investments Ltd for an immaterial cash consideration. The said transaction has taken place, in order for the entity to acquire a specific property amounting to € 1.4 million, which was held by Eurobank Cyprus Ltd as mortgage collateral for a non performing

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borrower, in the context of the reduction of the Group's non performing exposures. In December 2017, Eurobank Cyprus Ltd disposed of the 100% of the shares and voting rights of Kamlo Investments Ltd with a resulting gain of € 0.05 million recognized in the Group's income statement.

Agreement for the acquisition of Piraeus Bank Bulgaria A.D. by Eurobank Bulgaria A.D.

On 7 November 2018, the Bank announced that it has concluded an agreement with Piraeus Bank S.A. for the acquisition of Piraeus Bank Bulgaria A.D. ("PBB"), a subsidiary of Piraeus Bank, by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria A.D. ("Postbank") (the "Transaction") for a consideration of € 75 million. As of December 2018, PBB had total assets of € 1.5 bn, including total loans of € 838 million and deposits of € 1.1 bn.

In line with the Group's strategy to focus on the expansion of its international activities in markets which are deemed core, this acquisition will strengthen Postbank's position in the Bulgarian banking sector, in both the retail and mainly corporate business segments. The Transaction is expected to have at completion, a marginal negative impact on the Group's CET1 ratio, while accounting also for the expected synergies, the Transaction is estimated to be capital accretive.

The completion of the Transaction is subject to approvals by the relevant competent regulatory and supervisory authorities and is expected to take place during the second quarter of 2019.

Post balance sheet events

Eurobank Property Services S.A., Greece, Eurobank Property Services S.A., Romania and ERB Property Services d.o.o. Beograd, Serbia

In January 2019, the Bank and Cerved Credit Management Group S.r.l. (Cerved) signed a binding agreement in the context of which Cerved will acquire the entire share capital of Eurobank Property Services S.A. in Greece (EPS) and its subsidiaries Eurobank Property Services S.A. in Romania and ERB Property Services d.o.o. Beograd in Serbia from Eurobank. EPS Greece has also been appointed as real estate servicer for Eurobank for the next five years with respect to all real estate valuation activities and other services. The agreement is subject to standard conditions for similar transactions, and is envisaged to take place by early April 2019 via the acquisition from Cerved, for a consideration of € 8 million, of the entire share capital of EPS. Further consideration of up to € 5 million in the form of earn – out will be due upon reaching certain economic results and conditions in the timeframe until 2023. The transaction is in line with the Bank's strategy to focus on its core operations, adopting an outsourcing business model in relation to real estate services.

Modern Hoteling, Greece

In February 2019, the Bank signed a pre- agreement with third party for the disposal of its participation (100%) in Modern Hoteling. Based on the above agreement, a share capital increase took place in March 2019, which was covered by the purchaser in order for the company's debt to be fully repaid to the Bank. Upon completion of the share capital increase, the Bank's participation in the company decreased to 41% and based on the relevant share purchase agreement signed in the same month, the disposal of the company was completed.

Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group

The Group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from regulatory, statutory and contractual requirements, as well as from the protective rights of non-controlling interests, set out below:

- Banking and other financial institution subsidiaries are subject to regulatory restrictions and central bank requirements in the countries in which the subsidiaries operate. Such supervisory framework requires the subsidiaries to maintain minimum capital buffers and certain capital adequacy and liquidity ratios, including restrictions to limit exposures and/or the transfer of funds to the Bank and other subsidiaries within the Group. Accordingly, even if the subsidiaries' financial assets are not pledged at an individual entity level, their transfer within the Group may be restricted under the existing supervisory framework. In this situation, it is not feasible to identify individual balance sheet items that cannot be transferred other than the major part of ECB's available collateral held by Group's subsidiaries (note 6.2.3).

As at 31 December 2018, the carrying amount of the Group financial institution subsidiaries' assets and liabilities, before intercompany eliminations, amounted to € 15.4 bn and € 13.5 bn, respectively (2017: € 16.9 bn and € 14.7 bn).

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- Subsidiaries are subject to statutory requirements mainly relating with the level of capital and total equity that they should maintain, restrictions on the distribution of capital and special reserves, as well as dividend payments to their ordinary shareholders. Information relating to the Group's non-distributable reserves is provided in note 42.
- The Group uses its financial assets as collateral for repo and derivative transactions, secured borrowing from central and other banks, issuances of covered bonds, as well as securitizations. As a result of financial assets' pledge, their transfer within the Group is not permitted. Information relating to the Group's pledged financial assets is provided in notes 21, 33 and 44.
- The Group is required to maintain balances with central banks and also posts cash collaterals for obtaining funding from Eurosystem. Information relating to mandatory and collateral deposits with central banks is provided in note 19.

28. Investments in associates and joint ventures

As at 31 December 2018, the carrying amount of the Group's investments in associates and joint ventures amounted to € 113 million (31 December 2017: € 156 million). The following is the listing of the Group's associates and joint ventures as at 31 December 2018:

Name	Note	Country of incorporation	Line of business	Group's share
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
Singidunum - Buildings d.o.o. Beograd	a	Serbia	Development of building projects	27.06
Alpha Investment Property Kefalariou S.A.		Greece	Real estate	41.67
Global Finance S.A. ⁽²⁾		Greece	Investment financing	33.82
Rosequeens Properties Ltd ⁽³⁾		Cyprus	Special purpose investment vehicle	33.33
Famar S.A. ⁽¹⁾	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
Alpha Investment Property Commercial Stores S.A.	c	Greece	Real estate	30.00

⁽¹⁾ Entities under liquidation at 31 December 2018.

⁽²⁾ Eurolife Insurance group (Eurolife ERB Insurance Group Holdings S.A. and its subsidiaries) and Global Finance group (Global Finance S.A. and its subsidiaries) are considered as Group's associates.

⁽³⁾ Rosequeens Properties Ltd (including its subsidiary Rosequeens Properties SRL) is considered as Group's joint venture.

The following entities are not accounted under the equity method in the consolidated financial statements:

(i) Filoxenia S.A. which is a dormant and under liquidation associated undertaking, is not accounted under the equity method due to immateriality.

(ii) Omega Insurance and Reinsurance Brokers S.A. in which the Group holds 26.05%. The Group is not represented in the Board of Directors of the company, therefore does not exercise significant influence over it.

In addition, Femion Ltd. is accounted for as a joint venture of the Group based on the substance and the purpose of the arrangement and the terms of the shareholder's agreement which require the unanimous consent of the shareholders for significant decisions and establish shared control through the equal representation of the shareholders in the management bodies of the company.

For the year ended 31 December 2018, the Group's share of results of Eurolife Insurance group amounting to € 29.6 million includes € 31 million gains on sale of investment securities recycled to the income statement from the other comprehensive income (€ 22 million, after tax).

(a) Singidunum - Buildings d.o.o. Beograd, Serbia

During the year ended 31 December 2018, the Group's participation in Singidunum decreased to 27.06%, following the share capital increases in favor of the other shareholder, Lamda Development B.V. Accordingly, based on the terms of the relevant shareholders agreement, the company is no longer considered as a joint venture, but as an associate of the Group, while it will be still accounted for under the equity method in the consolidated financial statements.

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(b) Famar S.A., Luxembourg

In September 2018, the terms of the restructuring of Famar S.A. and its group of companies (controlled through its subsidiary Famar Holding S.A.R.L.) were agreed among the company, the Greek banks and Pillarstone Europe LLP. In December 2018, upon the completion of the restructuring with the signing of the relevant agreement, there was a change of control for Famar Holding S.A.R.L. and its subsidiaries, as the Greek banks were replaced as shareholders by Pillarstone Bidco S.C.A. (an affiliate of Pillarstone Europe LLP). In particular, according to the agreement, the Bank acquired 10.67% of the D non – voting shares of Pillarstone Bidco S.C.A. that are entitled only to the potential equity upside of Famar Group derived from Famar’s disposal. Accordingly, in December 2018, the Extraordinary General Meeting of the Shareholders of Famar S.A decided its liquidation.

(c) Alpha Investment Property Commercial Stores S.A. (AEP Commercial Stores S.A.), Greece

In December 2018, in the context of the debt restructuring of a Bank’s corporate customer, AEP Commercial Stores S.A., a special purpose real estate company was established, in which Eurobank holds a participation of 30%. Based on the contractual terms of the shareholders’ agreements and the substance of the arrangement, AEP Commercial Stores S.A. is accounted as a joint venture of the Group.

Post balance sheet events

Peirga Kythnou P.C., Greece

In February 2019, in the context of a debt restructuring, Eurobank and Piraeus Bank S.A. established Peirga Kythnou S.A., to operate as a real estate company in Greece. Based on the contractual terms of the shareholders’ agreements and the substance of the arrangement, Peirga Kythnou S.A. will be accounted as a joint venture of the Group.

Singidunum - Buildings d.o.o. Beograd, Serbia

In February 2019, the Group’s participation in Singidunum decreased from 27.06% to 25.34%, following an additional share capital increase in favor of the other shareholder, Lamda Development B.V., in accordance with the relevant shareholders agreement.

Unisoft S.A., Greece

In March 2019, the Bank increased its participation in Unisoft S.A from 18% to 29%, as a result of the share capital increase performed in the context of the company’s debt restructuring scheme.

Associates material to the Group

With regards to the Group’s associates and joint ventures, Eurolife ERB Insurance Group Holdings S.A. is considered individually material for the Group. Financial information regarding Eurolife ERB Insurance Group Holdings S.A. is provided in the table below:

	2018	2017
	€ million	€ million
Current assets	2,701	2,761
Non-current assets	121	102
Total assets	2,822	2,863
Current liabilities	412	293
Non-current liabilities	1,970	1,907
Total liabilities	2,382	2,200
Operating income	262	90
Net profit	148	38
Other comprehensive income	(166)	259
Total comprehensive income	(18)	297
Dividends paid to the Group	16	8

In addition, in the fourth quarter of 2018 the Group received an amount of € 25 million following a capital return from Eurolife ERB Insurance Group Holdings S.A.

The carrying amount, in aggregate, of the Group’s joint ventures as at 31 December 2018 amounted to € 7 million (2017: € 14 million). The Group’s share of profit and loss and total comprehensive income of the above entities was immaterial.

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The carrying amount, in aggregate, of the Group's associates excluding Eurolife ERB Insurance Group Holdings S.A. which is presented above (i.e. Global Finance S.A., Alpha Investment Property Kefalariou S.A., Singidunum - Buildings d.o.o. Beograd and Odyssey GP S.a.r.l.) as at 31 December 2018 amounted to € 18 million (2017: € 9 million). The Group's share of profit and loss and total comprehensive income of the above entities was immaterial.

The Group has not recognized losses in relation to its interest in its joint ventures, as its share of losses exceeded its interest in them and no incurred obligations exist or any payments were performed on behalf of them. For the year ended 31 December 2018, the unrecognized share of losses for the Group's joint ventures amounted to € 2 million (2017: € 5 million). The cumulative amount of unrecognized share of losses for the joint ventures amounted to € 16 million.

The Group has no contingent liabilities regarding its participation in associates or joint ventures nor any unrecognized commitments in relation to its participation in joint ventures which could result to a future outflow of cash or other resources.

Other than in relation to Eurolife ERB Insurance Group Holdings S.A, which is subject to regulatory and statutory restrictions and holds financial assets in order to satisfy its obligations to policy holders, no significant restrictions exist (e.g. resulting from loan agreements, regulatory requirements or other contractual arrangements) on the ability of associates or joint ventures to transfer funds to the Group either as dividends or to repay loans that have been financed by the Group.

29. Structured Entities

The Group is involved in various types of structured entities, such as securitization vehicles, mutual funds and private equity funds.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities, a narrow well-defined objective, insufficient equity to permit it to finance its activities without subordinated financial support and financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

An interest in a structured entity refers to contractual and non-contractual involvement that exposes the Group to variability of returns from the performance of the structured entity. Examples of interest in structured entities include the holding of debt and equity instruments, contractual arrangements, liquidity support, credit enhancement, residual value.

Structured entities may be established by the Group or by a third party and are consolidated when the substance of the relationship is such that the structured entities are controlled by the Group, as set out in note 2.2.1(i). As a result of the consolidation assessment performed, the Group has involvement with both consolidated and unconsolidated structured entities, as described below.

Consolidated structured entities

The Group, as part of its funding activity, enters into securitization transactions of various classes of loans (corporate, small and medium enterprise, mortgage, consumer loans, credit card and bond loans), which generally result in the transfer of the above assets to structured entities (securitization vehicles), which, in turn issue debt securities held by investors and the Group's entities. A listing of the Group's consolidated structured entities is set out in note 27.

The Group monitors the credit quality of the securitizations' underlying loans, as well as the credit ratings of the debt instruments issued, when applicable, and provides either credit enhancements to the securitization vehicles and/or transfers new loans to the pool of their underlying assets, whenever necessary, in accordance with the terms of the relevant contractual arrangements in force. As at 31 December 2018, the face value of debt securities issued by the securitizations sponsored by the Group amounted to € 2,303 million, of which € 1,057 million were held by the Bank, in order to obtain collateralized funding (2017: € 1,538 million, all of which were held by the Group's entities) (note 37).

The Group did not provide any non contractual financial or other support to these structured entities, and currently has no intention to do so in the foreseeable future.

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Unconsolidated structured entities

The Group enters into transactions with unconsolidated structured entities, which are those not controlled by the Group, in the normal course of business, to provide fund management services and in order to take advantage of specific investment opportunities.

Group managed funds

The Group establishes and manages structured entities in order to provide customers, either retail or institutional, with investment opportunities. Accordingly, through its subsidiaries Eurobank Asset Management Mutual Fund Mngt Company S.A. and Eurobank Fund Management Company (Luxembourg) S.A., it is engaged with the management of different types of mutual funds, including fixed income, equities, funds of funds and money market.

Additionally, the Group is entitled to receive management and other fees and may hold investments in such mutual funds for own investment purposes as well as for the benefit of its customers.

The Group is involved in the initial design of the mutual funds and, in its capacity as fund manager, takes investment decisions on the selection of their investments, nevertheless within a predefined, by relevant laws and regulations, decision making framework. Therefore, the Group has determined that it has no power over these funds.

Furthermore, in its capacity as fund manager, the Group primary acts as an agent in exercising its decision making authority over them. Based on the above, the Group has assessed that it has no control over these mutual funds and as a result does not consolidate them. The Group does not have any contractual obligation to provide financial support to the managed funds and does not guarantee their rate of return.

Non-Group managed funds

The Group purchases and holds units of third party managed funds including mutual funds, private equity and other investment funds.

Securitizations

The Group has interests in unconsolidated securitization vehicles by investing in residential mortgage backed and other asset-backed securities issued by these entities.

The table below sets out the carrying amount of the Group's interests in unconsolidated structured entities, recognized in the consolidated balance sheet as at 31 December 2018, representing its maximum exposure to loss in relation to these interests. Information relating to the total income derived from interests in unconsolidated structured entities, recognized either in profit or loss or other comprehensive income during 2018 is also provided (i.e. fees, interest income, net gains or losses on revaluation and derecognition):

	31 December 2018			
	Unconsolidated structured entity type			Total € million
	Securitizations € million	Group managed funds € million	Non- Group managed funds € million	
Group's interest- assets				
Investment securities	117	19	25	161
Other Assets	-	1	-	1
Total	117	20	25	162
Total income from Group interests	0	43	3	46

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	31 December 2017			
	Unconsolidated structured entity type			
	Securitized	Group managed	Non-Group	Total
	€ million	funds € million	managed funds € million	€ million
Group's interest- assets				
Investment securities	148	19	21	188
Financial instruments held for trading	-	-	1	1
Other Assets	-	1	-	1
Total	148	20	22	190
Total income from Group interests	0	38	2	40

In addition, as at 31 December 2017, Romanian subsidiaries classified as held for sale, held interests in Group managed funds amounting to € 18.4 million. The related income from the abovementioned interests for the year ended 31 December 2017 amounted to € 0.2 million.

Total income from Group interests in relation to Group managed funds of continued operations, amounting to € 43 million in 2018 as presented in the table above, consists mainly of income relating to management fees and other commissions for the management of funds. In addition, total income in relation to non-Group managed funds, amounting to € 3 million in 2018 as set out above, consists mainly of gains from sale of the Group's holding and has been recognized in profit or loss. Income in relation to securitizations has been recognized in profit or loss.

As at 31 December 2018, the total assets of funds under the Group's management as well as those of unconsolidated securitization vehicles amounted to € 1,882 million (2017: € 2,141 million) and € 6,389 million (2017: € 7,348 million), respectively.

30. Property, plant and equipment

	31 December 2018			
	Land, buildings, leasehold improvements	Furniture, equipment, motor vehicles	Computer hardware, software	Total
	€ million	€ million	€ million	€ million
Cost:				
Balance at 1 January	527	190	420	1,137
Transfers (note 31)	(56)	(9)	13	(52)
Additions	25	12	15	52
Disposals and write-offs	(30)	(8)	(5)	(43)
Impairment	(3)	(0)	-	(3)
Balance at 31 December	463	185	443	1,091
Accumulated depreciation:				
Balance at 1 January	(208)	(159)	(380)	(747)
Transfers	1	9	(3)	7
Disposals and write-offs	23	7	5	35
Charge for the year	(13)	(7)	(13)	(33)
Balance at 31 December	(197)	(150)	(391)	(738)
Net book value at 31 December	266	35	52	353

Notes to the Consolidated Financial Statements

	31 December 2017			
	Land, buildings, leasehold improvements € million	Furniture, equipment, motor vehicles € million	Computer hardware, software € million	Total € million
Cost:				
Balance at 1 January	826	220	418	1,464
Transfers from/to repossessed assets	(3)	-	-	(3)
Other transfers	(10)	-	(1)	(11)
Additions	11	12	17	40
Disposals and write-offs	(8)	(9)	(7)	(24)
Impairment	(1)	-	-	(1)
Exchange adjustments	1	0	(1)	0
Discontinued operations ⁽¹⁾	(289)	(33)	(6)	(328)
Balance at 31 December	527	190	420	1,137
Accumulated depreciation:				
Balance at 1 January	(257)	(188)	(381)	(826)
Transfers	2	-	1	3
Disposals and write-offs	6	9	7	22
Charge for the year	(14)	(7)	(13)	(34)
Exchange adjustments	(0)	(0)	1	1
Discontinued operations ⁽¹⁾	55	27	5	87
Balance at 31 December	(208)	(159)	(380)	(747)
Net book value at 31 December	319	31	40	390

⁽¹⁾ Mainly refers to Grivalia subgroup, which was disposed on 4 July 2017 (note 17).

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

31. Investment property

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

	2018 € million	2017 € million
Cost:		
Balance at 1 January	301	986
Arising from acquisition ⁽¹⁾	17	21
Transfers from/to repossessed assets	20	5
Other transfers	55	10
Additions	0	2
Disposals and write-offs	(39)	(90)
Impairments	(11)	(7)
Discontinued operations ⁽²⁾	-	(626)
Balance at 31 December	343	301
Accumulated depreciation:		
Balance at 1 January	(24)	(81)
Disposals and write-offs	3	7
Charge for the year	(6)	(5)
Discontinued operations ⁽²⁾	-	55
Balance at 31 December	(27)	(24)
Net book value at 31 December	316	277

⁽¹⁾ For the year ended 31 December 2018, it relates to the acquisition of ERB Lux Immo S.A. For the year ended 31 December 2017, it relates to the acquisition of Standard Ktimatiki S.A. (note 27).

⁽²⁾ Refers to Grivalia subgroup, which was disposed on 4 July 2017 (note 17).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018, following the completion of the sale of the Romanian disposal group (note 17), own used fixed assets of € 42 million were classified as investment property.

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 2018, an amount of € 12 million (2017: € 8 million) was recognized as rental income from investment property in income from non banking services. As at 31 December 2018 and 2017, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2018 for each class of investment property are presented in the below table. The main classes of investment property have been determined based on the nature, the characteristics and the risks of the Group’s properties. The fair value measurements of the Group’s investment property are categorized within level 3 of the fair value hierarchy.

	31 December 2018		31 December 2017	
	Fair Value € million	Book Value € million	Fair Value € million	Book Value € million
Residential				
International countries	28	27	35	34
Total	28	27	35	34
Commercial				
Greece	118	106	91	81
International countries	120	119	85	83
Total	238	225	176	164
Land Plots				
Greece	3	3	3	3
International countries	28	29	35	35
Total	31	32	38	38
Industrial				
Greece	7	6	7	7
International countries	26	26	35	34
Total	33	32	42	41
Total	330	316	291	277

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

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

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

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

The cost approach is used for estimating the fair value of the residential and the industrial classes of the Group’s investment property. This approach refers to the calculation of the fair value based on the cost of reproduction/replacement (estimated construction costs), which is then reduced by an appropriate rate to reflect depreciation.

Notes to the Consolidated Financial Statements

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

32. Intangible assets

The movement of computer software and other intangibles is as follows:

	2018 € million	2017 € million
Cost:		
Balance at 1 January	373	403
Transfers	(9)	1
Additions	66	54
Disposals and write-offs ⁽¹⁾	(7)	(34)
Exchange adjustments and other	1	1
Discontinued operations	-	(52)
Balance at 31 December	424	373
Accumulated amortisation:		
Balance at 1 January	(221)	(258)
Transfers	(0)	(1)
Amortisation charge for the year	(26)	(24)
Disposals and write-offs ⁽¹⁾	6	34
Exchange adjustments	(0)	(1)
Discontinued operations	-	29
Balance at 31 December	(241)	(221)
Net book value at 31 December	183	152

⁽¹⁾ For the year ended 31 December 2017, an amount of € 29 million refers to write-offs of intangible assets, which were fully amortised in previous years.

In addition, for the year ended 31 December 2018, the Group recognized a goodwill asset of € 0.9 million, relating to the acquisition of ERB Lux Immo S.A. (note 27).

33. Other assets

	2018 € million	2017 € million
Receivable from Deposit Guarantee and Investment Fund	707	704
Reposessed properties and relative prepayments	555	375
Pledged amount for a Greek sovereign risk financial guarantee	240	241
Income tax receivable ⁽¹⁾	53	147
Prepaid expenses and accrued income	83	82
Other guarantees	76	62
Balances under settlement ⁽²⁾	122	16
Other assets	98	97
Total	1,934	1,724

⁽¹⁾ Includes withholding taxes, net of provisions.

⁽²⁾ Includes settlement balances with customers, balances under settlement relating to the auction process and brokerage activity.

In the context of the active management of the NPEs, the Group leveraged the electronic auction platform, which was launched in February 2018, in order to effectively process the planned foreclosure actions for its Greek operations. This was the main contributor to the net increase of reposessed properties and relative prepayments by € 180 million for the year ended 31 December 2018.

As at 31 December 2018, other assets net of provisions, amounting to € 98 million include, among others, receivables related to (a) prepayments to suppliers, (b) public entities and (c) legal cases.

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34. Due to central banks

	2018 € million	2017 € million
Secured borrowing from ECB and BoG	<u>2,050</u>	<u>9,994</u>

As at 31 December 2018, the Bank's dependency on Eurosystem financing facilities decreased to € 2.1 bn (of which € 0.5 bn funding from ELA), mainly due to deposits inflows, assets deleveraging, increased market repos on Greek Government securities and two asset backed securities issues sold via a private placement to an international institutional investor (note 37) (31 December 2017: € 10 bn, of which € 7.9 bn from ELA). As at 28 February 2019, the Group has eliminated the use of ELA funding while the total Eurosystem funding further declined to € 1.3 bn.

35. Due to credit institutions

	2018 € million	2017 € million
Secured borrowing from credit institutions	5,652	3,368
Borrowings from international financial and similar institutions	591	491
Current accounts and settlement balances with banks	115	132
Interbank takings	18	6
Total	<u>6,376</u>	<u>3,997</u>

As at 31 December 2018, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals Greek and other Eurozone members government securities, EFSF/ESM bonds and covered bonds issued by the Bank (notes 6.2.1.3 and 37). As at 31 December 2018, borrowings from international financial and similar institutions include borrowings from European Investment Bank, European Bank for Reconstruction and Development and other similar institutions.

36. Due to customers

	2018 € million	2017 € million
Savings and current accounts	21,875	19,412
Term deposits	16,990	14,370
Repurchase agreements	200	53
Other term products (note 37)	18	8
Total	<u>39,083</u>	<u>33,843</u>

Following the transition to IFRS 9, the Group has revoked the fair value option designation under IAS 39 for structured deposits and measures them at amortized cost after separating the embedded derivatives from the host contracts. In November 2018, these deposits matured.

The other term products relate to senior medium-term notes held by the Bank's customers, amounting to € 18 million (31 December 2017: € 8 million).

For the year ended 31 December 2018, due to customers for the Greek and International operations amounted to € 28,785 million and € 10,298 million, respectively (31 December 2017: € 24,579 million and € 9,264 million, respectively).

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37. Debt securities in issue

	2018 € million	2017 € million
Securitisations	1,245	-
Subordinated notes (Tier 2)	947	-
Covered bonds	499	497
Medium-term notes (EMTN) (note 36)	16	52
Total	2,707	549

Following the transition to IFRS 9, the Group has revoked the fair value option designation under IAS 39 for structured notes and measures them at amortized cost after separating the embedded derivatives from the host contracts. As at 31 December 2018, the carrying amount of these notes was € 3 million. The change in fair value for the period from the remeasurement date until 31 December 2018 would have resulted in € 0.1 million gain and has already been recognised in the income statement deriving from the embedded derivatives' valuation.

Securitisations

In June 2018 the Bank, through its special purpose financing vehicle Maximus Hellas DAC, issued asset backed securities of total face value of € 1,251.5 million, collateralized by a portfolio of corporate and SME (small and medium enterprise) loans, which consisted of: (a) a senior class of notes (the "Class A notes") of face value € 813.5 million at a cost of three month Euribor plus 250 basis points which was sold via a private placement to two Asset-Backed Commercial Paper – ABCP conduits administered by an international institutional investor and (b) a subordinated class of notes (the "Class B notes") of face value of € 438 million, which were retained by the Bank. The transaction has been accounted as a collateralized borrowing, considering that the Bank retains all significant risks and rewards of the securitized assets. As at 31 December 2018, the outstanding amount of Class A notes amounted to € 654 million.

In addition, in December 2018, the Bank through its special purpose financing vehicle Astarti DAC, issued asset backed securities of total face value of € 810 million, collateralized by a portfolio of small business and consumer loans, which consisted of: (a) a senior class of notes (the "Class A notes") of face value € 591 million at a cost of three month Euribor plus 210 basis points which was sold via a private placement to two Asset-Backed Commercial Paper – ABCP conduits administered by an international institutional investor and (b) a subordinated class of notes (the "Class B notes") of face value of € 219 million, which were retained by the Bank. The transaction has been accounted as a collateralized borrowing, considering that the Bank retains all significant risks and rewards of the securitized assets.

In July 2018, mortgage backed securities of face value of € 1,041 million issued by the special purpose financing vehicle Tegea PLC and retained by the Bank, were fully redeemed.

Tier 2 Capital instruments

In the context of the first stream of Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008, the Bank had issued preference shares with nominal value of € 950 million, which were subscribed by the Hellenic Republic. 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.

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

Pursuant to the terms of their issuance, the above Tier 2 capital 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. On 31 December 2018, the said instruments amounted to € 947 million, including € 4 million issuance costs and € 0.2 million accrued interest.

Further information, in respect of the Tier 2 capital instruments and the relevant legal framework is provided in the note 41 of the consolidated financial statements for the year ended 31 December 2017.

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Medium-term notes (EMTN)

During the year ended 31 December 2018, the Group proceeded with the issue of medium term notes of face value € 25 million (of which € 12 million are held by Bank's customers).

In June and November 2018, notes of face value of € 48 million and € 4 million, respectively, matured.

Covered bonds

During the year ended 31 December 2018, the Bank proceeded with the issue of covered bonds of face value of € 2,720 million and the cancellation/partial cancellation of covered bonds of face value of € 2,030 million. All the aforementioned issues were fully retained by the Bank.

Post balance sheet events

In February 2019, the Bank proceeded with the partial cancellation of covered bonds of face value of € 50 million, previously retained by the Bank.

On 18 March 2019, the Bank through its special purpose entity, Maximus Hellas DAC, proceeded with the upside of its asset backed securities issue to a total face value of € 1,338 million, of which € 910 million class A notes were held by an international institutional investor and € 428 million class B notes were retained by the Bank.

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website (Investor Report for Covered Bonds Programs).

38. Other liabilities

	2018 € million	2017 € million
Balances under settlement ⁽¹⁾	297	252
Deferred income and accrued expenses	96	81
Standard legal staff retirement indemnity obligations (note 39)	49	50
ECL allowance for credit related commitments (note 6.2.1.2)	58	-
Sovereign risk financial guarantee	43	45
Other provisions	106	80
Income taxes payable	8	7
Deferred tax liabilities (note 16)	4	4
Other liabilities	183	165
Total	844	684

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

As at 31 December 2018, other liabilities amounting to € 183 million mainly consist of payables relating with (a) suppliers and creditors, (b) contributions to insurance organizations, (c) duties and other taxes and (d) trading liabilities.

As at 31 December 2018, other provisions amounting to € 106 million (31 December 2017: € 80 million) mainly include: (a) € 56 million for outstanding litigations and claims in dispute (note 46), (b) € 8 million for restructuring costs (mainly related to the Voluntary Exit Scheme (VES)) and (c) € 39 million for other operational risk events, of which € 32 million relates to discontinued operations (note 17).

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

	31 December 2018		
	Litigations and claims in dispute € million	Other € million	Total € million
Balance at 1 January	63	17	80
Amounts charged during the year	3	88	91
Amounts used during the year	(1)	(1)	(2)
Amounts reversed during the year	(9)	(2)	(11)
Foreign exchange and other movements ⁽¹⁾	(0)	(52)	(52)
Balance at 31 December	56	50	106

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	31 December 2017		
	Litigations and claims in dispute	Other	Total
	€ million	€ million	€ million
Balance at 1 January	67	54	121
Amounts charged during the year	7	11	18
Amounts used during the year	(2)	(7)	(9)
Amounts reversed during the year	(2)	(3)	(5)
Foreign exchange and other movements ⁽¹⁾	(1)	(37)	(38)
Discontinued operations	(6)	(1)	(7)
Balance at 31 December	63	17	80

⁽¹⁾ Other movements include an amount of € 50 million (31 December 2017: € 38 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 39).

The implementation of the VES, already in force during 2017, was designed for the Group's employees in Greece in line with the principal commitments of the Bank's restructuring plan (note 5). In that context an additional scheme with the same terms was announced on 19 January 2018 and implemented for the employees of specific eligible units in Greece.

Up to 31 December 2018, the cost for the VES amounted to € 174 million, net of provision for retirement benefits, out of which € 55 million has been recognized in the Group's income statement for the year ended 31 December 2018. The estimated annual saving, as a result of the additional VES cost recognised in the year ended 31 December 2018, amounts to € 22.6 million.

39. Standard legal staff retirement indemnity obligations

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

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

	2018 € million	2017 € million
Balance at 1 January	50	48
Current service cost	3	3
Interest cost	1	1
Past service cost and (gains)/losses on settlements	48	36
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	(2)	1
Actuarial (gains)/losses arising from changes in demographic assumptions	1	-
Actuarial (gains)/losses arising from experience adjustments	1	2
Benefits paid	(53)	(39)
Exchange adjustments	0	0
Discontinued operations	-	(2)
Balance at 31 December	49	50

The benefits paid by the Group during 2018, in the context of the Voluntary Exit Scheme (VES) (note 38), amounted to € 53 million. The provision for staff retirement obligations of the staff that participated in the above scheme, amounted to € 5 million.

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

	2018 %	2017 %
Discount rate	1.9	1.8
Future salary increases	2.4	2.6

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As at 31 December 2018, the average duration of the standard legal staff retirement indemnity obligation was 18 years (2017: 18 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2018 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 (€ 3.5 million)/€ 3.9 million.

An increase/(decrease) of the future salary growth assumed, by 0.5%/(0.5%) would result in an increase/(decrease) of the standard legal staff retirement obligations by € 3.8 million/(€ 3.5 million).

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

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

40. Ordinary share capital, share premium and treasury shares

The par value of the Bank's shares is € 0.30 per share (2017: € 0.30). All shares are fully paid. The movement of ordinary share capital, share premium and treasury shares is as follows:

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
Balance at 1 January 2017	656	(1)	655	8,056	(1)	8,055
Purchase of treasury shares	-	(1)	(1)	-	(2)	(2)
Sale of treasury shares	-	1	1	-	2	2
Balance at 31 December 2017	<u>656</u>	<u>(1)</u>	<u>655</u>	<u>8,056</u>	<u>(1)</u>	<u>8,055</u>
Balance at 1 January 2018	656	(1)	655	8,056	(1)	8,055
Purchase of treasury shares	-	(1)	(1)	-	(2)	(2)
Sale of treasury shares	-	1	1	-	2	2
Balance at 31 December 2018	<u>656</u>	<u>(1)</u>	<u>655</u>	<u>8,056</u>	<u>(1)</u>	<u>8,055</u>

The following is an analysis of the movement in the number of shares issued by the Bank:

	Number of shares		
	Issued ordinary shares	Treasury shares	Net
Balance at 1 January 2017	2,185,998,765	(1,487,571)	2,184,511,194
Purchase of treasury shares	-	(5,111,233)	(5,111,233)
Sale of treasury shares	-	4,796,094	4,796,094
Balance at 31 December 2017	<u>2,185,998,765</u>	<u>(1,802,710)</u>	<u>2,184,196,055</u>
Balance at 1 January 2018	2,185,998,765	(1,802,710)	2,184,196,055
Purchase of treasury shares	-	(3,711,579)	(3,711,579)
Sale of treasury shares	-	4,320,257	4,320,257
Balance at 31 December 2018	<u>2,185,998,765</u>	<u>(1,194,032)</u>	<u>2,184,804,733</u>

Treasury shares

In the ordinary course of business, the Bank's subsidiaries may acquire and dispose of 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.

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In addition, as at 31 December 2018, the number of Eurobank shares held by the Group's associates in the ordinary course of their insurance and investing activities was 18,406,000 in total (31 December 2017: 1,486,000).

41. Preferred securities

On 18 March 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 200 million preferred securities which represent Lower Tier 1 capital for the Group (Tier 1 Series A). As at 31 December 2018 the outstanding amount of Series A was € 2 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 18 March 2010 and annually thereafter and are listed on the Luxembourg and Frankfurt Stock Exchanges.

On 2 November 2005, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 400 million preferred securities which represent Lower Tier 1 capital for the Group (Tier 1 Series B). As at 31 December 2018 the outstanding amount of Series B was € 4 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 2 November 2015 and quarterly thereafter and are listed on the London Stock Exchange.

On 9 November and on 21 December 2005 the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 150 million and € 50 million preferred securities respectively, which represent Lower Tier 1 capital for the Group (Tier 1, form a single Series C). As at 31 December 2018 the outstanding amount of Series C was € 17 million (including allocated issue costs). The preferred securities have no fixed redemption date and give the issuer the right to call the issue at par on 9 January 2011 and quarterly thereafter. The preferred securities are listed on the London, Frankfurt and Euronext Amsterdam Stock Exchanges.

On 29 July 2009, the Group, through its Special Purpose Entity, ERB Hellas Funding Limited, issued € 300 million preferred securities which represent Tier 1 capital for the Group (Tier 1 Series D). As at 31 December 2018 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 movement of preferred securities issued by the Group through its Special Purpose Entity, ERB Hellas Funding Limited, for the year ended 31 December 2018 is analyzed as follows (no movement for the year ended 31 December 2017):

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 1 January	2	4	18	19	43
Buy Back	-	-	(1)	-	(1)
Balance at 31 December	2	4	17	19	42

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 € 2.5 million (€ 2.2 million after tax) in total on the Series A, B, C and D. As at 31 December 2018, the dividend attributable to preferred securities holders amounted to € 2.8 million (€ 2.4 million, after tax).

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42. Special reserves

	Statutory reserves € million	Non-taxed reserves € million	Fair value reserve € million	Other reserves € million	Total € million
Balance at 1 January 2017	408	957	17	6,333	7,715
Transfers between reserves	(9)	17	-	(6)	2
Available-for-sale securities					
- changes in fair value, net of tax	-	-	244	-	244
- transfer to net profit, net of tax	-	-	(31)	-	(31)
Cash flow hedges					
- changes in fair value, net of tax	-	-	-	27	27
- transfer to net profit, net of tax	-	-	-	(8)	(8)
Foreign currency translation	-	-	-	6	6
Associates and joint ventures					
-changes in the share of other comprehensive income, net of tax	-	-	52	-	52
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	(2)	(2)
Value of employee services	-	-	-	0	0
Balance at 31 December 2017	399	974	282	6,350	8,005
Balance at 1 January 2018	399	974	282	6,350	8,005
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3.2)	-	-	9	-	9
Balance at 1 January 2018, as restated	399	974	291	6,350	8,014
Transfers between reserves ⁽¹⁾	(15)	(31)	-	(2)	(48)
Debt securities at FVOCI					
- changes in fair value, net of tax	-	-	(88)	-	(88)
- transfer to net profit, net of tax	-	-	(75)	-	(75)
Cash flow hedges					
- changes in fair value, net of tax	-	-	-	22	22
- transfer to net profit, net of tax	-	-	-	(19)	(19)
Foreign currency translation					
- foreign operations' translation differences	-	-	-	(10)	(10)
- net investment hedges	-	-	-	(0)	(0)
Transfer to net profit on disposal of foreign operations					
- foreign operations' translation differences	-	-	-	71	71
- net investment hedges	-	-	-	(37)	(37)
Associates and joint ventures					
-changes in the share of other comprehensive income, net of tax	-	-	(33)	-	(33)
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	0	0
Balance at 31 December 2018	384	943	95	6,375	7,797

⁽¹⁾ It includes mainly the amounts related to the Group's operations in Romania, which were disposed in 2018 (note 17).

As at 31 December 2018, included in other reserves: (a) a Bank's special reserve amounted to € 5,579 million (2017: € 5,579 million), which can be only either capitalized or offset against losses carried forward pursuant to corporate law in force, (b) currency translation reserve amounted to € 204 million loss, of which € 27 million gain relates to net investment hedging (2017: currency translation reserve amounted to € 228 million loss, of which € 64 million gain relates to net investment hedging) and (c) cash flow hedging reserve amounted to € 37 million loss (2017: € 40 million loss).

Statutory reserves, fair value reserve and cash flow hedges are not distributable while non-taxed reserves are taxed when distributed.

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43. Dividends

Based on the 2018 results in combination with the article 159 of Company Law 4548/2018, 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 shareholders of the Bank cannot exceed 35% of the profits as provided in article 161 par. 2 of Company Law 4548/2018.

44. Transfers of financial assets

The Group enters into transactions by which it transfers recognized financial assets directly to third parties or to Special Purpose Entities (SPEs).

(a) The Group sells, in exchange for cash, securities under an agreement to repurchase them (repos) and assumes a liability to repay to the counterparty the cash received. In addition, the Group pledges, in exchange for cash, securities and loans and receivables and assumes a liability to repay to the counterparty the cash received. The Group has determined that it retains substantially all the risks, including associated credit and interest rate risks, and rewards of these financial assets and therefore has not derecognized them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of the transaction. The related liability is recognized in Due to central banks and credit institutions (notes 34 and 35) and Due to customers (note 36), as appropriate.

The Group enters into securitizations of various classes of loans (corporate, small and medium enterprise and consumer), under which it assumes an obligation to pass on the cash flows from the loans to the holders of the notes. The Group has determined that it retains substantially all risks, including associated credit and interest rate risks, and rewards of these loans and therefore has not derecognized them. As a result of the above transactions, the Group is unable to use, sell or pledge the transferred assets for the duration of their retention by the SPE. Moreover, the note holders' recourse is limited to the transferred loans. As at 31 December 2018, the securitizations' issues held by third parties amounted to € 1,245 million (2017: liability nil) (note 37).

The table below sets out the details of Group's financial assets that have been sold or otherwise transferred, but which do not qualify for derecognition:

	Carrying amount	
	2018	2017
	€ million	€ million
Securities held for trading	6	5
Loans and advances to customers	15,829	24,718
-securitized loans ⁽¹⁾	2,268	436
-pledged loans under covered bond program	5,014	4,658
-pledged loans with central banks	8,337	19,552
-other pledged loans	210	72
Investment securities	4,160	3,830
Total	19,995	28,553

⁽¹⁾ It includes securitized loans of issues held by the Bank, not used for funding.

(b) The Group may sell or re-pledge any securities borrowed or obtained through reverse repos and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognized by the Group. As at 31 December 2018, the Group had obtained through reverse repos securities of face value of € 117 million, sold under repurchase agreements with cash value of € 123 million (2017: € 180 million and € 255 million, respectively). Furthermore, as at 31 December 2018, the Group had obtained Greek treasury bills as collaterals for derivatives transactions with the Hellenic Republic of face value of € 1.2 bn, sold under repurchase agreements with € 860 million cash value (2017: € 970 million and € 623 million, respectively).

As at 31 December 2018, the cash value of the assets transferred or borrowed by the Group through securities lending, reverse repo and other agreements (points a and b) amounted to € 13,402 million, while the associated liability from the above transactions amounted to € 9,758 million, of which € 100 million repo agreements offset in the balance sheet against reverse repo deals (notes

Notes to the Consolidated Financial Statements

34, 35, 36, 37 and 6.2.1.4) (2017: cash value € 18,134 million and liability € 13,669 million, of which € 235 million repo agreements offset in the balance sheet). In addition, the Group's financial assets pledged as collaterals for repos, derivatives, securitizations and other transactions other than the financial assets presented in the table above are provided in notes 21 and 33.

45. Operating leases

The Group has entered into commercial leases for premises, equipment and motor vehicles. The majority of the Group's leases are under long-term agreements, according to the usual terms and conditions of commercial leases of each jurisdiction, including renewal options. In particular, as provided by the Greek Commercial Leases Law currently in force, the minimum lease period for commercial real estate leases starting after the end of February 2014 is three years. Accordingly, non-cancellable lease payments are determined based on the said legal provisions and the relevant contractual terms.

The Group's lease agreements, do not include any clauses that impose any restriction on the Group's ability to pay dividends, engage in debt financing transactions or enter into further lease agreements.

Leases as lessee-Non-cancellable operating lease rentals are payable as follows:

	2018 € million	2017 € million
Not later than one year	33	37
Later than one year and no later than five years	67	61
Later than five years	34	35
Total	134	133

There are no material future minimum sublease payments to be received under non cancellable subleases.

Leases as lessor-Non-cancellable operating lease rentals are receivable as follows:

	2018 € million	2017 € million
Not later than one year	4	6
Later than one year and no later than five years	12	17
Later than five years	3	7
Total	19	30

46. Contingent liabilities and other commitments

The Group presents the credit related commitments it has undertaken within the context of its lending related activities into the following three categories: a) financial guarantee contracts, which refer to guarantees and standby letters of credit that carry the same credit risk as loans (credit substitutes), b) commitments to extend credit, which comprise firm commitments that are irrevocable over the life of the facility or revocable only in response to a material adverse effect and c) other credit related commitments, which refer to documentary and commercial letters and other guarantees of medium and low risk according to the Regulation No 575/2013/EU.

Credit related commitments are analyzed as follows:

	2018 € million	2017 ⁽¹⁾ € million
Financial guarantee contracts	715	579
Commitments to extend credit	580	457
Other credit related commitments	406	370
Total	1,701	1,406

⁽¹⁾ For the year ended 31 December 2017, credit related commitments of the Romanian disposal group amounting to € 88 million are not included above.

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The analyses per stage of all the credit related commitments within the scope of IFRS 9 impairment requirements amounting to 4.7 bn, including revocable loan commitments of € 3 bn, and the corresponding allowance for impairment losses of € 58 million (1 January 2018: € 62 million) are provided in the note 6.

In addition, the Group has issued a sovereign risk financial guarantee of € 0.24 bn (2017: € 0.24 bn) for which an equivalent amount has been deposited under the relevant pledge agreement (note 33).

Other commitments

(a) The Bank has signed irrevocable payment commitment and collateral arrangement agreements with the Single Resolution Board (SRB) amounting in total to € 10 million as at 31 December 2018 (2017: € 7 million), representing 15% of its resolution contribution payment obligation to the Single Resolution Fund (SRF) for the years 2016-2018.

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 Group's balance sheet (note 33).

(b) As at 31 December 2018, the commitments related to capital expenditure amounted to € 18 million (2017: € 31 million).

Legal Proceedings

As at 31 December 2018, a provision of € 56 million has been recorded for a number of legal proceedings outstanding against the Group (31 December 2017: € 70 million, of which € 7 million relates to the Romanian subsidiaries classified as held for sale, note 17), as set out in note 38. The said amount includes € 34 million for an outstanding litigation related to the acquisition of New TT Hellenic Postbank S.A. in 2013 (31 December 2017: € 40 million).

Furthermore, in the normal course of its business, the Group has been involved in a number of legal proceedings, which are either at still a premature or at an advanced trial instance. The final settlement of these cases may require the lapse of a certain time so that the litigants exhaust the legal remedies provided for by the law. The Management, having considered the advice of the Legal Services General Division, does not expect that there will be an outflow of resources and therefore does not acknowledge the need for a provision.

Against the Bank various legal remedies and redresses have been filed amongst others in the form of lawsuits, applications for injunction measures, motions to vacate payment orders and appeals in relation to the validity of clauses for the granting of loans in Swiss Francs. A class action has also been filed by a consumer union. To date the vast majority of the judgments issued by the first instance and the appellate Courts have found in favor of the Bank's positions. On the class action, a judgment of the Athens Court of Appeals was issued in February 2018, which was in favour of the Bank and rejected the lawsuit on its merits. The judgment has been challenged by the consumer unions with an appeal before the Supreme Court scheduled to be heard on 20 May 2019. As to certain aspects of Swiss Francs loans there is also a pending lawsuit before the Supreme Court at plenary session which was initiated from an individual lawsuit.

In any event, the Management of the Bank is closely monitoring the developments to the relevant cases so as to ascertain potential accounting implications in accordance with the Group's accounting policies.

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47. Operating segment information

Management has determined the operating segments based on the internal reports reviewed by the Strategic Planning Committee that are used to allocate resources and to assess their performance in order to make strategic decisions. The Strategic Planning Committee considers the business both from a business unit and geographic perspective. Geographically, management considers the performance of its business in Greece and other countries in Europe (International). Greece is further segregated into retail, corporate, wealth management, global and capital markets. International is monitored and reviewed on a country basis. The Group aggregates segments when they exhibit similar economic characteristics and profile and are expected to have similar long-term economic development.

The Group is organized in the following reportable segments:

- Retail: incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate: incorporating current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities, custody, equity brokerage, cash management and trade services.
- Wealth Management: incorporating private banking services to medium and high net worth individuals, mutual fund and investment savings products, institutional asset management and the Group's share of results of Eurolife Insurance group.
- Global and Capital Markets: incorporating investment banking services including corporate finance, merger and acquisitions advice, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialized financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- International: incorporating operations in Bulgaria, Serbia, Cyprus, Luxembourg and Romania (the operations of the Romanian disposal group are included until 31 March 2018, note 17).

Other operations of the Group comprise mainly investing activities, including property management and investment (the comparative information includes Grivalia's operations until 30 June 2017, note 17).

The Group's management reporting is based on International Financial Reporting Standards (IFRS). The accounting policies of the Group's operating segments are the same with those described in the principal accounting policies.

Revenues from transactions between business segments are allocated on a mutually agreed basis at rates that approximate market prices.

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47.1 Operating segments

	31 December 2018						Total € million
	Retail	Corporate	Wealth	Global &	International	Other and	
	€ million	€ million	Management	Capital	€ million	Elimination	
Net interest income	570	329	10	223	337	(53)	1,416
Net commission income	53	81	27	49	87	1	298
Other net revenue	7	9	0	94	13	8	131
Total external revenue	630	419	37	366	437	(44)	1,845
Inter-segment revenue	15	16	5	(26)	(4)	(6)	-
Total revenue	645	435	42	340	433	(50)	1,845
Operating expenses	(448)	(121)	(23)	(76)	(195)	(16)	(879)
Impairment losses relating to loans and advances to customers	(409)	(208)	1	(0)	(64)	(0)	(680)
Other impairment losses and provisions (note 14)	(3)	(5)	0	15	(12)	(16)	(21)
Share of results of associates and joint ventures	0	(0)	29	-	(0)	(0)	29
Profit/(loss) before tax from continuing operations before restructuring costs	(215)	101	49	279	162	(82)	294
Restructuring costs (note 14)	(33)	(4)	(1)	(0)	(1)	(23)	(62)
Profit/(loss) before tax from continuing operations	(248)	97	48	279	161	(105)	232
Profit/(loss) before tax from discontinued operations ⁽³⁾	-	-	-	-	(113)	43	(70)
Non controlling interests	-	-	-	-	(0)	(0)	(0)
Profit/(loss) before tax attributable to shareholders	(248)	97	48	279	48	(62)	162

	31 December 2018						Total € million
	Retail	Corporate	Wealth	Global &	International	Other and	
	€ million	€ million	Management	Capital	€ million	Elimination center ⁽¹⁾	
Segment assets	21,330	13,079	222	10,291	12,395	667	57,984
Segment liabilities	24,582	6,054	1,773	8,021	11,004	1,519	52,953

The International segment is further analyzed as follows:

	31 December 2018						Total € million
	Romania	Bulgaria	Serbia	Cyprus	Luxembourg		
	€ million	€ million	€ million	€ million	€ million	International	
Net interest income	10	154	60	90	23		337
Net commission income	(2)	42	15	24	8		87
Other net revenue	4	3	2	4	0		13
Total external revenue	12	199	77	118	31		437
Inter-segment revenue	(0)	(0)	(1)	(0)	(3)		(4)
Total revenue	12	199	76	118	28		433
Operating expenses	(9)	(90)	(48)	(31)	(17)		(195)
Impairment losses relating to loans and advances to customers	(10)	(35)	(8)	(11)	0		(64)
Other impairment losses and provisions	(3)	(5)	(3)	(1)	(0)		(12)
Share of results of associates and joint ventures	(0)	-	(0)	-	-		(0)
Profit/(loss) before tax from continuing operations before restructuring costs	(10)	69	17	75	11		162
Restructuring costs	-	-	-	(1)	-		(1)
Profit/(loss) before tax from continuing operations	(10)	69	17	74	11		161
Loss before tax from discontinued operations	(113)	-	-	-	-		(113)
Non controlling interests	(0)	(0)	(0)	-	-		(0)
Profit/(loss) before tax attributable to shareholders	(123)	69	17	74	11		48

	31 December 2018						Total € million
	Romania	Bulgaria	Serbia	Cyprus	Luxembourg	International	
	€ million	€ million	€ million	€ million	€ million	€ million	
Segment assets ⁽²⁾	425	4,017	1,442	5,457	1,343		12,395
Segment liabilities ⁽²⁾	580	3,550	1,039	4,969	1,155		11,004

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	31 December 2017						Total € million
	Retail	Corporate	Wealth	Global &	International	Other and	
	€ million	€ million	Management	Capital	€ million	Elimination	
Net interest income	551	352	8	221	334	(2)	1,464
Net commission income	47	81	28	14	85	3	258
Other net revenue	9	10	0	83	17	41	160
Total external revenue	607	443	36	318	436	42	1,882
Inter-segment revenue	6	23	8	(27)	(2)	(8)	-
Total revenue	613	466	44	291	434	34	1,882
Operating expenses	(490)	(114)	(28)	(72)	(184)	(7)	(895)
Impairment losses relating to loans and advances to customers	(503)	(154)	(3)	-	(90)	-	(750)
Other impairment losses and provisions (note 14)	(4)	(6)	(0)	-	(16)	(24)	(50)
Share of results of associates and joint ventures	1	(0)	7	-	(1)	(0)	7
Profit/(loss) before tax from continuing operations before restructuring costs	(383)	192	20	219	143	3	194
Restructuring costs (note 14)	(23)	(0)	(0)	(0)	(0)	10	(13)
Profit/(loss) before tax from continuing operations	(406)	192	20	219	143	13	181
Profit/ (loss) before tax from discontinued operations	-	-	-	-	(66)	19	(47)
Non controlling interests	-	-	-	-	(1)	(15)	(16)
Profit/(loss) before tax attributable to shareholders	(406)	192	20	219	76	17	118

	31 December 2017						Total € million
	Retail	Corporate	Wealth	Global &	International	Other and	
	€ million	€ million	Management	Capital	€ million	Elimination center ⁽¹⁾	
Segment assets	22,716	12,686	259	9,598	13,591	1,179	60,029
Segment liabilities	25,789	6,614	1,563	5,943	12,058	912	52,879

	31 December 2017						Total € million
	Romania	Bulgaria	Serbia	Cyprus	Luxembourg		
	€ million	€ million	€ million	€ million	€ million	€ million	
Net interest income	11	157	59	84	23	334	
Net commission income	(4)	41	16	24	8	85	
Other net revenue	6	2	1	8	0	17	
Total external revenue	13	200	76	116	31	436	
Inter-segment revenue	(0)	1	0	0	(3)	(2)	
Total revenue	13	201	76	116	28	434	
Operating expenses	(6)	(85)	(46)	(31)	(16)	(184)	
Impairment losses relating to loans and advances to customers	(5)	(58)	(11)	(16)	(0)	(90)	
Other impairment losses and provisions	(6)	(6)	(1)	(0)	(3)	(16)	
Share of results of associates and joint ventures	0	-	(1)	-	-	(1)	
Profit/(loss) before tax from continuing operations before restructuring costs	(4)	52	17	69	9	143	
Restructuring costs	-	-	-	-	(0)	(0)	
Profit/(loss) before tax from continuing operations	(4)	52	17	69	9	143	
Loss before tax from discontinued operations	(66)	-	0	-	-	(66)	
Non controlling interests	(1)	(0)	(0)	-	-	(1)	
Profit/ (loss) before tax attributable to shareholders	(71)	52	17	69	9	76	

	31 December 2017					
	Romania	Bulgaria	Serbia	Cyprus	Luxembourg	International
	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets ⁽²⁾	2,705	3,649	1,353	4,890	1,301	13,591
Segment liabilities ⁽²⁾	2,699	3,162	954	4,459	1,092	12,058

⁽¹⁾ Interbank eliminations between International and the other Group's segments are included.

⁽²⁾ Intercompany balances among the Countries have been excluded from the reported assets and liabilities of International segment.

⁽³⁾ Amount of € 37 million presented under "Other and Elimination center" refers to the net investment hedging effect reclassified to the income statement upon the sale of the Romanian disposal group (note 17).

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47.2 Entity wide disclosures

Breakdown of the Group's revenue from continuing operations for each group of similar products and services is as follows:

	2018 € million	2017 € million
Lending related activities	1,728	1,802
Deposits, network and asset management activities	(64)	(68)
Capital markets	172	131
Non banking and other services	9	17
Total	1,845	1,882

Information on the Country by Country Reporting based on Law 4261/2014 is provided in the Appendix.

48. Other significant and post balance sheet events

Merger Agreement between Eurobank and Grivalia

On 26 November 2018, the Boards of Directors (“BoD”) of Eurobank Ergasias S.A. (“Eurobank”) and Grivalia Properties REIC (“Grivalia”) announced that they unanimously decided to commence the merger of the two companies by absorption of Grivalia by Eurobank (the “Merger”).

On 7 February 2019, the European Commission (DG Competition) decided that the Merger is in line with Eurobank’s commitments and State Aid rules considering that the strengthening of its capital base through the Merger will enable Eurobank to significantly reduce its non-performing loans in the near future.

On 22 February 2019, the Board of Directors of Eurobank and Grivalia approved the Draft Merger Agreement for the absorption of Grivalia by Eurobank according to the provisions of the Greek Codified Law 2190/1920, in conjunction with the provisions of Greek laws 2166/1993 and 2515/1997, as in force. The merger shall be conducted by accounting consolidation of assets and liabilities of the companies being merged and, specifically, by contribution of Grivalia’s assets and liabilities to Eurobank, as described on the merger balance sheet of 31 December 2018 of Grivalia. The proposed share exchange ratio is 15.80000000414930 new Eurobank ordinary registered shares for every 1 Grivalia ordinary registered share, while Eurobank shareholders will retain the number of Eurobank ordinary shares they currently hold. The Merger will result in an ownership split of the enlarged share capital of ca. 58.9% owned by existing Eurobank shareholders and ca. 41.1% by existing Grivalia shareholders.

The above is subject to the fulfillment of certain conditions, including the approval of the Draft Merger Agreement by the General Meetings of shareholders of the merging companies on 5 April 2019 and the receipt of the remaining necessary permissions and approvals by the competent authorities, which are expected by May 2019. The Merger will enhance Eurobank’s capital position and its earnings capacity, which in turn will enable the acceleration of its NPE reduction plan.

Following the completion of the merger, Fairfax group, which currently holds 18.40% and 51.43% in Eurobank and Grivalia, respectively, will become the largest shareholder in the merged entity with a ca. 33.03% shareholding.

As at December 2018, Grivalia group had total assets of € 1.16 bn and total liabilities of € 0.29 bn. The Annual Financial Report of Grivalia for the year ended 31 December 2018 is available at the company’s website.

Agreement with the Real estate management company

On 22 February 2019, the Board of Directors of Eurobank approved the upcoming agreement (SLA), pursuant to article 100 of Greek Law 4548/2018, of the Bank with the company to be incorporated under the name “Grivalia Management Company SA” (the “Company”). The Grivalia Management Company SA was established in March 2019 and is a related party to Eurobank, since a member of the Bank’s Board of Directors holds the majority (70%) of the shares of the Company and is an executive member of the board of directors of the Company.

The Bank shall conclude a 10-year advisory services agreement with Grivalia Management Company S.A. for the combined real estate portfolio of the merging entities, which will come into force upon completion of the merger.

Further information on the above transactions are provided in the Bank’s Report of the Directors for the year ended 31 December 2018 and in the relevant announcements on the Bank’s website dated 26 November 2018 and 8 February, 25 February and 1 March 2019.

Notes to the Consolidated Financial Statements

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

- Note 2.1 - Basis of preparation
- Note 5 – Capital Management
- Note 6.2 – Financial risk factors
- Note 15 – Income tax
- Note 24 – Loans and advances to customers
- Note 27 - Shares in subsidiaries
- Note 28 - Investments in associates and joint ventures
- Note 34 - Due to central banks
- Note 37 – Debt securities in issue
- Note 46 - Contingent liabilities and other commitments

49. Related parties

As of November 2015, the percentage of the Bank's ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 2.38%. The HFSF is considered to have significant influence over the Bank pursuant to the provisions of the Law 3864/2010, as in force, and the Relationship Framework Agreement (RFA) the Bank has entered into with the HFSF. Further information in respect of the HFSF rights based on the aforementioned framework is provided in the section "Report of the Directors and Corporate Governance Statement" of the Annual Financial Report for the year ended 31 December 2018.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.

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

	31 December 2018		31 December 2017	
	KMP ⁽¹⁾ and Entities controlled or jointly controlled by KMP	Associates and joint ventures	KMP ⁽¹⁾ and Entities controlled or jointly controlled by KMP	Associates and joint ventures
	€ million	€ million	€ million	€ million
Loans and advances to customers	7.20	18.74	6.84	53.38
Derivative financial instruments	-	-	-	0.01
Other assets	-	6.88	-	4.43
Due to customers	14.79	45.13	5.68	48.02
Debt securities in issue	-	-	-	10.21
Other liabilities	0.03	2.52	0.02	3.74
Net interest income	0.02	(5.55)	0.03	(7.68)
Net banking fee and commission income	0.03	12.23	0.01	6.64
Net trading income	-	0.23	-	0.16
Gains less losses from investment securities	-	0.31	-	0.02
Impairment losses relating to loans and advances including relative fees	-	(22.14)	-	(3.02)
Other operating income/(expenses)	-	(23.96)	-	(22.94)
Guarantees issued	-	-	-	4.60
Guarantees received	0.03	-	0.04	-

⁽¹⁾ Includes the key management personnel of the Group and their close family members.

For the year ended 31 December 2018, there were no material transactions with the HFSF. In addition, as at 31 December 2018 the loans, net of provisions, granted to non consolidated entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements amounted to € 3.3 million (31 December 2017: € 4.7 million).

For the year ended 31 December 2018, an impairment loss of € 16.5 million (31 December 2017: a reversal of impairment € 2.09 million) has been recorded against loan balances with Group's associates and joint ventures, while the respective impairment

Notes to the Consolidated Financial Statements

allowance amounts to € 0.6 million (31 December 2017: € 21.05 million). In addition, as at 31 December 2018, the fair value adjustment for loans to Group's associates and joint ventures measured at FVTPL amounts to € 17.7 million.

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

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 6.97 million (31 December 2017: € 6 million) and long-term employee benefits of € 1.58 million (31 December 2017: € 0.86 million, of which € 0.38 million expense relating with Grivalia Properties R.E.I.C. equity settled share based payments). In addition, the Group has formed a defined benefit obligation for the KMP amounting to € 1.7 million as at 31 December 2018 (31 December 2017: € 0.88 million), while the respective cost for the year amounts to € 0.09 million (31 December 2017: € 0.08 million).

50. External Auditors

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

The total fees of the Group's principal independent auditor "KPMG Certified Auditors" ("PricewaterhouseCoopers Certified Auditors" for 2017) for audit and other services provided are analyzed as follows:

	2018 € million	2017 € million
Statutory audit ⁽¹⁾	(2.4)	(2.7)
Tax certificate	(0.3)	(0.3)
Other audit related assignments ⁽¹⁾	(0.2)	(0.3)
Non audit assignments	(0.1)	(1.3)
Total	(3.0)	(4.6)

⁽¹⁾ For the year ended 31 December 2017, the total statutory audit fees and other audit related assignments include the amounts of € 0.2 million and € 0.03 million respectively, relating to the Romanian disposal group (note 17).

It is noted that the non-audit assignments fees of "KPMG Certified Auditors A.E." Greece ("PricewaterhouseCoopers Auditing Company S.A." Greece for 2017), statutory auditor of the Bank, amounted to € 0.03 million.

Notes to the Consolidated Financial Statements

51. Board of Directors

The Board of Directors (BoD) was elected by the Annual General Meeting of the Shareholders of the Bank (AGM) held on 10 July 2018 for a three years term of office that will expire on 10 July 2021, prolonged until the end of the period the AGM for the year 2021 will take place.

Following the aforementioned AGM decision, the BoD was constituted as a body at the BoD meeting of 10 July 2018, as follows:

N. Karamouzis	Chairman, Non-Executive
F. Karavias	Chief Executive Officer
S. Ioannou	Deputy Chief Executive Officer
T. Kalantonis	Deputy Chief Executive Officer
K. Vassiliou	Deputy Chief Executive Officer
G. Chryssikos	Non-Executive
R. Boucher	Non-Executive Independent
R. Kakar	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, 29 March 2019

Nikolaos V. Karamouzis
I.D. No AB - 336562
CHAIRMAN
OF THE BOARD OF DIRECTORS

Fokion C. Karavias
I.D. No AI - 677962
CHIEF EXECUTIVE OFFICER

Harris V. Kokologiannis
I.D. No AN - 582334
GENERAL MANAGER OF GROUP FINANCE
GROUP CHIEF FINANCIAL OFFICER

Notes to the Consolidated Financial Statements

APPENDIX – Disclosures under Law 4261/2014

Country by Country Reporting

Pursuant to article 81 of Law 4261/2014, which incorporated article 89 of Directive 2013/36/EC into the Greek legislation, the Group provides the following information for each country in which it has an establishment:

- (i) Names, nature of activities and geographical location.
- (ii) The operating income (turnover), the profit/(loss) before tax, the tax on profit/ (loss) and the current tax on a consolidated basis for each country; intercompany transactions among countries are eliminated through the line 'Intra-Group amounts'. The amounts disclosed are prepared on the same basis as the Group's financial statements for the year ended 31 December 2018.
- (iii) The number of employees on a full time equivalent basis.
- (iv) The public subsidies received.

For the listing of the Bank's subsidiaries at 31 December 2018, the country of their incorporation and the line of their business refer to note 27.

The information per country is set out below:

	Year ended 31 December 2018				
	Operating income	Profit/(loss) before tax	Tax on profit/(loss)	Current tax	Number of employees at
	€ million	€ million	€ million	€ million	31 December
Greece	1,411.5	28.4	(38.2)	(25.5)	8,994
Bulgaria	200.0	73.9	(9.7)	(5.3)	2,410
Romania	(0.8)	(9.1)	(0.0)	0.0	27
Cyprus	93.9	53.9	(12.7)	(12.7)	379
Serbia	76.5	21.8	(2.2)	(2.9)	1,253
Luxembourg ⁽¹⁾	39.6	18.9	(3.6)	(3.6)	92
Turkey	12.6	12.6	(9.6)	(9.6)	-
Netherlands	9.6	(0.0)	(0.4)	(0.4)	-
Other countries ⁽²⁾	3.1	2.8	0.0	0.0	7
Intra-Group amounts	(0.6)	-	-	-	-
Total from continuing operations	1,845.4	203.2	(76.4)	(60.0)	13,162
Romanian disposal group ⁽³⁾		(75.6)	7.1	(0.2)	
Insurance operations ⁽³⁾		4.9	(1.4)	-	
Total from discontinued operations		(70.7)	5.7	(0.2)	
Total	1,845.4	132.5	(70.7)	(60.2)	13,162

(1) The operations of Eurobank Private Bank Luxembourg S.A.'s branch in London are included within Luxembourg.

(2) Amounts reported under 'Other countries' refer to (a) the Group's SPVs issuing EMTNs and preferred securities i.e. ERB Hellas Plc in the United Kingdom, ERB Hellas (Cayman Islands) Ltd in Cayman Islands and ERB Hellas funding Ltd in Channel Islands and (b) a holding company, Berberis investments Ltd in Channel Islands.

(3) For further details regarding the Romanian disposal group and the Insurance operations refer to note 17 'Discontinued operations'.

For the year ended 31 December 2018, none of the Bank's subsidiaries has received any public subsidy.

Article 82 of Law 4261/2014

For 2018, the Group's return on assets (RoA) was 0.16%. RoA is calculated by dividing the net profit for the year ended 31 December 2018 by the Group's average total assets for the year.

**v. Independent Auditor's Report
(on the Financial Statements of the Bank)**

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153 42 Athens, Greece
Telephone +30 210 6062100
Fax +30 210 6062111

Independent Auditor's Report

To the Shareholders of
Eurobank Ergasias S.A.

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eurobank Ergasias S.A. (the "Bank") which comprise the balance sheet as at 31 December 2018, the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Eurobank Ergasias S.A. as at 31 December 2018 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), which have been incorporated in Greek legislation. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, as it has been incorporated into Greek legislation, and the ethical requirements that are relevant to the audit of the financial statements in Greece and we have fulfilled our ethical responsibilities in accordance with the requirements of the applicable legislation and the aforementioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters and the relevant significant assessed risks of material misstatement were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment losses for loans and advances to customers at amortized cost</p> <p>IFRS 9 replaced IAS 39 and was implemented by the Bank on 1 January 2018. This new and complex standard requires the Bank to recognize expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates and resulted in an increase in impairment losses for loans and advances to customers at amortized cost.</p> <p>As 2018 is the first year of adoption of IFRS 9, there is limited experience available to back-test the charge for expected credit losses with actual results. There is also a significant increase in the number of data inputs required for the impairment calculation. The data is sourced from a number of systems that have not been used previously for the preparation of the accounting records. This increases the risk around quality of certain data and reliability and accuracy of certain models that process those data.</p> <p>The Bank has recorded in its financial statements as of 31 December 2018 an amount of EUR 37 275 million (2017: EUR 39 883 million) as loans and advances to customers at amortized cost as well as EUR 7 967 million (2017: 9 017 million) for impairment losses.</p> <p>During the year the Bank recorded EUR 1 billion approximately from the transition to IFRS 9 that was directly recorded in the equity of the Bank as at 1 January 2018.</p> <p>Impairment losses for loans and advances to customers at amortized cost were considered a key audit matter because:</p>	<p>Our audit approach included assessing the design and operating effectiveness of the relevant controls linked to the processes and performing substantive procedures.</p> <p>We assessed that the accounting principles adopted for the transition to IFRS 9 are appropriate.</p> <p>We evaluated that the assumptions and decisions made by management on classification and measurement of financial instruments are appropriate and reasonable.</p> <p>We evaluated the new processes and internal controls adopted for classification and measurement.</p> <p>We assessed the accuracy and relevance of data that are used for classification and measurement. We focused as part of our control work that the data used in the models for estimating credit losses are accurate and complete as well as on management's review of the results of the process.</p> <p>The substantive procedures related to the estimation of expected credit losses included:</p> <ul style="list-style-type: none"> — For a specific sample of loans we tested the procedures used by the Bank to estimate the significant increase in credit risk. — With respect to individually assessed loans we selected a sample of loans based on remaining credit exposure and assessed the adequacy of impairment losses that was recorded. As part of this procedure we applied procedures to assess the key inputs and expected cash

Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> — It is based on a new accounting principle (IFRS 9) that requires new estimates and judgments and new systems to process the data required. — Judgment is required to properly classify a loan in the proper category and the way it is measured. — Judgment is required from management on the macroeconomic criteria to be used to estimate expected credit losses. — Calculation of ECL is based on new processes and controls that have not been tested before. — Judgment is required to properly design mathematical formulae and implement of systems that require large databases and models to estimate ECL. — Judgment is required to identify the criteria of what constitutes a significant increase in credit risk. — Evaluation of post model adjustments made by management is required. <p>Additional information on the way impairment losses are estimated is included in note 2.2.13 of the financial statements.</p> <p>The disclosures required by IFRS 9 are key to understand the impact for the Bank from the application of IFRS 9, as well as understanding the judgements required for the calculation of ECL.</p>	<p>flows used as part of the individually assessed loans.</p> <ul style="list-style-type: none"> — With respect to the impairment calculated collectively, we evaluated the methodology used by the Bank, assessing the integrity of the data required for the calculation of impairment from Bank's systems. <p>For certain portfolios we evaluated the existence and value of the collaterals used for impairment purposes.</p> <p>For certain portfolios we involved our own specialists for evaluating the credit models used and for a sample we recalculated certain key inputs to the models.</p> <p>Finally, we evaluated whether the information used for disclosure purposes in the financial statements is adequate.</p>
<p>Recoverability of deferred tax assets</p> <p>The Bank recognized deferred tax assets of EUR 4 903 million (2017: EUR 4 846 million) on temporary differences and</p>	<p>We assessed the assumptions made by management to generate future tax profits in order to estimate the possibility of recovering</p>

Key audit matter	How our audit addressed the key audit matter
<p>unused tax losses that are considered recoverable or can be utilized.</p> <p>An analysis of these temporary differences and unused tax losses is included in note 16 of the financial statements. The recoverability of deferred tax assets is considered a key audit matter as management’s assessment of the recoverability is complex and judgmental.</p> <p>The recoverability of deferred tax assets is dependent on whether the Bank can produce future tax profits that can be utilized against temporary tax differences and tax losses (before they expire).</p> <p>Management’s assessment regarding whether there will be sufficient tax profits requires significant judgments and estimates such as:</p> <ul style="list-style-type: none"> — Assumptions based on the business plan of the Bank regarding future performance that will generate tax profits in the future. — Estimates that cover the time period until the deferred tax assets can be used. — Adjustments required to calculate estimated future taxable profits from the accounting profits (shown in the business plan), in order to conclude to the deferred tax assets that can be recovered in the future. 	<p>deferred tax assets recorded as at 31 December 2018.</p> <p>We assessed the reasonableness of managements key assumptions in its business plan as follows:</p> <ul style="list-style-type: none"> — Comparing to our own independently developed expectations derived from our industry knowledge and our understanding obtained during our audit. — Performed a sensitivity analysis to determine the effect of changes in the assumptions and how estimation uncertainty may affect the Bank’s projected profitability. <p>For the purpose of our recoverability assessment, we tested the adjustments applied by management to calculate taxable profits from accounting profits, with the support of our tax specialists, and we checked their consistency with prior years including historical accuracy of budgeted data. Our procedures also included assessing management’s interpretations of current tax legislation with respect to the accounting write offs and the gradual amortisation of the crystallised tax loss arising from the sale of non performing loans and definite write - offs.</p> <p>In addition, we assessed the historical accuracy of management’s assumptions by comparing them to actual results reported.</p> <p>We evaluated the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgments.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Use of IT systems relevant to the financial information</p> <p>The Bank's financial reporting processes are highly reliant on information produced by the Bank's Information Technology (IT) systems, and / or automated processes and controls (i.e. calculations, reconciliations) implemented in these systems.</p> <p>The nature, complexity and the increased use of these information systems combined with the large volume of transactions being processed on a daily basis, increase the risk over the effective inter-connectivity of the IT systems and data and the risk around the degree of reliability of the financial reporting information. The banking environment is also subject to a number of internal and external threats relating to cyber security particularly due to the significant increase in the volume of transactions through internet.</p> <p>The above is considered to be a key audit matter as the Bank's financial reporting systems rely heavily on complex information systems that process huge amount of transactions and are functioning based on the operating effectiveness of internal controls in place to assure the completeness and accuracy of financial information and security information of the Bank that produce the financial information.</p>	<p>We assessed the information security resilience of the Bank by evaluating the design of key IT processes and controls over financial reporting.</p> <p>More specifically, involving our own specialists, we assessed the administration of access, changes and daily IT operations for key layers of underlying infrastructure (i.e. application, operating system, and database) for the systems in scope of the audit, and tested the operating effectiveness of the aforementioned processes and controls.</p> <p>In addition, in order to place reliance on the system generated information (i.e. data and reports), and any automated controls (i.e. calculations, reconciliations) implemented in these systems, we have relied on business process controls, and performed additional substantive procedures as part of our audit.</p>

Other Matter

The financial statements of the Bank for the year ended 31 December 2017 were audited by another audit firm who expressed an unmodified opinion on those financial statements on 29 March 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Directors' Report and the Declarations of the Members of the Board of Directors included in the Annual Report as required by the L. 3556/2007 but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Audit Committee (article 44 of L. 4449/17) of the Bank is responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs which have been incorporated in Greek legislation will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, which have been incorporated in Greek legislation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Additional Report to the Audit Committee

Our audit opinion on the financial statements is consistent with the Additional Report to the Audit Committee of the Bank dated 27 March 2019, pursuant to the requirements of article 11 of the Regulation 537/2014 of the European Union (EU).

2. Provision of non-Audit Services

We have not provided to the Bank any prohibited non-audit services referred to in article 5 par. 1 of Regulation (EU) 537/2014.

The permissible non-audit services that we have provided to the Bank during the year ended 31 December 2018 are disclosed in the note 45 of the accompanying financial statements.

3. Appointment of Auditor

We were appointed for the first time as Certified Auditors of the Bank based on the decision of the Annual General Shareholders' Meeting dated 10 July 2018.

Athens, 1 April 2019

KPMG Certified Auditors S.A.
AM SOEL 114

Harry Sirounis, Certified Auditor Accountant
AM SOEL 19071

**VI. Financial Statements of the Bank for the year ended 31
December 2018**



EUROBANK ERGASIAS S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

8 Othonos Street, Athens 105 57, Greece
www.eurobank.gr, Tel.: (+30) 210 333 7000
General Commercial Registry No: 000223001000

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Balance Sheet

	Note	31 December	
		2018	2017
		€ million	€ million
ASSETS			
Cash and balances with central banks	17	397	372
Due from credit institutions	19	3,190	2,867
Securities held for trading	20	18	13
Derivative financial instruments	21	1,875	1,884
Loans and advances to customers	22	29,354	30,866
Investment securities	24	6,597	6,616
Shares in subsidiary undertakings	25	1,753	1,814
Property, plant and equipment	26	244	237
Investment property	27	32	22
Intangible assets	28	126	105
Deferred tax assets	16	4,903	4,846
Other assets	29	1,766	1,608
Assets classified as held for sale	22, 25	20	198
Total assets		50,275	51,448
LIABILITIES			
Due to central banks	30	2,050	9,994
Due to credit institutions	31	9,247	7,168
Derivative financial instruments	21	1,896	1,850
Due to customers	32	29,135	25,015
Debt securities in issue	33	2,697	503
Other liabilities	34	872	476
Total liabilities		45,897	45,006
EQUITY			
Ordinary share capital	36	656	656
Share premium	36	8,056	8,056
Reserves and retained earnings		(4,376)	(3,263)
Preference shares	33	-	950
Hybrid capital	37	42	43
Total equity		4,378	6,442
Total equity and liabilities		50,275	51,448

Notes on pages 6 to 137 form an integral part of these financial statements

Income Statement

	Note	Year ended 31 December	
		2018	2017
		€ million	€ million
Interest income		1,807	1,782
Interest expense		(752)	(682)
Net interest income	7	1,055	1,100
Banking fee and commission income		271	212
Banking fee and commission expense		(86)	(85)
Net banking fee and commission income	8	185	127
Income from non banking services		6	6
Dividend income	9	123	132
Net trading income	10	20	58
Gains less losses from investment securities	10	79	65
Other income/(expenses)	11	(4)	19
Operating income		1,464	1,507
Operating expenses	12	(665)	(672)
Profit from operations before impairments, provisions and restructuring costs		799	835
Impairment losses relating to loans and advances to customers	23	(606)	(716)
Other impairment losses and provisions	14	(79)	(132)
Restructuring costs	14	(58)	(11)
Profit/(Loss) before tax		56	(24)
Income tax	15	(23)	35
Net profit		33	11

Notes on pages 6 to 137 form an integral part of these financial statements

Statement of Comprehensive Income

	Year ended 31 December	
	2018	2017
	€ million	€ million
Net profit	33	11
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	26	30
- transfer to net profit, net of tax	(21)	(11)
	5	19
Debt securities at FVOCI		
- changes in fair value, net of tax (note 24)	(81)	-
- transfer to net profit, net of tax (note 24)	(85)	-
	(166)	-
Available for sale securities		
- changes in fair value, net of tax (note 24)	-	238
- transfer to net profit, net of tax (note 24)	-	(36)
	(161)	202
		221
Items that will not be reclassified to profit or loss:		
-Actuarial gains/ (losses) on post employment benefit obligations, net of tax	0	(2)
Other comprehensive income	(161)	219
Total comprehensive income	(128)	230

Notes on pages 6 to 137 form an integral part of these financial statements

Statement of Changes in Equity

	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 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
Balance at 1 January 2018	656	8,056	7,755	(11,018)	950	43	6,442
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3)	-	-	13	(995)	-	-	(982)
Balance at 1 January 2018, as restated	656	8,056	7,768	(12,013)	950	43	5,460
Net profit	-	-	-	33	-	-	33
Other comprehensive income	-	-	(161)	-	-	-	(161)
Total comprehensive income for the year ended 31 December 2018	-	-	(161)	33	-	-	(128)
Redemption of preference shares	-	-	-	-	(950)	-	(950)
Hybrid capital's dividend paid and buy back, net of tax	-	-	-	(2)	-	(1)	(3)
Merger with a Bank's subsidiary (note 25)	-	-	1	(2)	-	-	(1)
	-	-	1	(4)	(950)	(1)	(954)
Balance at 31 December 2018	656	8,056	7,608	(11,984)	-	42	4,378
	Note 36	Note 36	Note 38		Note 33	Note 37	

Notes on pages 6 to 137 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December	
		2018 € million	2017 € million
Cash flows from operating activities			
Profit/(loss) before income tax		56	(24)
Adjustments for :			
Impairment losses relating to loans and advances to customers	23	606	716
Other impairment losses, provisions and restructuring costs	14	137	143
Depreciation and amortisation	12	42	38
Other (income)/losses on investment securities	18	(159)	(123)
(Gain)/ loss on sale of subsidiaries, associates and joint ventures		33	(19)
Dividends from subsidiaries, associates and joint ventures	9	(122)	(131)
Other adjustments		(26)	(1)
		567	599
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		(31)	13
Net (increase)/decrease in securities held for trading		(5)	(5)
Net (increase)/decrease in due from credit institutions		(81)	592
Net (increase)/decrease in loans and advances to customers		31	156
Net (increase)/decrease in derivative financial instruments		(74)	(183)
Net (increase)/decrease in other assets		(124)	11
Net increase/(decrease) in due to central banks and credit institutions		(5,866)	(7,833)
Net increase/(decrease) in due to customers		4,126	1,337
Net increase/(decrease) in other liabilities		(44)	(63)
		(2,068)	(5,975)
Net cash from/(used in) operating activities		(1,501)	(5,376)
Cash flows from investing activities			
Acquisition of fixed and intangible assets		(80)	(70)
Proceeds from sale of fixed and intangible assets		3	52
(Purchases)/sales and redemptions of investment securities		(21)	4,796
Acquisition of subsidiaries, associates, joint ventures and participation in capital increases	25,29	(3)	(62)
Proceeds from disposal/liquidation/capital decrease of holdings in subsidiaries, associates and joint ventures	25,11	188	177
Dividends from investment securities, subsidiaries, associates and joint ventures		161	94
Net cash from/(used in) investing activities		248	4,987
Cash flows from financing activities			
(Repayments)/proceeds from debt securities in issue	18	1,245	441
Purchase of hybrid capital	37	(1)	-
Hybrid capital's dividend paid	37	(3)	-
Redemption on preference shares, net of expenses		(4)	-
Net cash from/(used in) financing activities		1,237	441
Net increase/(decrease) in cash and cash equivalents		(16)	52
Cash and cash equivalents at beginning of year	18	506	454
Cash and cash equivalents at end of year	18	490	506

Notes on pages 6 to 137 form an integral part of these financial statements

Notes to the Financial Statements

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 29 March 2019. The Independent Auditor's Report of the Financial Statements is included in the section III of the Annual Financial Report.

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 except for the revaluation of the available-for-sale financial assets (policy applicable prior to 1 January 2018), the financial assets measured at fair value through other comprehensive income (policy applicable from 1 January 2018) and financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

The accounting policies for the preparation of the financial statements have been consistently applied to the years 2018 and 2017, after taking into account the amendments in IFRS described in section 2.1.1 "New and amended standards and interpretations" and the amendments described in section 2.2 "Principal accounting policies" following the adoption of IFRS 9. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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 1.9% in 2018 from 1.5% in 2017, according to the Hellenic Statistical Authority's (ELSTAT) first estimate, while the real GDP growth consensus forecast for 2019 stands at 1.9% (compared to an official target of 2.5%). The unemployment rate in December 2018 was at 18.0%, based on the Hellenic Statistical Authority's (ELSTAT) data (31 December 2017: 20.8%). On the fiscal front, Greece's primary balance is expected to register a surplus of 4.0% of GDP in 2018 according to 2019 Budget, (2017: 3.9% of GDP, according to ELSTAT data) while the respective forecast for 2019 is expected at 3.6% of GDP.

In August 2018, Greece concluded successfully the third economic adjustment program (TEAP) and has entered into the Enhanced Post Program Surveillance (EPPS) under EU Regulation 472/2013, which foresees quarterly reviews by the competent committees of the institutions (EC/ECB/ESM/IMF). The post program surveillance's main purpose is to safeguard financial stability, and continue the process of implementation of structural reforms aiming, among others, to boost domestic growth, jobs creation and to modernize the public sector. The first and second quarterly review under the EPPS were completed at the end of November 2018 and early March 2019 respectively. Delays were observed in the implementation of the structural reforms initially planned for the end of 2018 including, among others, the legal framework of the NPE resolution tools and in particular the household insolvency law. As a result, the European Commission has postponed the release of the first set of policy-contingent debt measures of € 970 million for early April 2019 conditional on the progress of the pending reform items. In this context, a new protection scheme on

Notes to the Financial Statements

primary residence was voted by the Greek Parliament on 29 March 2019. The Greek Government has built up a cash buffer of € 26.5 bn until the end of September 2018, out of the European Stability Mechanism (ESM) loan disbursements, GGBs issuances and other sources, in order to facilitate the country's access to the international markets. This buffer suffices for covering the gross financial needs for two years after the end of the program or four years assuming that the current stock of treasury bills will be rolled over. On the back of this environment, Greek sovereign demonstrated market access as evidenced by the successful issuance of a 5-year bond of € 2.5 bn at a yield of 3.6% on 29 January 2019 and a 10-year reference bond of € 2.5 bn at a yield of 3.9% on 6 March 2019.

The decisive implementation of the reforms agreed in the context both of the TEAP and the EPPS, the implementation of medium term debt relief measures in accordance with 21 June 2018 Eurogroup decisions, the mobilization of European Union 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 improve the confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment.

The main risks and uncertainties stemming from the macroeconomic environment are associated with (a) the adherence to established reforms and the possible delays in the implementation of the reforms' agenda in order to meet the EPPS targets and milestones, (b) 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, (c) the ability to attract new investments in the country, (d) the timing of a full lift of restrictions in the free movement of capital abroad and the respective impact on the level of economic activity, (e) 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 macroeconomic conditions in Greece and (f) the geopolitical conditions in the near or in broader region and the external shocks from a slowdown in the regional and/ or global economy. The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk (note 4).

Liquidity risk

In 2018, the expectations for a further improvement of the macroeconomic environment in Greece has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits. Moreover, the restrictions in the free movement of capital within the country have been lifted, while those applied on the transfer of funds abroad have been further relaxed. The prompt implementation of the post-program period's reforms scheme will help further reinstating depositors' confidence, will accelerate the access to the markets for debt issuance and positively influence the financing of the economy.

As at 31 December 2018, the Bank's dependency on Eurosystem financing facilities decreased to € 2.1 bn (of which € 0.5 bn funding from ELA), mainly due to deposits inflows, assets deleveraging, increased market repos on Greek Government securities and two asset backed securities issues sold via a private placement to an international institutional investor (note 33) (31 December 2017: € 10 bn, of which € 7.9 bn from ELA). As at 28 February 2019, the Group has eliminated the use of ELA funding while the total Eurosystem funding further declined to € 1.3 bn. In addition, the increase of deposits by more than € 5 bn in 2018 improved the Group's (net) loans to deposits (L/D) ratio to 92.6% end of December 2018 from 109.6% end of 2017 (Bank 100.6% from 123.4% at the end of 2017).

Solvency risk

On 5 May 2018, the ECB announced the results of the Stress Test (ST) for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome pointed to no capital shortfall and no capital plan needed for the Bank as a result of the exercise.

The Group's Common Equity Tier 1 (CET1) ratio stood at 14.2% (Bank 13.3 %) at 31 December 2018, and the net profit attributable to shareholders amounted to € 91 million (€ 200 million net profit from continuing operations before € 44 million restructuring costs, after tax) for the year ended 31 December 2018, while the Bank's after tax result amounted to a profit of € 33 million. As at 31 December 2018, the Bank has reduced the stock of NPEs by € 2.8 bn since 31 December 2017 to € 15.3 bn which is in line with the revised target submitted to SSM in September 2018 (note 6).

Going forward, the prime target is the successful execution of the Bank's transformation plan consisting of a) the completion of the merger with Grivalia by May 2019 that will enhance Eurobank's capital position and its earning capacity (note 43), b) the acceleration of the NPE reduction plan through a large scale securitization of approximately € 7 bn, the entry of a strategic investor into the capital of Financial Planning Services S.A. ("FPS"), the licensed 100%-owned loan servicer of Eurobank and other initiatives leading

Notes to the Financial Statements

the Group's NPE ratio at 16% in 2019 and a single digit by 2021 and c) the achievement of a substantially lower cost of risk as of 2020, which is expected to drive strong sustainable earnings per share (EPS).

Going concern assessment

The Board of Directors, taking into consideration the above factors relating to the adequacy of the Bank's capital and liquidity position, the gradual reduction of the NPEs stock in line with the Bank's operational targets along with the strategic initiatives related to the transformation plan of the Bank, 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

New and amended standards adopted by the Bank

The following new standards, amendments to standards and new interpretations as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2018:

IFRIC 22, Foreign Currency Transactions and Advance Consideration

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 had no impact on the Bank's financial statements.

IFRS 4, Amendment-Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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 at 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 2, Amendment-Classification and Measurement of Share-based Payment Transactions

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.

Notes to the Financial Statements

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

IAS 40, Amendment-Transfers of Investment Property

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 had no impact on the Bank's financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

The IASB through the 2014-2016 annual improvements cycle, provided a clarification for 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. Such election can be performed on an investment-by-investment basis in associates or joint ventures.

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

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments

IFRS 15 establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaced 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.

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 adoption of the standard and its amendment had no 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. Furthermore, regarding Bank's revenue from contracts with customers, including fee and commission income, there was no change in the accounting treatment of services provided over time, or transactions executed at point in time, as it is consistent with the Bank's existing accounting policy.

IFRS 9, Financial Instruments

On 1 January 2018, the Bank adopted IFRS 9 'Financial Instruments', which replaced IAS 39, 'Financial Instruments: Recognition and Measurement'. The adoption of IFRS 9 in 2018 resulted in changes in accounting policy in two principal areas, classification and measurement of financial assets and liabilities and impairment of financial assets. The Bank elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

Differences arising from the adoption of IFRS 9 have been recognized directly in reserves and retained earnings as of 1 January 2018 and are disclosed in note 2.3. The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9.

Notes to the Financial Statements

Changes in the classification and measurement

IFRS 9 applies a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics.

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. Reclassifications between categories are made only in rare circumstances.

For the purpose of the transition to IFRS 9, the Bank carried out a business model assessment across various portfolios for its debt instruments to determine any potential changes to the classification and measurement. The assessment has been performed based on the facts and circumstances that exist at the date of initial application i.e. 1 January 2018 (see section 2.3.2).

The IAS 39 categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and Loans and Receivables) have been replaced by:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets measured at FVTPL

The Bank may at initial recognition, designate a financial asset at FVTPL in order to eliminate or significantly reduce an accounting mismatch.

Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

The IFRS 9 eligibility requirements for applying the fair value option to measure financial liabilities at FVTPL are consistent with those of IAS 39. 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.

Finally, under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

The Bank's classification of its financial assets and liabilities is explained in Section 2.2 of this note. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in note 2.3.2.

Changes to the impairment calculation

The adoption of IFRS 9 has changed significantly the Bank's accounting for the impairment of financial assets by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach, which requires the use of complex models and significant judgment about future economic conditions and credit behavior. Credit losses are recognized earlier under IFRS 9 compared to IAS 39.

IFRS 9 requires the Bank to record an allowance for credit loss for all financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, which are off-balance sheet items. The allowance is based on the ECL calculation of the related probability of default of the debtor in the next twelve months unless there has been a significant increase in credit risk since origination of the exposure, when lifetime ECL is measured. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

Details of the Bank's impairment policy are disclosed in Section 2.2 of this note. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in note 2.3.2.

Notes to the Financial Statements

Hedge accounting under IFRS 9

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 has elected to continue applying IAS 39.

Consequential changes in disclosures (IFRS 7 'Financial Instruments: Disclosures')

Effective from 1 January 2018, due to IFRS 9 transition, these financial statements include transition disclosures, which provide qualitative and quantitative information about the impact from the revised classification and measurement and ECL principles. In addition, these financial statements include, the enhanced classification and measurement, impairment and hedge accounting disclosures as required by the related amendments to IFRS 7 'Financial Instruments: Disclosures'.

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 2018, 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:

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. Specifically, 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.

IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019)

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 (i.e. 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 (e.g. 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).

Notes to the Financial Statements

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

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 definition of a lease under IFRS 16 mainly relates to the concept of control. The new standard distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

IFRS 16 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.

Consequently, 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. The accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

Transition to IFRS 16

The date of initial application of IFRS 16 for the Bank will be 1 January 2019. The Bank has chosen the modified retrospective application of IFRS 16 and therefore comparative information will not be restated.

Upon transition, the Bank will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, existing contracts previously classified as service contracts such as ATMs, APSs and printing services will not be classified as leases under IFRS 16, while the definition set out in IFRS 16 will be applied to all lease contracts entered into or modified on or after 1 January 2019.

Lessee Accounting

In accordance with IFRS 16, at the commencement date of the lease, the Bank as a lessee will recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments. The Bank intends to apply this initial measurement principle to all leases, except for those with lease term of 12 months or less - making use of the short-term leases and leases of low-value assets exemptions.

Accordingly, in estimating the impact from IFRS 16 adoption, the Bank expects to recognise right-of-use assets of approximately € 280 million and corresponding lease liabilities of € 280 million arising from leases of properties and vehicles, while no impact is expected on shareholders' equity. The estimated capital impact arising primarily from the increase in risk weighted assets is a reduction of approximately 11 bps on the Bank's common equity Tier I ratio by applying regulatory transitional arrangements (approximately -9 bps on the Bank's CET1 ratio, on a fully loaded basis).

It is noted that approximately € 114 million of the above mentioned right-of-use assets and € 114 million of the corresponding lease liabilities relate to properties currently on lease from Grivalia, which will be derecognized upon the completion of the announced merger by absorption of Grivalia by Eurobank (note 43), as the related properties will become own used assets of the combined new group.

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With regard to subsequent measurement, the Bank, acting as a lessee, will apply the cost model for the measurement of right-of-use asset. Accordingly, the right-of-use asset will be measured at cost less any accumulated depreciation and accumulated impairment losses and adjusted for the remeasurement of the lease liability.

On the other hand, interest expense will be recognized on the lease liabilities, while their carrying amount will be reduced to reflect the lease payments made. In case of any reassessments or lease modifications specified, the carrying amount of the lease liabilities will be remeasured to reflect revised lease payments.

Lessor Accounting

At inception date of the lease, the Bank, acting as a lessor, will classify each of its leases as either an operating lease or a finance lease based on certain criteria. These criteria are unchanged compared to current accounting as described below.

Finance leases

At commencement date, the Bank will derecognize the carrying amount of the underlying assets held under finance lease, recognize a receivable at an amount equal to the net investment in the lease and recognize, in profit or loss, any profit or loss from the derecognition of the asset and the recognition of the net investment. The net investment in the lease will be calculated as the present value of the future lease payments in the same way as for the lessee.

After commencement date, the Bank will recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Bank shall also recognize income from variable payments that are not included in the net investment in the lease. After lease commencement, the net investment in a lease will not be remeasured unless the lease is modified or the lease term is revised.

Operating leases

The Bank will continue to recognize the underlying asset and will not recognize a net investment in the lease on the balance sheet or initial profit (if any) on the income statement.

The Bank will recognize lease payments as income on a straight-line basis. Also it will recognize costs, including depreciation, incurred in earning the lease income as an expense. The Bank adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Subleases

The Bank, acting as a lessee, may enter into arrangements to sublease a leased asset to a third party while the original lease contract is in effect. The Bank will act as both the lessee and lessor of the same underlying asset. The sublease will be a separate lease agreement, in which the intermediate lessor will classify the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease, the sublease will be classified as an operating lease; or
- otherwise, the sublease will be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

Operating lease commitments as at 31 December 2018, presented in accordance with the disclosure requirements of IAS 17 for the minimum lease payments under non-cancellable operating leases, are set out in note 41. Amounts disclosed in the aforementioned note reflect the lease payments over the non-cancellable period only, as determined in accordance with the contractual terms of the leases and the applicable legal provisions regarding the minimum lease period.

Accordingly, as at 31 December 2018, for lease contracts where the Bank is the lessee and have a stated maturity, the non-cancellable operating lease rentals payable are € 107 million (note 41), whereas the total future contractual lease payments are € 225 million.

IAS 28, Amendment – Long Term Interests in Associates and Joint Ventures (effective 1 January 2019)

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.

Notes to the Financial Statements

According to the amendment, an entity should not take into account any adjustments to the carrying amount of long term interests (net investment in the associate or joint venture), resulting from the application of IAS 28 'Investments in Associates and Joint Ventures' when applying IFRS 9.

The adoption of the amendment does not apply to the Bank's financial statements.

IAS 19, Amendment –Plan Amendment, Curtailment or Settlement (effective 1 January 2019)

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.

Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019)

The improvements introduce key changes to several standards as set out below:

The amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. Specifically, when an entity obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party re-measures the entire previously held interest in the assets and liabilities of the joint operation at fair value. Conversely, if a party obtains joint control, of a business that is a joint operation then the previously held interest is not re-measured.

The improvement to IAS 12 'Income Taxes' 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, according to where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.

IAS 23 'Borrowing costs' amendment clarified that any borrowing originally performed to develop a qualifying asset should be treated as part of the funds that the entity borrowed generally, 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.

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020, not yet endorsed by EU)

In March 2018, the IASB issued its revised Conceptual Framework. This replaces the previous version of the Conceptual Framework issued in 2010. Revisions performed by IASB introduced a new chapter of measurement, updated definitions of an asset/liability and recognition criteria, as well as clarifications on important areas.

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

Amendment to IFRS 3 Business Combinations (effective 1 January 2020, not yet endorsed by EU)

The IASB issued amendments to the definition of a business in IFRS 3 "Business Combinations" to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

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

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020, not yet endorsed by EU)

The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" aim to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to the new definition an information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which

Notes to the Financial Statements

provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both.

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

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 provided that the entity 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 at 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.

At its November 2018 meeting, the IASB decided to propose a one-year deferral of the effective date for IFRS 17 to 2022.

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

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 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 29.

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.

Notes to the Financial Statements

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.

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 2.2.12 and 6.3.

Embedded derivatives

Policy applicable from 1 January 2018

Financial assets that contain embedded derivatives are recognised in the balance sheet in their entirety in the appropriate classification category, following instruments' assessment of their contractual cash flows and their business model as described in note 2.2.9.

On the other hand, derivatives, embedded in financial liabilities, 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.

Policy applicable before 1 January 2018

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.

The use of derivative financial instruments is inherent in the Bank's activities and aims principally at managing risk effectively.

Accordingly, the Bank, as part of its risk management strategy, may enter into transactions with external counterparties to hedge partially or fully interest rate, foreign currency, equity and other exposures that are generated from its activities.

The objectives of hedging with derivative financial instruments include:

- Reduction of interest rate exposure that is in excess of the Bank's interest rate limits
- Efficient management of interest rate risk and fair value exposure
- Management of future variable cash flows
- Reduction of foreign currency risk or inflation risk

Hedge accounting

For hedge accounting purposes, the Bank forms a hedging relationship between a hedging instrument and a related item or group of items to be hedged. A hedging instrument is a designated derivative or a designated non-derivative financial asset or financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Specifically, 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), (b) hedges of the exposure to variability in cash flows of recognized assets or liabilities or highly probable forecasted transactions (cash flow hedge).

In order to apply hedge accounting, specified criteria should be met. 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

Notes to the Financial Statements

ongoing basis, an assessment of whether the derivatives that are used in the 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.

Furthermore, the Bank may designate groups of items as hedged items, by aggregating recognized assets or liabilities or unrecognized but highly probable transactions of similar risk characteristics that share the exposure for which they are hedged. Although the overall risk exposures may be different for the individual items in the group, the specific risk being hedged will be inherent in each of the items in the group.

(i) Fair value hedge

The Bank applies fair value hedging to hedge exposures primarily to changes in the fair value attributable to interest rate risk and currency risk.

The items that qualify for fair value hedge accounting include fixed rate debt securities classified as available-for-sale and as debt securities lending financial assets (policy applicable before 1 January 2018), as FVOCI and amortized cost financial assets (policy applicable after 1 January 2018), fixed rate term deposits or term loans measured at amortized cost, as well as fixed rate debt securities in issue.

The interest rate and currency risk with respect to the applicable benchmark rate may be hedged using interest rate swaps and cross currency swaps.

The Bank uses the dollar-offset method in order to assess the effectiveness of fair value hedges. This is a quantitative method that involves the comparison of the change in the fair value of the hedging instrument with the change in the fair value of the hedged item attributable to the hedged risk. Even if a hedge is not expected to be highly effective in a particular period, hedge accounting is not precluded if effectiveness is expected to remain sufficiently high over the life of the 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. Hedge ineffectiveness may arise in case of potential differences in the critical terms between the hedged item and the hedging instrument such as maturity, interest rate reset frequency and discount curves.

(ii) Cash flow hedge

The Bank applies cash flow hedging to hedge exposures to variability in cash flows primarily attributable to the interest rate risk associated with a recognized asset or liability or a highly probable forecast transaction.

The items that qualify for cash flow hedging include recognized assets and liabilities such as variable rate deposits or loans measured at amortized cost, variable rate debt securities in issue and foreign currency variable rate loans. The interest rate risk with respect to the applicable benchmark rate may be hedged using interest rate swaps and cross currency swaps.

Furthermore, cash flow hedging is used for the anticipated future rollover of short-term deposits or repos measured at amortized cost. Specifically, the forecast variable interest payments of a series of anticipated rollovers of these financial liabilities are aggregated and hedged as a group with respect to changes in the benchmark rates, eliminating cash flow variability.

If the hedged item is documented as a forecast transaction, the Bank assesses and verifies that there is a high probability of the transaction occurring.

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In order to assess the effectiveness of cash flow hedges, the Bank uses regression analysis which demonstrates that there is high historical and expected future correlation between the interest rate risk designated as being hedged and the interest rate risk of the hedging instrument.

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 not designated as hedging instruments for hedge accounting purposes

Changes in the fair value of derivative financial instruments that are not designated as hedging instruments 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 21.

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

Policy applicable from 1 January 2018

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 (EIR) 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 gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. For purchased or originated credit impaired (POCI) financial assets, the Bank calculates the credit-adjusted EIR, which is the interest rate that upon the original recognition of the POCI financial asset discounts the estimated future cash flows (including expected credit losses) to the fair value of the POCI asset.

The amortized cost of a financial asset or liability is the amount at which it is measured upon initial recognition minus principal repayments, plus or minus cumulative amortization using the EIR (as described above) and for POCI financial assets it is adjusted for the expected credit loss allowance, while the gross carrying amount of a financial asset is its amortized cost before adjusting for ECL allowance.

The EIR 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. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of non-impaired financial assets (exposures in Stage 1 and 2) and to the amortized cost of financial liabilities respectively.

For financial assets that have become credit-impaired subsequent to initial recognition (exposures in Stage 3), the Bank calculates interest income by applying the effective interest rate to the amortized cost of the financial asset (i.e. gross carrying amount adjusted for the expected credit loss allowance). If the asset is no longer credit-impaired, then the EIR is applied again to the gross carrying amount.

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For financial assets that were credit-impaired on initial recognition (POCI) interest income is calculated by applying the credit-adjusted EIR (calculated as described above) to the POCI asset's amortized cost. For such assets even if the credit risk improves, interest income does not revert to gross basis calculation. For inflation-linked instruments the Bank recognizes interest income and expense by adjusting the effective interest rate on each reporting period due to changes in expected future cash flows, incorporating changes in inflation expectations over the term of the instruments. The adjusted effective interest rate is applied in order to calculate the new gross carrying amount on each reporting period.

Interest income and expense is presented separately in the income statement for all interest bearing financial instruments within net interest income.

Policy applicable before 1 January 2018

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 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.

(ii) Fees and commissions

Fee and commission received or paid that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income such as account servicing and asset management fees (including performance based fees) is recognised over time as the related services are being provided to the customer, to the extent that it is highly probable that a significant reversal of the revenue amount recognized will not occur. Transaction-based fees such as foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised at the point in time when the transaction takes place. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Applicable from 1 January 2018

In the case of a contract with a customer that results in the recognition of a financial instrument in the Bank's financial statements which may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15, the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and subsequently applies IFRS 15 to the residual part.

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.

Notes to the Financial Statements

(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, other than goodwill, for which an impairment loss was recognized in prior reporting periods, are reviewed for possible reversal of such impairment at each reporting date.

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

2.2.9 Financial assets

Policy applicable from 1 January 2018

Financial assets - Classification and measurement

The Bank classifies financial assets based on the business model for managing those assets and their contractual cash flow characteristics. Accordingly, financial assets are classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income or fair value through profit or loss.

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 measured at Amortized Cost ('AC')

The Bank classifies and measures a financial asset at AC only if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is to collect contractual cash flows (hold-to-collect business model) and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Notes to the Financial Statements

These financial assets are recognized initially at fair value plus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate (EIR) method (as described in 2.2.5 above).

Interest income, realized gains and losses on derecognition, and changes in expected credit losses from assets classified at AC, are included in the income statement.

Financial Assets measured at Fair Value through Other Comprehensive Income ('FVOCI')

The Bank classifies and measures a financial asset at FVOCI only if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold-to-collect-and-sell business model) and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets that meet these criteria are debt instruments and are measured initially at fair value, plus direct and incremental transaction costs.

Subsequent to initial recognition, FVOCI debt instruments are re-measured at fair value through OCI, except for interest income, related foreign exchange gains or losses and expected credit losses, which are recognized in the income statement. Cumulative gains and losses previously recognized in OCI are transferred from OCI to the income statement when the debt instrument is derecognised.

Equity Instruments designated at FVOCI

The Bank may make an irrevocable election to designate an equity instrument at FVOCI. This designation, if elected, is made at initial recognition and on an instrument by instrument basis. Gains and losses on these instruments, including when derecognized, are recorded in OCI and are not subsequently reclassified to the income statement. Dividends received are recorded in the income statement.

Financial Assets measured at Fair Value through Profit and Loss ("FVTPL")

The Bank classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL. Accordingly, this measurement category includes debt instruments such as loans and debt securities that are held within the hold-to-collect (HTC) or hold-to-collect-and-sell models (HTCS), but fail the SPPI assessment, equities that are not designated at FVOCI and financial assets held for trading. Derivative financial instruments are measured at FVTPL, unless they are designated and effective hedging instruments, in which case hedge accounting requirements under IAS 39 continue to apply.

Furthermore, a financial asset that meets the above conditions to be classified at AC or FVOCI, may be irrevocably designated by the Bank at FVTPL at initial recognition, if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at FVTPL are initially recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in the income statement.

Business model and contractual characteristics assessment

The business model assessment determines how the Bank manages a group of assets 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. In addition, the business model is determined after aggregating the financial assets into groups (business lines) which are managed similarly rather than at an individual instrument's level.

The business model is determined by the Bank's's key management personnel consistently with the operating model, considering how financial assets are managed in order to generate cash flows, the objectives and how performance of each portfolio is monitored and reported and any available information on past sales and on future sales' strategy, where applicable.

Accordingly, in making the above assessment, the Bank will consider a number of factors including the risks associated with the performance of the business model and how those risks are evaluated and managed, the related personnel compensation, and the frequency, volume and reasons of past sales, as well as expectations about future sales activity.

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Types of business models

The Bank's business models fall into three categories, which are indicative of the key strategies used to generate returns.

The hold-to-collect (HTC) business model has the objective to hold the financial assets in order to collect contractual cash flows. Sales within this model are monitored and may be performed for reasons which are not inconsistent with this business model. More specifically, sales of financial assets due to credit deterioration, as well as, sales close to the maturity are considered consistent with the objective of hold-to-collect contractual cash flows regardless of value and frequency. Sales for other reasons may be consistent with the HTC model such as liquidity needs in any stress case scenario or sales made to manage high concentration level of credit risk. Such sales are monitored and assessed depending on frequency and value to conclude whether they are consistent with the HTC model. Debt instruments classified within this business model include bonds, due from banks and loans and advances to customers which are measured at amortized cost, subject to meeting the SPPI assessment criteria.

The hold-to-collect-and-sell business model (HTC&S) has the objective both to collect contractual cash flows and sell the assets. Activities such as liquidity management, interest yield and duration are consistent with this business model, while sales of assets are integral to achieving the objectives of this business model. Debt instruments classified within this business model include investment securities which are measured at FVOCI, subject to meeting the SPPI assessment criteria.

Other business models include financial assets which are managed and evaluated on a fair value basis as well as portfolios that are held for trading. This is a residual category for financial assets not meeting the criteria of the business models of HTC or HTC&S, while the collection of contractual cash flows may be incidental to achieving the business models' objective.

The Bank's business models are reassessed at least annually or earlier, if there is a sales' assessment trigger or if there are any changes in the Bank's strategy and main activities, as evidenced by the Bank's business plan, budget and NPE strategy.

Cash flow characteristics assessment

For a financial instrument to be measured at AC or FVOCI, its contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

In assessing whether the contractual cash flows are SPPI, 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. On the initial recognition of a financial asset, an assessment is performed of whether the 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 is considered to have failed the SPPI assessment and will be measured at FVTPL.

For the purpose of the SPPI assessment, the Bank considers the existence of various features, including among others, contractually linked terms, prepayment terms, deferred interest-free payments, extension and equity conversion options and terms that introduce leverage including index linked payments.

In case of special lending arrangements such as non-recourse loans, in its assessment of the SPPI criterion, the Bank considers various factors such as the nature of the borrower and its business, the pricing of the loans, whether it participates in the economic performance of the underlying asset and the extent to which the collateral represents all or a substantial portion of the borrower's assets. Moreover, for special purpose entities, the Bank takes into consideration the borrower's adequacy of loss absorbing capital by assessing jointly the criteria of equity sufficiency, Loan to Value ratio (LTV), the Average Debt Service Coverage ratio (ADSCR) as well as the existence of corporate and personal guarantees.

In certain cases when the time value of money element is modified in that the financial asset's interest rate is periodically reset but the reset frequency does not match the tenor of the interest rate or when a financial asset's interest rate is periodically reset to an average of particular short-term and long-term interest rates, a quantitative assessment is performed (the "Benchmark Test") in order to determine whether the contractual cash flows are SPPI.

In particular, the Bank assesses the contractual cash flows of the "real instrument", whose interest rate is reset with a frequency that does not match the tenor of the interest rate, and those of the "benchmark instrument", which are identical in all respects except that the tenor of the interest rate matches exactly the interest period. If the undiscounted cash flows of the former are significantly different from the benchmark cash flows due to the modified time value of money element, the financial asset does

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not meet the SPPI criterion. In its assessment, the Bank considers both the effect of the modified time value of money element in each reporting period and cumulatively over the life of the instrument. This is done, as far as the lifetime of the instrument is concerned, by comparing the cumulative projected undiscounted cash flows of the real and the benchmark instrument, and for each quarterly reporting period, by comparing the projected undiscounted cash flows of the two instruments for that quarterly reporting period, based on predefined thresholds.

In addition, for the purposes of the SPPI assessment, if a contractual feature could have an effect that is de-minimis on the contractual cash flows of the financial asset, it does not affect its classification. Moreover, a contractual feature is considered as not genuine by the Bank, if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur. In such a case, it does not affect the instrument's classification.

The Bank performs the SPPI assessment for its lending exposures on a product basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio and debt securities the assessment is performed on an individual basis.

Derecognition 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. 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. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in OCI for financial assets at FVOCI, is recognized in income statement.

The Bank may modify the contractual terms of a financial asset either as a concession granted to a client facing or that is about to face financial difficulties or due to other commercial reasons such as changes in market conditions, competition or customer retention.

In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial enough, the original financial asset is then derecognized. The Bank records the modified asset as a 'new' financial asset at fair value and the difference with the carrying amount of the existing one is recorded in the income statement as derecognition gain or loss.

Modifications that may result in derecognition include:

- change in borrower,
- change in the currency that the lending exposure is denominated,
- debt consolidation features where two or more consumer unsecured lending contracts are consolidated into a single new secured lending agreement,
- the removal or addition of conversion features and/or profit sharing mechanisms and similar terms which are relevant to the SPPI assessment;

In addition, the Bank may occasionally enter, in the context of loans' modifications, into debt-for-equity transactions. These are transactions where the terms of a lending exposure are renegotiated and as a result, the borrower issues equity instruments (voting or no voting) in order to extinguish part or all of its financial liability to the Bank. Such transactions may include also exercise of conversion rights embedded into convertible or exchangeable bonds and enforcement of shares held as collateral.

In debt-for-equity transactions, 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.

Policy applicable before 1 January 2018

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.

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(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.

Derecognition 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.

In addition, derecognition of financial asset arises when its contractual cash flows are modified and the modification is considered substantial enough so that the original asset is derecognized and a new one is recognized. For a description of the events that would

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constitute a substantial modification of an asset, following a modification refer to section 2.2.13 below. On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in OCI for available-for-sale financial assets, is recognized in income statement.

2.2.10 Reclassifications of financial assets

Policy applicable from 1 January 2018

The Bank reclassifies a financial asset only when it changes its business model for managing financial assets. Generally, a change in the business model is expected to be rare and occurs when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when a business line is acquired, disposed of or terminated. In the rare event when there is a change to the existing business models, the updated assessment is approved by the Bank's competent Committees and the amendment is reflected appropriately in the Bank's budget and business plan.

Changes in intention related to particular financial assets (even in circumstances of significant changes in market conditions), the temporary disappearance of a particular market for financial assets or a transfer of financial assets between parts of the Bank with different business models, are not considered by the Bank changes in business model.

The reclassification is applied prospectively from the reclassification date, therefore previously recognized gains, losses (including impairment losses) or interest are not restated.

Policy applicable before 1 January 2018

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.

2.2.11 Financial liabilities

Financial liabilities - Classification and measurement

Policy applicable from 1 January 2018

The Bank classifies its financial liabilities in the following categories: financial liabilities measured at amortized cost and financial liabilities measured 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.

Financial liabilities held for trading are those liabilities that the Bank incurs principally for the purpose of repurchasing in the near term for short term profit.

The Bank may, at initial recognition, irrevocably designate financial liabilities at fair-value-through-profit-or-loss when one of the following criteria is met:

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis; or
- the financial liability contains one or more embedded derivatives as components of a hybrid contract which significantly modify the cash flows that otherwise would be required by the contract.

Notes to the Financial Statements

Financial liabilities designated at FVTPL are initially recognized at fair value. Changes in fair value are recognized in the income statement, except for changes in fair value attributable to changes in own credit risk, which are recognised in OCI and are not subsequently reclassified to the income statement upon derecognition of the liabilities. However, if such treatment creates or enlarges an accounting mismatch in the income statement, all gains or losses of this financial liability, including the effects of changes in the credit risk, are recognized in the income statement.

Policy applicable before 1 January 2018

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.

Derecognition 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 any debt instruments issued by the Bank, it accounts for such transactions as an extinguishment of debt.

2.2.12 Fair value measurement of financial instruments

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions in the principal or, in its absence, the most advantageous market to which the 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

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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 6.3).

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.

2.2.13 Impairment of financial assets

Policy applicable from 1 January 2018

The Bank recognizes allowance for expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at AC and FVOCI, including loans, lease receivables, debt securities, financial guarantee contracts, and loan commitments. No ECL are recognized on equity investments. ECL are a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment policy, the Bank records 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 (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument. If upon initial recognition, the financial asset meets the definition of purchased or originated credit impaired (POCI), the loss allowance is based on the change in the ECL over the life of the asset.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For all other financial assets subject to impairment, the general three-stage approach applies.

Accordingly, ECL are recognized using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-months ECL is recorded. The 12 – month ECL 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. Not credit-impaired financial assets that are either newly originated or purchased, as well as, assets recognized following a substantial modification accounted for as a derecognition, are classified initially in Stage 1.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.
- POCI - Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. They are not subject to stage allocation and are always measured on the basis of lifetime expected credit losses. Accordingly, ECL are only recognized to the extent that there is a subsequent change in the assets' lifetime expected credit losses. Any subsequent favorable change to their expected cash flows is recognized as impairment gain in the income statement even if the resulting expected cash flows exceed the estimated cash flows at initial recognition. Apart from purchased assets, POCI assets may also include financial instruments that are considered new assets, following a substantial modification accounted for as a derecognition (see section 2.2.9).

Definition of default

To determine the risk of default, the Bank applies a default definition for accounting purposes, which is consistent with the European Banking Authority (EBA) definition for non-performing exposure (refer to note 6.2.1.2). The accounting definition of default is consistent with the one used for internal credit risk management purposes.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that exposure have occurred:

- The borrower faces a significant difficulty in meeting his financial obligations.
- There has been a breach of contract, such as a default or past due event.

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- The Bank, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Bank would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organization.
- For POCL asset, a purchase or origination at a deep discount that reflects incurred credit losses is considered a detrimental event. The Bank assesses the deep discount criterion following a principle -based approach with the aim to incorporate all reasonable and supportable information which reflects market conditions that exist at the time of the assessment.

For debt securities, the Bank determines the risk of default using an internal credit rating scale. The Bank considers debt securities as credit impaired if the internal rating of the issuer/counterparty corresponds to a rating equivalent to "C" (Moody's rating scale) or the external rating of the issuer/counterparty at the reporting date is equivalent to "C" (Moody's rating scale) and the internal rating is not available.

Significant increase in credit risk (SICR) and staging allocation

Determining whether a loss allowance should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk (SICR) of the financial assets, issued loan commitments and financial guarantee contracts, since initial recognition.

At each reporting date, the Bank performs an assessment as to whether the risk of a default occurring over the remaining expected lifetime of the exposure has increased significantly from the expected risk of a default estimated at origination for that point in time.

The assessment for SICR is performed using both qualitative and quantitative criteria based on reasonable and supportable information that is available without undue cost or effort including forward looking information and macroeconomic scenarios as well as historical experience. Furthermore, regardless of the outcome of the SICR assessment based on the above indicators, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

As a primary criterion for SICR assessment, the Bank compares the residual lifetime probability of default (PD) at each reporting date to the residual lifetime PD for the same point in time which was expected at the origination.

The Bank may also consider as a SICR indicator when the residual lifetime PD at each reporting date exceeds certain predetermined values. The criterion may be applied in order to capture cases where the relative PD comparison does not result to the identification of SICR although the absolute value of PD is at levels which are considered high based on the Bank's risk appetite framework.

For a financial asset's risk, a threshold may be applied, normally reflected through the asset's forecasted PD, below which it is considered that no significant increase in credit risk compared to the asset's expected PD at origination date has taken place. In such a case the asset is classified at Stage 1 irrespectively of whether other criteria would trigger its classification at Stage 2. This criterion primarily applies to debt securities.

Internal credit risk rating (on a borrower basis) is also used as a basis for the identification of SICR with regards to lending exposures of the Wholesale portfolio. Specifically, the Bank takes into consideration the changes of internal ratings by a certain number of notches. In addition, a watchlist status is also considered by the Bank as a trigger for SICR identification. Internal credit risk ratings models include borrower specific information as well as, forward-looking information including macroeconomic variables.

Assessment of SICR for debt securities is performed on an individual basis based on the number of notches downgrade in the internal credit rating scale since the origination date.

Forbearance measures as monitored by the Bank are considered as a SICR indicator and thus the exposures are allocated into Stage 2 upon forbearance, unless they are considered credit-impaired in which case they are classified as stage 3. Furthermore, regardless of the outcome of the SICR assessment based on the above indicators, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

Furthermore, Management may apply temporary collective adjustments when determining whether credit risk has increased significantly since initial recognition on exposures that share the same credit risk characteristics to reflect macro-economic or other factors which are not adequately addressed by the current credit risk models. These factors may depend on information such as the type of the exposure, counterparty's specific information and the characteristics of the financial instrument, while their application requires the application of significant judgment.

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Transfers from Stage 2 to Stage 1

A financial asset, which is classified to Stage 2 due to Significant Increase in Credit Risk (SICR), is reclassified to Stage 1, as long as it does not meet anymore any of the Stage 2 Criteria.

Where forbearance measures have been applied, the Bank uses a probation period of two years, in order to fulfill the requirements for a transfer back to Stage 1. If at the end of that period, the borrowers have made regular payments of a significant aggregate amount, there are no past due amounts over 30 days and the loans are neither credit impaired, nor any other SICR criteria are met, they exit forbore status and are classified as stage 1.

Transfers from Stage 3 to Stage 2

A financial asset is transferred from Stage 3 to Stage 2, when the criteria based on which the financial asset was characterized as credit impaired, are no longer valid.

Criteria for grouping of exposures based on shared credit risk characteristics

The assessment of loss allowance is performed either on an individual basis or on a collective basis for groups of similar items with homogeneous credit risk characteristics. The Bank applies the same principles for assessing SICR since initial recognition when estimating ECL on a collective or on an individual basis.

The Bank segments its lending exposures on the basis of shared credit risk characteristics for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default.

The shared credit risk characteristics used for the segmentation of exposures include several elements such as: instrument type, portfolio type, asset class, product type, industry, originating entity, credit risk rating, remaining term to maturity, geographical location of the borrower, value of collateral to the financial asset, forbearance status and days in arrears.

The Bank identifies individually significant exposures and performs the ECL measurement based on borrower specific information for both retail and wholesale portfolios. This measurement is performed at a borrower level, hence the criteria are defined at this level, while both qualitative and quantitative factors are taken into consideration including forward looking information.

For the remaining retail and wholesale exposures, ECL are measured on a collective basis. This incorporates borrower specific information, collective historical experience of losses and forward-looking information. For debt securities, the measurement of impairment losses is performed on an individual debt security basis.

Measurement of Expected Credit Losses

The measurement of ECL is an unbiased probability-weighted average estimate of credit losses that reflects the time value of money, determined by evaluating a range of possible outcomes. 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 are considered. For undrawn commitments, ECL are calculated as the present value of the difference between the contractual cash flows due if the commitment is drawn and the cash flows expected to be received, while for financial guarantees ECL are measured as the expected payments to reimburse the holder less any amounts that the Bank expects to receive.

The Bank estimates 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 case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflect the amount and timing of cash flows that are expected from liquidation less the discounted costs of obtaining and selling the collateral, irrespective of whether liquidation is probable.

ECL are calculated over the maximum contractual period over which the Bank is exposed to credit risk, which is determined based on the substantive terms of the instrument, or in case of revolving credit facilities, by taking into consideration factors such as the Bank's expected credit risk management actions to mitigate credit risk and past practice.

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Receivables from customers arising from the Bank's activities other than lending, are presented under Other Assets and are typically short term. Therefore, considering that usually there is no significant financing component, the loss allowance for such financial assets is measured at an amount equal to the lifetime expected credit losses under the simplified approach.

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 derives 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, LGD and EAD used for accounting purposes may differ from those used for regulatory purposes. For the purposes of impairment measurement, PD 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 for impairment purposes, LGD and EAD reflect an unbiased and probability-weighted amount.

The PD represents the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon.

The Bank uses Point in Time (PiT) PDs in order to remove any bias towards historical data thus aiming to reflect management's view of the future as at the reporting date, incorporating relevant forward looking information including macroeconomic scenarios.

Two types of PD are used for calculating ECL:

- 12-month PD, which is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial asset if this is less than 12 months). It is used to calculate 12-month ECL for Stage 1 exposures.
- Lifetime PD, which is the estimated probability of a default occurring over the remaining life of the financial asset. It is used to calculate lifetime ECL for Stage 2, Stage 3 and POCI exposures.

For debt securities, PDs are obtained by an international rating agency using risk methodologies that maximize the use of objective non-judgmental variables and market data. The Bank assigns internal credit ratings to each issuer/counterparty based on these PDs. In case of counterparties for which no information is available, the Bank assigns PDs which are derived from internal models.

The Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The EAD includes both on and off balance sheet exposures. The on balance sheet exposure corresponds to the total amount that has been withdrawn and is due to be paid, which includes the outstanding principal, accrued interest and any past due amounts. The off balance sheet exposure represents the credit that is available to be withdrawn, in excess of the on balance sheet exposure.

Furthermore, the CCF factor is used to convert the amount of a credit facility 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.

In addition, 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.

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure and it 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 Bank distinguishes its loan portfolios into two broad categories i.e. secured and unsecured. The Bank estimates the LGD component using cure rates that reflect cash recoveries, estimated proceeds from collateral liquidation, estimates for timing realization, realization costs, etc. Where the LGD's component values are dependent on macro – economic data, such types of dependencies are reflected by incorporating forward looking information, such as forecasted price indices into the respective models. The estimation of the aforementioned component values within LGD reflects available historical data which cover a reasonable period, i.e. a full economic cycle.

For debt securities, the LGD is typically based on historical data derived mainly from rating agencies' studies but may also be determined considering the existing and expected liabilities structure of the obligor and macroeconomic environment.

Notes to the Financial Statements

Furthermore, the seniority of the debt security, any potential collaterals by the obligor or any other type of coverage is taken into account for the calculation.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about reasonable and supportable forecasts of future events and macroeconomic conditions. The estimation and application of forward-looking information requires significant judgment.

The Bank uses, at a minimum, three macroeconomic scenarios (i.e. base, adverse and optimistic) to achieve the objective of measuring ECL in a way that reflects an unbiased and probability weighted outcome. The base scenario represents the most likely scenario and is aligned with the information used by the Bank for strategic planning and budgeting purposes.

The scenarios are reflected in the risk parameters, and, namely 12-month PD, Lifetime PD and LGD, hence 3 sets of each of these parameters are used, in line with the scenarios developed.

The Bank then proceeds to the calculation of weights for each scenario, which represent the probability of occurrence for each of these scenarios. These weights are applied on the 3 sets of calculations of the parameters in order to produce a single scenario weighted risk parameter value which is subsequently used in both SICR assessment and ECL measurement. ECL calculation incorporates forward-looking macroeconomic variables, including GDP growth rates, house price indices, unemployment rates, interest rates, etc. In order to capture material non – linearities in the ECL model, in the case of individually significant exposures, the Bank considers the relevance of forward looking information to each specific group of borrowers primarily on the basis of the business sector they belong and other drivers of credit risk (if any). As such, different scenario weights are determined per groups of borrowers with the objective of achieving an unbiased ECL amount which incorporates all relevant and supportable information.

Modified Financial Assets

In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial enough, the modification date is considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. Such a modified asset is typically classified as Stage 1 for ECL measurement purposes. However, in some circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the new financial asset is credit-impaired at initial recognition, and thus, the financial asset is recognized as an originated credit-impaired financial asset (POCI).

In cases where the contractual cash flows of a financial asset have been modified and the modification is not considered substantial enough, the Bank recalculates the gross carrying amount of the financial asset and recognizes the difference as a modification gain or loss in the income statement and determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the risk of a default occurring at initial recognition based on the original unmodified contractual terms and the risk of a default occurring at the reporting date, based on the modified contractual terms.

Presentation of impairment allowance

For financial assets measured at amortized cost, impairment allowance is recognized as a loss allowance reducing the gross carrying amount of the financial assets in the balance sheet. For debt instruments measured at FVOCI, impairment allowance is recognized in other comprehensive income and does not reduce the carrying amount of the debt instruments in the balance sheet. For off-balance sheet financial items arising from lending activities, impairment allowance is presented in Other Liabilities. The respective ECL for the above financial items is recognised within impairment losses.

Write-off of financial assets

Where the Bank has no reasonable expectations of recovering a financial asset either in its entirety or a portion of it, the gross carrying amount of that instrument is reduced directly, partially or in full, against the impairment allowance. The amount written-off is considered as derecognized. Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses in the income statement.

Policy applicable before 1 January 2018

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

Notes to the Financial Statements

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 or 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

Notes to the Financial Statements

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

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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 derecognition of the loan, unless, in accordance with accounting policy 2.2.9 '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 derecognition 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 forbore loan's modified terms do not result in derecognition, 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 forbore loans (note 6.2.1.2 (d)).

Modifications that may result in derecognition 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. These are transactions where the terms of a lending exposure are renegotiated and as a result the borrower issues equity instruments (voting or no voting) in order to extinguish part or all of its financial liability to the Bank. Such transactions may include also exercise of conversion rights embedded into convertible or exchangeable bonds and enforcement of shares held as collateral.

In debt-for-equity transactions, 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.

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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.

2.2.14 Sale and repurchase agreements and securities lending

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) continue to be recorded in the 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.

2.2.15 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 described in note 2.2.13.

Operating leases:

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

2.2.16 Income tax

Income tax consists of current and deferred tax.

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(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 impairment/valuation relating to loans, Private Sector Initiative (PSI+) tax related losses, losses from disposals and crystallized write-offs of loans, 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 recognises a previously unrecognised 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 investment securities at FVOCI and cash flow hedges is 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 as a general rule 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, is provided in note 15.

2.2.17 Employee benefits

(i) Short term benefits

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

(ii) Pension obligations

The 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.

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

The Bank operates unfunded defined benefit plans in Greece, under the regulatory framework. 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.

2.2.18 Repossessed properties

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

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

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

2.2.19 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.

2.2.20 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.

2.2.21 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.

2.2.22 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.

2.2.23 Financial guarantees and commitments to extend credit

Policy applicable from 1 January 2018

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

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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 at fair value. Subsequent to initial recognition, such guarantees are measured at the higher of the amount of the impairment loss allowance, and the amount initially recognised less any cumulative amortization of the fee earned, where appropriate).

Commitments to extend credit

Commitments represent off-balance sheet items where the Bank commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. Such contractual commitments represent commitments to extend credit and standby letters and they are part of the normal lending activities of the Bank, for which an impairment allowance is recognised under IFRS 9.

Impairment allowance for off-balance sheet exposures (financial guarantees and commitments) is included within Other Liabilities.

Policy applicable before 1 January 2018

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.

Furthermore, commitments to extend credit represent off-balance sheet items where the Bank commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. The Bank recognizes a provision in accordance with IAS 37 only when the commitment contract can be considered to be onerous.

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.

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2.2.25 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.

2.2.26 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.

2.3 IFRS 9 'Financial Instruments' - Impact of adoption

2.3.1 Adoption of IFRS 9

The Bank adopted IFRS 9 in the first quarter of 2018, whereas the Standard's requirements were applied retrospectively by adjusting the Bank's balance sheet on the date of transition on 1 January 2018. The Bank applied the Standard's exemption not to restate comparative figures for prior periods; therefore the Bank's 2017 comparatives are presented on an IAS 39 basis. The effect on the carrying amounts of financial assets and liabilities at the date of transition to IFRS 9 was recognized as an adjustment to opening reserves and retained earnings. The detailed effects of the adoption of IFRS 9 on 1 January 2018 are presented in note 2.3.2.

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 was achieved through a central Program Management Office (PMO) that coordinates the implementation of the Program among the various stakeholders and was 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 comprised senior staff from all the main functions of the Group, was mandated to oversee the implementation in accordance with the Standard, monitor timeliness and the quality of the Program's deliverables, review program's results, approve deliverables and changes in the scope of the program where appropriate, and regularly informed the Executive Board, the Board Risk Committee, the Audit Committee and the Board of Directors on the Program's implementation progress. The Technical Committee was 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 were submitted and approved by the competent bodies of the Bank.

Reflecting the scale and complexity of the implementation plan, the Program was 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 were supported by two external consultancy firms.

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

Moreover, the Group participated in the IFRS 9 thematic review conducted by the European Central Bank on the evaluation of the Group's preparedness, the impact of the new accounting principles on processes, infrastructure and regulatory capital. In this context, well-evidenced assurance activities have been carried out by 2017's external auditors on Group's IFRS 9 implementation policies as well as significant audit work performed by the Group's internal auditors

The Group is committed to ensure a high quality implementation and ongoing application of IFRS 9 which ensures sound governance and internal control framework in the context of the IFRS 9 Program, taking also into consideration all existing frameworks related to risk management and corporate governance. Specifically, the PMO and Management have been involved in the monitoring and oversight of the IFRS 9 application throughout the current financial year, which is the year of adoption. In addition, the Group has enhanced the processes that are involved in the ECL calculation in order to ensure robust governance, proper monitoring by the Group's existing functions, as well as alignment with the Bank's overall risk framework and supervisory expectations.

Notes to the Financial Statements

Educational workshops to the involved stakeholders are conducted on an ongoing basis on the impact of IFRS 9 to the Group'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 Group, thus embedding the impacts of IFRS 9 to the day to day operations and overall business strategy.

2.3.2 Transition to IFRS 9 – Impact

The impact of transitioning to IFRS 9 amounts to € 982 million, which is recognised as an opening balance adjustment at 1 January 2018 of the Bank's total shareholders' equity. The above impact, as depicted in the table below, is mainly attributed to the impact on the Greek lending portfolio, which amounts to € 918 million.

	IFRS 9 impact € million
<i>Impact attributed to :</i>	
Impairment	
- Loans and advances to customers	(918)
- Other financial assets	(62)
Total impairment	<u>(980)</u>
Classification & Measurement	(2)
Hedging	-
Total IFRS 9 impact	<u>(982)</u>

The Bank, based on the Management's relevant assessment at 1 January 2018, did not recognize a deferred tax asset (DTA) of € 285 million approximately arising from the IFRS 9 transition impact. In the fourth quarter of 2018, following the reassessment of the recoverability of deferred tax assets, the Bank has recognized € 27 million DTA, affecting the income statement.

Further analysis of the IFRS 9 impact is presented below.

(i) Re-classification and re-measurement of carrying amounts upon IFRS 9 transition

For the purpose of the transition to IFRS 9, the Bank carried out a business model assessment across various portfolios for its debt instruments portfolios to determine any potential changes to the classification and measurement. The assessment has been performed based on the facts and circumstances that existed at the date of initial application i.e. 1 January 2018.

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The table below discloses the changes in the carrying amounts and the classifications of financial assets and financial liabilities upon transition to IFRS 9 as of 1 January 2018.

	IAS 39		Reclassification € million	Remeasurement		IFRS 9	
	Category	Amount € million		ECL € million	Other € million	Amount € million	Category
Financial Assets							
Cash and balances with central banks	<i>Loans and receivables</i>					<i>Amortised cost</i>	
Closing balance 31.12.2017		372					
Remeasurement							
Opening balance 1.1.2018		372					372
Due from credit institutions	<i>Loans and receivables</i>					<i>Amortised cost</i>	
Closing balance 31.12.2017		2,867					
Reclassifications to			209				<i>Other Liabilities</i>
Remeasurement				(1)			
Opening balance 1.1.2018		2,867	209	(1)			3,075
Loans and advances to customers measured at amortised cost	<i>Loans and receivables</i>					<i>Amortised cost</i>	
Closing balance 31.12.2017		30,866					
Reclassifications to			(55)				<i>FVTPL (mandatory)</i>
Remeasurement				(918)			
Opening balance 1.1.2018		30,866	(55)	(918)			29,893
Loans and advances to customers measured at FVTPL						<i>FVTPL (mandatory)</i>	
Reclassifications from	<i>Loans and receivables</i>		55				
Remeasurement					(3)		
Opening balance 1.1.2018			55		(3)		52
Total loans and advances to customers		30,866	-	(918)	(3)		29,945
Debt securities lending portfolio	<i>Loans and receivables</i>						
Closing balance 31.12.2017		1,624					
Reclassifications to			(1,043)				<i>Amortised cost</i>
			(481)				<i>FVOCI</i>
			(100)				<i>FVTPL (mandatory)</i>
Opening balance 1.1.2018		1,624	(1,624)				-
Held-to-maturity portfolio	<i>Held-to-maturity</i>						
Closing balance 31.12.2017		108					
Reclassifications to			(108)				<i>FVOCI</i>
Opening balance 1.1.2018		108	(108)				-
Debt securities measured at amortised cost						<i>Amortised cost</i>	
Reclassifications from/	<i>Loans and receivables</i>		1,043	(55)	5		
Remeasurements							
Opening balance 1.1.2018			1,043	(55)	5		993

Notes to the Financial Statements

	IAS 39		Reclassification € million	Remeasurement		IFRS 9	
	Category	Amount € million		ECL € million	Other € million	Amount € million	Category
Financial Assets							
AFS portfolio	<i>Available for sale</i>						
Closing balance 31.12.2017		4,884					
Reclassifications to			(4,822)				<i>FVOCI - Debt</i>
			(62)				<i>FVTPL - Equity</i>
Opening balance 1.1.2018		4,884	(4,884)			-	
Debt securities measured at FVOCI							<i>FVOCI</i>
Reclassifications from/ Remeasurements	<i>AFS</i>		4,822				
	<i>Loans and receivables</i>		481		2		
	<i>Held-to-maturity</i>		108		(5)		
Opening balance 1.1.2018			5,411		(3)	5,408	
Investment securities mandatorily at FVTPL							<i>FVTPL (mandatory)</i>
Reclassifications from/ Remeasurements	<i>Loans and receivables</i>		100		(1)		
	<i>AFS - Equity</i>		62				
	<i>FVTPL - Equity</i>		1				
Opening balance 1.1.2018			163		(1)	162	
Investment in equity securities at FVOCI							
Reclassifications from	<i>AFS</i>		-			-	<i>FVOCI</i>
Opening balance 1.1.2018			-			-	
Total investment securities		6,616	1	(55)	1	6,563	
Securities held for trading	<i>FVTPL</i>						<i>FVTPL</i>
Closing balance 31.12.2017		13					
Reclassifications to			(1)				<i>FVTPL - Equity</i>
Opening balance 1.1.2018		13	(1)			12	
Derivative financial instruments (assets)	<i>FVTPL</i>						<i>FVTPL</i>
Closing balance 31.12.2017		1,884					
Remeasurement							
Opening balance 1.1.2018		1,884				1,884	
Other Assets	<i>Loans and receivables</i>						<i>Amortized cost</i>
Closing balance 31.12.2017		1,608					
Remeasurement				(6)			
Opening balance 1.1.2018		1,608		(6)		1,602	

Notes to the Financial Statements

	IAS 39		Reclassification € million	Remeasurement		IFRS 9	
	Category	Amount € million		ECL € million	Other € million	Amount € million	Category
Financial Liabilities							
Due to central banks	<i>Amortised cost</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		9,994					
Opening balance 1.1.2018		9,994				9,994	
Due to credit institutions	<i>Amortised cost</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		7,168					
Opening balance 1.1.2018		7,168				7,168	
Due to customers measured at FVTPL	FVTPL (designated)						
Closing balance 31.12.2017		4					
Reclassifications to			(4)				<i>Amortised cost</i>
Opening balance 1.1.2018		4	(4)			-	
Due to customers measured at amortised cost	<i>Amortised cost</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		25,011					
Reclassifications from	FVTPL		4				
Remeasurement					(0)		
Opening balance 1.1.2018		25,011	4		(0)	25,015	
Total due to customers		25,015	-		(0)	25,015	
Debt securities in issue measured at FVTPL	FVTPL (designated)						
Closing balance 31.12.2017		-					
Reclassifications to			-				<i>Amortised cost</i>
Opening balance 1.1.2018		-	-			-	
Debt securities in issue measured at amortised cost	<i>Amortised cost</i>						<i>Amortised cost</i>
Closing balance 31.12.2017		503					
Reclassifications from	FVTPL						
Remeasurement							
Opening balance 1.1.2018		503				503	
Total debt securities in issue		503				503	
Derivative financial instruments (liabilities)	FVTPL						FVTPL
Closing balance 31.12.2017		1,850					
Remeasurement					0		
Opening balance 1.1.2018		1,850			0	1,850	
Other Liabilities							
Closing balance 31.12.2017		476					
Reclassifications from	<i>Loans and receivables</i>		209				
Opening balance 1.1.2018		476	209			685	
Deferred income tax assets/ (liabilities)							
Closing balance 31.12.2017		4,846					
Remeasurement							
Opening balance 1.1.2018		4,846			-	4,846	
Total IFRS 9 Impact					(980)	(2)	

As a result of the transition to IFRS 9, the most significant changes in classification and measurement of the financial assets and liabilities of the Bank are as follows:

- Loans and advances to banks and customers measured at amortized cost under IAS 39, are also measured at amortized cost under IFRS 9, except for a non-significant amount (0.2%) loans and advances to customers of € 55 million, which has been reclassified to FVTPL (mandatorily).
- All available-for-sale, under IAS 39, debt securities of carrying amount € 4,822 million are measured at FVOCI under IFRS 9.
- Held-to-maturity investment securities of € 108 million measured at amortized cost under IAS 39, are measured at FVOCI under IFRS 9.

Notes to the Financial Statements

- Debt securities lending portfolio of € 1,524 million measured at amortized cost under IAS 39, are measured at amortized cost or FVOCI under IFRS 9 depending on the business model within which they are held.
- Limited cases of debt securities of carrying amount € 100 million failed the SPPI test and therefore, are measured at FVTPL under IFRS 9.
- Equity securities of carrying amount € 62 million classified as available-for-sale under IAS 39 are measured at FVTPL under IFRS 9.
- Trading and derivative assets of € 13 million and € 1,884 million respectively measured at FVTPL under IAS 39, are also measured at FVTPL under IFRS 9.
- Financial liabilities that are designated at FVTPL under IAS 39 (structured deposits) are measured at amortized cost, while embedded derivatives are separated from the host contracts where appropriate. The Bank has revoked the designation as permitted by IFRS 9 and the embedded derivatives are fully hedged economically with offsetting positions in standalone derivative instruments.
- Provisions for intragroup financial guarantees of € 209 million, which under IAS 39 were presented within due from credit institutions, are presented within provisions of other liabilities as of 1 January 2018.

The table below presents the impact of transition to IFRS 9 to Fair value reserve and Retained earnings:

	IFRS 9 impact € million
Special reserves	
Closing balance under IAS 39	7,755
<i>of which AFS reserve</i>	206
Remeasurement under IFRS 9 measurement categories	5
Remeasurement under IFRS 9 ECL impairment for FVOCI portfolio	12
Deferred tax	(4)
Opening balance under IFRS 9	7,768
Retained earnings	
Closing balance under IAS 39	(11,018)
Remeasurement under IFRS 9 measurement categories	(7)
Remeasurement under IFRS 9 ECL impairment including FVOCI portfolio	(992)
Deferred tax	4
Opening balance under IFRS 9	(12,013)

The following table reconciles the prior period's closing impairment allowance for Loans and advances to customers and Debt Securities measured in accordance with the IAS 39 incurred loss model and the provisions for credit related commitments, in accordance with IAS 37, to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018.

	31 December 2017 as per IAS 39/IAS 37	as at 1 January 2018 as per IFRS 9			
		12-month ECL € million	Remeasurement		Loss Allowance under IFRS 9 € million
Provision for impairment⁽¹⁾ € million	Lifetime ECL not credit- impaired € million		Lifetime ECL credit- impaired € million		
Loans and advances to customers at amortised cost ⁽²⁾	8,986	(20)	451	487	9,904
Debt securities at amortised cost	-	2	53	-	55
Debt securities at FVOCI	-	11	1	-	12
Total	8,986	(7)	505	487	9,971

⁽¹⁾ IAS 39/IAS 37 provision for impairment excludes € 31 million provisions for lending exposures at FVTPL.

⁽²⁾ As at 1 January 2018, the impairment allowance on loans and advances to customers at amortised cost includes an amount of € 122 million for credit related commitments.

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Additional loss allowance of € 985 million is recognized as a result of the transition to IFRS 9 for the said instruments. The loss allowance relating to credit losses of debt securities at FVOCI (€ 12 million) is recognized in other comprehensive income and does not reduce the carrying amount of the debt securities in the balance sheet.

(ii) Regulatory capital

The Bank's 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	1 January 2018	1 January 2018
	IAS 39 € million	IFRS 9 full impact € million	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 capital impact on the fully loaded CET1 ratio as at 1 January 2018, based on the full implementation of the Basel III rules in 2024 is shown in the table below:

Fully loaded CET 1 ratio	As at		
	31 December 2017	1 January 2018	IFRS 9
	IAS 39 € million	IFRS 9 full impact € million	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 as of 1 January 2023. As a consequence, CET1 ratio has been reduced approximately by 25 basis points on the first year of IFRS 9 adoption, corresponding to a reduction of € 120 million in regulatory capital by applying regulatory transitional arrangements.

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. Revisions to estimates are recognized prospectively. 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 to customers

Policy applicable from 1 January 2018

ECL measurement

The ECL measurement requires management to apply significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit

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risk. These estimates are driven by a number of factors, changes in which can result in significant changes to the timing and amount of allowance for credit loss to be recognized.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

Determination of a significant increase of credit risk

IFRS 9 does not include a definition of what constitutes a significant increase in credit risk (SICR). An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument. The Bank assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable forward-looking information that includes significant management judgment. More stringent criteria could significantly increase the number of instruments migrating to stage 2.

For retail lending exposures the primary criterion is the change in the residual cumulative lifetime PD above specified thresholds. These thresholds are set and vary per portfolio, modification status (modified/non-modified), product type as well as per origination PD level. In general, thresholds for lower origination PDs are higher than those assessed for higher origination PDs.

As of 31 December 2018, the range of lifetime PD thresholds based on the above segmentation, that triggers allocation to stage 2 for Greece's retail exposures are set out below:

Retail exposures	Range of SICR thresholds
Mortgage	30%-50%
Home Equity	10%-80%
SBB	10%-65%
Consumer	60%-100%

For wholesale portfolios, the origination PD curves and the residual lifetime PD curves at each reporting date are mapped to credit rating bands. Accordingly, SICR thresholds are based on the comparison of the origination and reporting date credit ratings, whereby rating downgrades represent changes in residual lifetime PD. Similar to retail exposures, the Bank segments the wholesale portfolios based on asset class, loan type and credit rating at origination.

As of 31 December 2018, the credit rating deterioration thresholds as per applicable borrower internal rating scale, that trigger allocation to stage 2 per rating bands for Greece's wholesale portfolio are set out in the tables below:

Wholesale internal rating bands	SICR threshold range
1-2	Two to Three notches
3-4	Two notches or more
5-8	One notch or more

Determination of scenarios, scenario weights and macroeconomic factors

To achieve the objective of measuring ECL, the Bank evaluates a range of possible outcomes in line with the requirements of IFRS 9 through the application of a minimum three macroeconomic scenarios i.e. baseline, adverse and optimistic, in a way that reflects an unbiased and probability weighted outcome. Each of the scenarios is based on management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. As of 31 December 2018, the probability weights for the above mentioned scenarios applied by the Bank in the ECL measurement calculations are 50% for the baseline scenario and 25% for the adverse and optimistic scenarios.

The Bank ensures that impairment estimates and macroeconomic forecasts applicable for business and regulatory purposes are fully consistent. Accordingly, the baseline scenario applied in the ECL calculation coincides with the one used for ICAAP, business planning and stress testing purposes. In addition, all experience gained from the stress tests imposed by the regulator, have been taken into account in the process of developing the macroeconomic scenarios, as well as, impairments for stress testing purposes have been forecasted in line with IFRS 9 ECL methodology.

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In terms of macroeconomic assumptions, the Bank assesses a number of indicators in projecting the risk parameters, namely Residential and Commercial Property Price Indices, unemployment, Gross Domestic Product (GDP), Greek Government Bond (GGB) spread over Euribor and inflation as well as Interest and FX rates. Regarding the key macroeconomic indicators used in the ECL measurement of Greek lending portfolios for the year ended 31 December 2018, the arithmetic averages of the scenarios' probability-weighted annual forecasts from 2019 to 2022, are set in the following table:

Key macroeconomic indicator	Arithmetic average (2019-2022) probability-weighted annual forecast
Gross Domestic Product	1.74%
Unemployment	17.72%
Residential property prices' index	1.70%
Commercial property prices' index	2.20%

Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables for the forecast horizon would have a significant effect on the ECL amount. The Bank independently validates all models and underlying methodologies used in the ECL measurement through competent resources, who are independent of the model development process.

Development of ECL models, including the various formulas, choice of inputs and interdependencies

For the purposes of ECL measurement the Bank performs the necessary model parameterization based on observed point-in-time data on a granularity of monthly intervals. The ECL calculations are based on input parameters, i.e. EAD, PDs, LGDs, CCFs, etc. incorporating management's view of the future. The Bank also determines the links between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Furthermore, the PDs are unbiased rather than conservative and incorporate relevant forward looking information including macroeconomic scenarios. The forecasting risk parameters models incorporate a number of explanatory variables, such as GDP, unemployment etc. which are used as independent variables for optimum predictive capability. The models are based on logistic regressions and run under the different macroeconomic scenarios and relevant changes and shocks in the macro environment reflected accordingly in a non-linear manner.

Segmentation of financial assets when their ECL is assessed on a collective basis

The Bank segments its exposures on the basis of shared credit risk characteristics upon initial recognition for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default. On subsequent periods, the Bank re-evaluates the grouping of its exposures at least on an annual basis, in order to ensure that the groups remain homogeneous in terms of their response to the identified shared credit risk characteristics. Re-segmentation reflects management's perception in respect to the change of credit risk associated with the particular exposures compared to initial recognition.

Modeling and Management overlays / adjustments

A number of sophisticated models have been developed or modified to calculate ECL, while temporary management adjustments may be required to capture new developments and information available, which are not yet reflected in the ECL calculation through the risk models. Internal counterparty rating changes, new or revised models and data may significantly affect ECL. The models are governed by the Bank's validation framework, which aim to ensure independent verification, and are approved by the Board Risk Committee (BRC).

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Sensitivity analysis on lending portfolios

The table below depicts the estimated effect in the Bank's ECL measurement (including off-balance sheet items) upon potential reasonable combined changes of forecasts in key macroeconomic indicators over the next 5 years (2019-2023):

Key macroeconomic indicators	Sensitivity scenario		Combined change %	Impact				
	Positive change	Adverse change		in € million		% of allowance		
				Positive change	Adverse change	Positive change	Adverse change	
GDP growth	+30%	-30%	change of annual forecasts					
Unemployment Rate	-6.5%	+6.5%	change of annual forecasts					
Property indices (RRE/CRE)	+2%	-2%	change of index adjusted real estate collateral market					
				Total Bank	-145	173	-1.69	+2.01

It is noted that sensitivity analysis when performed on certain key parameters can provide meaningful information only for portfolios where the risk parameters have a significant impact on the overall credit risk of a lending portfolio, particularly where such sensitivities are also used for internal credit risk management purposes. Otherwise, a sensitivity on certain combinations of some risk parameters may not produce meaningful results as in reality there are interdependencies between the various economic inputs, rendering any changes in the parameters, changes correlated in other factors.

The Bank updates and reviews the reasonability and performs back-testing of the main assumptions used in its methodology assessment for SICR and ECL measurement, at least on an annual basis or earlier, based on facts and circumstances. In this context, experienced and dedicated staff within the Bank's Risk Management function monitors the risk parameters applied for the estimation of ECL. Furthermore, as part of the well-defined governance framework, any revisions to the methodology used are approved by the Bank competent committees and ultimately the Board Risk Committee (BRC).

Policy applicable before 1 January 2018

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.

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

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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.

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. The same decrease in the small business lending portfolio's recovery rates would give rise to an additional impairment loss of approximately € 44 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:

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- 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 6.3.

3.3 Impairment of available-for-sale equity investments

Policy applicable before 1 January 2018

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 Classification of financial instruments

The Bank applies significant judgment in assessing the classification of its financial instruments and especially, in the below areas:

Business model assessment

Judgment is exercised in order to determine the appropriate level at which to assess the business model. In assessing the business model of financial instruments, these are aggregated into groups (business lines) based on their characteristics, and the way they are managed in order to achieve the Bank's business objectives. In general the assessment is performed at the business unit level both for loans and debt securities. However, further disaggregation may be performed by business strategy/ region, etc.

In assessing the business model for financial instruments, the Bank performs a past sales evaluation of the financial instruments and assesses their expected evolution in the future. Judgment is exercised in determining the effect of sales to a "hold to collect" business model depending on their objective and their acceptable level and frequency.

Contractual cash flow characteristics test (SPPI test)

The Bank performs the SPPI assessment of loans and debt securities by considering all the features which might potentially lead to SPPI failure. Judgment is applied by the responsible Business Units when considering whether certain contractual features significantly affect future cash flows. Accordingly, for non-recourse loans, the Bank assesses jointly criteria such as the adequacy of equity, LTV (Loan-to-Value) and DSCR (Debt-Service-Coverage-Ratio) ratios as well as the existence of corporate and personal guarantees. Furthermore, in order to assess whether any variability in the cash flows is introduced by the modified time value of money element, the Bank performs a quantitative assessment (as described in note 2). Moreover, the Bank evaluates certain cases on whether the existence of performance-related terms exposes the Bank to asset risk rather to the borrower's credit risk.

The Bank has established a robust framework to perform the necessary assessments in accordance with Bank's policies in order to ensure appropriate classification of financial instruments, including reviews by experienced staff for both lending exposures and debt securities.

3.5 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.

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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 losses realized. 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 2018, 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 a) 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 and b) the update of the Plan for the period till the end of 2021 that was submitted to the Board of Directors and the Hellenic Financial Stability Fund (HFSF) in December 2018. The implementation of the abovementioned Business Plan and its update largely depend on the risks and uncertainties that stem from the macroeconomic environment in Greece.

As at 31 December 2018, an amount of € 62 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.

3.6 Retirement benefit obligations

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

The 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 the 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.

3.7 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 valuers and Eurobank Property Services S.A. (note 25), 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 included in note 27.

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3.8 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 42.

3.9 Other significant accounting estimates and judgments

Information in respect of other estimates and judgments that are made by the Bank is provided in notes 4 and 25.

4. Credit exposure to Greek sovereign debt

The carrying value of Greek sovereign major exposures is as follows:

	2018	2017
	€ million	€ million
Greek government bonds	3,180	2,530
Derivatives with the Greek state	1,189	1,181
Exposure relating with Greek sovereign risk financial guarantee	197	196
Loans guaranteed by the Greek state	103	117
Loans to Greek local authorities and public organizations	55	53
Treasury bills	0	1,044
Total	<u>4,724</u>	<u>5,121</u>

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 6.3.

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5. Capital Management

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

	2018 € million	2017 € million
Total equity	4,378	6,442
Add: Adjustment due to IFRS 9 transitional arrangements	798	-
Less: Preferred Securities	(42)	(43)
Less: Other regulatory adjustments	(566)	(226)
Common Equity Tier 1 capital	4,568	6,173
Add: Preferred securities subject to phase-out	17	21
Less: Other regulatory adjustments	-	(21)
Total Tier 1 capital	4,585	6,173
Tier 2 capital-subordinated debt	950	-
Add: Other regulatory adjustments	-	5
Total Regulatory Capital	5,535	6,178
Risk Weighted Assets	34,436	32,689
Ratios:	%	%
Common Equity Tier 1	13.3	18.9
Tier 1	13.3	18.9
Total Capital Adequacy Ratio	16.1	18.9

Note: The Bank's CET1 as at 31 December 2018, based on the full implementation of the Basel III rules in 2024, (fully loaded CET1) would be 10.7% (31 December 2017: 15.2%).

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) as adopted by the European Central Bank 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 2018 SREP decision, starting from 1 March 2019, the Bank is required to meet on an individual basis a Common Equity Tier 1 ratio of at least 10.25% and a Total Capital Adequacy Ratio of at least 13.75% (Overall Capital Requirements including the Capital Conservation Buffer and the Other Systemically Important Institutions Buffer).

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 coordinated the EU-wide stress test exercise in cooperation with the ECB and national authorities. The results of the stress test 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 was conducted according to the EBA's methodology, which was published in November 2017, templates and scenarios. The exercise was carried out on the basis of year-end 2017 figures as restated with the impact of the IFRS 9 adoption

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and assessed 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 was 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, was 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 were 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, underwent the same stress test (ST) under the EBA scenarios and methodology. The timetable for the Greek systemic banks was accelerated in order to complete the test before the end of the third European Stability Mechanism stability support program for Greece.

2018 Eurobank Stress Test Results

On 5 May 2018, the ECB announced the results of the ST for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome along with other factors that have been assessed by the Supervisory Board (SB) of the SSM, pointed to no capital shortfall and no capital plan needed for the Bank as a result of the exercise.

Under the adverse scenario, the Bank's total capital adequacy ratio (CAD), including the effect of Tier 2 securities, issued in January 2018, is 9.5%, and the Core Tier 1 Capital (CET1) ratio is 6.8%. These ratios would be ca. 40 bps higher, at 9.9% and 7.2% respectively, if the positive impact from the sale of the Romanian disposal group (completed in early April 2018) was taken into account. The capital depletion stood at € 3.4 bn (8.7 ppts, excluding the negative impact of 250 bps related to the phase-out of grandfathered preference shares). Under the baseline scenario, the Bank is capital accretive, with CAD and CET1 ratios increasing at 19.3% and 16.6%, respectively. These ratios would be ca. 40 bps higher if the positive impact from the sale of the Romanian disposal group was included.

The Bank's performance in the ST confirms that it remains resilient to external shocks. The Bank's total capital and overall solid performance allows it to further streamline efforts on the implementation and delivery of its business priorities, focusing on effective management and rapid decrease of stock of non-performing exposures in line with its plans, as well as providing financing to its clients, to the Greek economy and the region. The above business priorities, along with additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad will generate or release further capital and/or reduce risk weighted assets, contributing to the further strengthening of the Group's capital position.

Restructuring plan and Monitoring Trustee

The Bank's commitments included in the revised restructuring plan, as approved by the European Commission on 26 November 2015, have been fully met until the end of 2018. In particular, during 2018, the Group has met/respected the remaining commitments of the restructuring plan including: (a) the reduction of the portfolio of the Group's foreign assets (non-related to Greek clients), following the completion of the sale of the Romanian disposal group, in April 2018 (note 25) and (b) the reduction of the net loans to deposits ratio for the Group's Greek banking activities below the limit of 115%, as the respective ratio has improved to 105% on 31 December 2018 (31 December 2017: 128%).

Grant Thornton S.A. that was appointed as the Bank's Monitoring Trustee (MT) had undertaken to monitor the implementation of the restructuring plan that ended on 31 December 2018 and report to the European Commission.

Further information in respect of the restructuring plan, the relating principal commitments included therein and the Bank's MT was provided in the note 6 of the financial statements for the year ended 31 December 2017.

6. Financial risk management and fair value

6.1 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.

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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.

6.2 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 in a manner that enables the Group to identify and deal with the risks associated with those changes. The Bank's structure, internal processes and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision.

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

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

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

Risk appetite that is clearly communicated throughout the Group, determines risk culture and forms the basis on which risk policies and risk limits are established at Group and regional level.

Board Risk Committee (BRC)

The Board Risk Committee (BRC) is a committee of the BoD and its task is to assist the BoD to ensure that the Group has a well-defined risk and capital strategy in line with its business plan and an adequate and robust risk appetite.

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

The BRC consists of six non-executive directors, meets at least on a monthly basis and reports to the BoD on a quarterly basis and on ad hoc instances if it is needed.

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Management Risk Committee

The Management Risk Committee (MRC) is a management committee established by the CEO in 2016 and operates as an advisory committee to the BRC.

The main responsibility of the MRC is to oversee the risk management framework of the Group. As 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 which 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, market, operational and liquidity risks of the Group. It comprises of the Group Credit General Division, the Group Credit Control Sector (GCCS), the Group Credit Risk Capital Adequacy Control Sector (GCRCACS), the Group Market and Counterparty Risk Sector (GMCRS), the Group Operational Risk Sector, the Group Model Validation and Governance Sector, the Group Risk Management Strategy Planning and Operations Unit and the Supervisory Relations and Resolution Planning Division (dual reporting also to the Group Chief Financial Officer). In addition to the above a position of a Senior Advisor has been established who reports directly to the Group Chief Risk Officer.

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, Act No. 102/30.08.2016 and Act No. 134/5.3.2018, that detail 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 Troubled Assets Committee (TAC), with direct reporting line to the BRC, has been established in order to provide strategic guidance and monitoring of the troubled assets of Eurobank ensuring independence from business and compliance with the requirements of Decision 42/2014. 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 responsible for the management of the Group's troubled assets portfolio, for the whole process, from the pre-delinquency status in case of high risk exposures up to legal workout. It 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 Remedial General Division, the Collaterals Recovery Sector, the TAG Business Planning Sector, the TAG Risk Management and Business Policies Sector, the TAG Operational Risk Management Sector and the Business Improvement Program Management 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.

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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;
- 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 Bank of Greece (BoG), in cooperation with the supervisory arm of the European Central Bank (ECB), has designed an operational targets framework for NPEs management, supported by several key performance indicators. Pursuant to the said framework, the Greek banks submitted at the end of September 2016 a set of NPEs operational targets together with a detailed NPEs management strategy with a 3-year time horizon, which is henceforth revised annually in order to align with changes in the operating environment and the Bank's strategic priorities. In September 2018, the Greek banks submitted an updated set of NPEs operational targets, together with an updated NPEs management strategy, for the years 2018-2021. According to the revised NPEs targets, the Bank's NPEs stock is projected to reach € 11.6 bn (NPE ratio 33.0%) by the end of 2019, and € 5.4 bn (NPE ratio 16.9%) by the end of 2021, representing a reduction of 70% in NPE volumes from December 2017 to 2021 (74% for Retail and 63% for Corporate). The mix of solutions to be used is differentiated versus the previous submission, involving securitization of NPEs, increased sales and liquidations.

As at 31 December 2018, the Bank has reduced the stock of NPEs by € 2.8 bn since 31 December 2017 to € 15.3 bn which is in line with the revised target submitted to SSM in September 2018.

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.

The Bank is preparing for the re-submission of the updated NPE Strategy and Operational Targets (2019-2021) end of March 2019, at both Bank and, for the first time, Group level, as required by SSM in alignment of reporting cycles with other EU Significant Institutions as per the ECB guidance and based on New NPE strategy template. In this respect a wide-scope project has been initiated to enable all involved Group entities to adhere to the new demanding regulatory requirements. The new submission takes into account the NPE reduction Acceleration Plan that was recently announced in the context of the Bank's Transformation Plan and aims to achieve a Group NPE ratio of 16% in 2019 and a single digit by 2021.

Legal framework

In June 2018, significant legislative changes towards the reduction of NPEs include the voting of Law 4549/2018, which amends the Individual Insolvency Law 3869/2010 and the Law 4469/2017 for the operating framework of the out-of-court workout mechanism for businesses. In this context, a new protection scheme on primary residence was voted by the Greek Parliament on 29 March 2019.

6.2.1 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.

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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 wholesale and retail lending activities of the Bank, including from credit enhancements 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, capital markets and settlement activities. Taking into account that credit risk is the primary risk the Bank is exposed to, it is very closely managed and 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.

Group Credit General Division (GCGD)

The main responsibilities of the GCGD 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, 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 qualitative and quantitative 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.
- Review and 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;
- Safeguard compliance of the Lending Units with specific policies (such as SPPI/ derecognition process, assessment of individual customers for impairment review purposes, 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.

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The GCGD through its specialized International Credit Sector (ICS) is also 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 and Special Handling);
- Participation in the sessions of Special Handling 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 Risk's credit related special projects such as acquisition and /or sale of wholesale portfolio ; and
- In cooperation with Group Credit Control Sector (GCCS), it conducts field reviews regarding the quality of the loan portfolios and specific loan segments.

The Group's international subsidiaries in Bulgaria, 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.

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 and differentiated between performing and non-performing businesses. 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.

(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:

- supervise, support and maintain the credit rating and impairment systems used to assess the 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 and review the performance of all of the Group's loan portfolios;
- supervise and control the foreign subsidiaries' credit risk management units;
- 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;
- monitor and evaluate the efficiency of adopted strategies and proposed solutions in terms of dealing with Non Performing Exposures (NPEs) and the achievement of targets for NPEs reduction ,as communicated and agreed with the Supervisory Authorities;
- 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;
- ensure that EBA classifications are made in accordance with the relevant provisions and guidelines;
- participate in the approval of new credit policies and new loan products;

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- participate in the Troubled Asset Committee;
- attend meetings of Credit Committees and Special Handling Committees, without voting right;
- formulate the Group's credit impairment policy and regularly review the adequacy of provisions of all of the Group's loan portfolios;
- formulate, in collaboration with the responsible lending Units the credit policy manuals for performing borrowers; and
- provide guidance and monitor the process of designing and reviewing credit policies before approved by Management.

Furthermore, in the context of reviewing performance of Group's wholesale portfolio, GCCS through its specialized Early Warning Unit (EWU), is also responsible to assess the wholesale portfolio and detect distress signals for specific borrowers. EWU 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 consequently the Bank should take actions for close monitoring and effective management.

Group Credit Risk Capital Adequacy Control Sector

The Group Credit Risk Capital Adequacy Control Sector implements and maintains the Internal Ratings Based (IRB) approach in accordance with the Basel framework and the Capital Requirements Directive (CRD) and maintains the credit risk assessment models for the loans portfolio of the Group. The Sector reports directly to the GCRO.

Specifically, the main responsibilities of the Group Credit Risk Capital Adequacy Control Sector are to:

- control, measure and monitor the capital requirements arising from the Bank's loan portfolio along with the relevant reporting to Management and regulators (ECB/SSM)
- measure and monitor the risk parameters (PD, LGD, EAD) for the purposes of capital adequacy calculations, as well as, the estimation of risk related parameters (such as forecast 12-m PD, forecast lifetime PD) for impairment calculation purposes
- reviewing the grouping of lending exposures and ensuring their homogeneity under IFRS, re-assessing and re-developing the significant increase in credit risk (SICR) threshold;
- 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 maintain the credit risk stress testing infrastructure;
- coordinate the stress testing exercises for the loan portfolios at Group Level;
- monitoring of the regulatory framework in relation to the IRB framework performing impact assessment by initiating and managing relevant projects.
- manage the models development, implementation, maintenance and validation of the IRB models of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for evaluating credit risk;
- prepare the credit risk analyses for Internal Capital Adequacy Assessment (ICAAP)/ Pillar 2 purposes;
- implement the IRB roll-out plan of the Group;
- prepare the Basel Pillar 3 disclosures for credit risk;
- 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: risk models performance, risk parameters (PD, LGD, EAD), updates on regulatory changes and impact assessment and asset quality reviews;
- guide, monitor and supervise the Credit Risk divisions of the subsidiaries on modelling, credit stress testing and other credit risk related regulatory issues;
- monitor and guide Group's international subsidiaries on credit risk related ICAAP, stress testing and other regulatory credit risk related issues, based on Group standards. Review of local credit risk stress test exercises;
- participate in the preparation of the business plan, the NPE targets 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 credit risk models in business decisions, for funding purposes, in the capital impact assessment of strategic initiatives and the development and usage of risk related metrics such as risk adjusted pricing, Risk Adjusted Return on Capital (RAROC) etc.; and
- assist Troubled Asset Group in the risk assessment and risk impact of various programs and products.

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Group Model Validation and Governance Sector

The Group Model Validation and Governance Sector was established in September 2018, with key mandates:

- the establishment of a comprehensive model governance and validation framework, and
- the independent validation of the technical and operational completeness of all models used by the Group and their parameters, as well as their compliance with the provisions of the regulatory framework.

In more detail, the tasks of the Sector are outlined as follows:

- Prepare and update the Group's Models Framework (to include model definition, roles involved per model, model classification principles and methodology, model validation principles, materiality classifications and thresholds, models' registry governance, etc.);
- Establish and update the Group's Models Registry;
- Review models' classification, in accordance with the methodology provided in the Group Models Framework;
- Prepare and update the Group Models Validation Framework, while providing support to Group's subsidiaries in its implementation;
- Monitor changes in ECB guidelines on models' validation;
- Propose and escalate for approval the quantitative thresholds, in order to assess the results of the validation tests;
- Conduct model validation tests in alignment with the Group Model Validation Framework and regulatory requirements;
- Prepare detailed reports of the model valuation results according to the specific requirements of the model validated, if any; which are communicated to BRC on an annual basis along with any related proposed remediation plan
- Disseminate models' validation test results within the Group's BRC or MRC following reporting to Group CRO, as appropriate
- Prepare action plan for remediation actions, if any, as a result of the model validation tests implemented, and escalate the plan for its approval by the appropriate Management Authority;
- Participate in the approval process of new models for assessing ratings' system accuracy and suitability; and
- Monitor industry practices on the development and use of models as well as related ECB guidelines and restrictions.

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 6.2.1 (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. Financial guarantee contracts 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 provide credit under pre-specified terms and conditions (note 42) 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

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(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. Accordingly, the Bank employs the following rating models for the wholesale portfolio:

- Moody's Risk Analyst model ("MRA" or "Fundamental Analysis"- "FA") is used to assess the risk of borrowers for Corporate Lending.
- Internal Credit Rating model ("ICR") is used for those customers that cannot be rated by MRA.
- Transactional Rating model ("TR") has been developed in order to assess the risk of transactions taking into consideration their specific factors. Specifically, aiming to facilitate its understanding of the Expected Loss (EL) when approving a credit limit, the Bank has developed a relevant application, whereby a borrower's credit rating along with proposed credit limit and provided collaterals/guarantees are considered for the calculation of the TR.
- Slotting rating models are employed in view of assessing the risk of specialized exposures, which are part of the Specialized Lending corporate portfolio.
- Finally, an assessment of the borrowers' viability and the identification of impairment triggers is performed using the Viability and the Impairment scorecards.

MRA, ICR, Slotting, Viability and Impairment scorecards functions are supported by the Risk Analyst ("RA") computing platform provided by an external provider (Moody's Analytics), while the TR is internally developed and is being supported by the core applications of the Bank.

MRA follows the Moody's fundamental analysis (FA) approach. The FA models belong to a family of models defined as Knowledge Based Systems and rely on a probabilistic reasoning approach. They use quantitative and qualitative information of individual obligors in order to assess their creditworthiness and determine their credit rating. In particular, MRA takes into account the entity's balance sheets, profit & loss accounts and cash flow statements to calculate key ratios. Its ratio analysis includes assessments of each ratio's trend across multiple periods, both in terms of the slope and volatility of the trend. It also compares the value of the ratio for the most recent period with the quartile values for a comparable peer group. Moreover, MRA is supplied with a commonly used set of qualitative factors relating to the quality of the company's management, the standing of the company within its industry and the perceived riskiness of the industry. 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.

The MRA is not employed for certain types of entities that use different accounting methods to prepare their financial statements, such as Insurance companies and brokerage firms. Moreover, entities such as start-ups that have not produced financial information for at least two annual accounting periods are not rated with MRA. In such cases, the Internal Credit Rating ("ICR") is utilized, which is a scorecard consisting of a set of factors grouped into 3 main sections corresponding to particular areas of analysis: Financial Information, Qualitative Criteria, and Behavior Analysis.

In addition, the Bank performs an overall assessment of wholesale 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 wholesale customers are reviewed at least once a year, whereas higher risk customers are reviewed either on a semi-annual or a quarterly basis.

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With reference to Specialized Lending portfolio (for which the Bank is using Slotting rating models) and in line with European Banking Authority (EBA) definitions, it comprises types of exposures towards entities specifically created to finance or operate physical assets, where the primary source of income and repayment of the obligation lies directly with the assets being financed. Accordingly, three of its product lines that are included in the Specialized Lending exposure class: Project Finance (assessed with the Project Finance Scorecard), Commercial Real Estate (assessed with the CRE investor & CRE Developer Scorecards) and Object Finance (assessed with the Object Finance Scorecard tailored for the Shipping portfolio).

Regarding the assessment of a borrower's viability and the corresponding classification into Viable-Non-Viable, it is performed by the responsible relationship manager at least annually, as a part of a credit review process. The assessment is made through the RA platform, as part of the credit limit application, renewal or amendment process. The criteria considered for the classification of a borrower as "Viable" or "Non-Viable" include the level of turnover, the values of specific financial ratios, the future cash flow generation capacity, as well as a number of qualitative characteristics.

In addition, the Bank has developed an Impairment Rating Scorecard in accordance to which borrowers should be assessed and classified as impaired or not. The Impairment Rating Scorecard is embedded in the RA platform, in order to depict and archive in the most effective way, the information which is taken into consideration during credit limit reviews, especially in respect to the assessment of impairment triggers.

The Bank has further enhanced its wholesale credit risk assessment models linking risk parameters estimation with macro-economic factors allowing the forecasting of rating transitions under different macroeconomic scenarios (base, adverse and optimistic).

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

- the credit approval or rejection, both at the origination and review process;
- the allocation of competence levels for credit approval;
- risk-adjusted pricing;
- the calculation of Economic Value Added (EVA) and internal capital allocation; and
- the impairment calculation (staging criteria and subsequent ECL estimation of forecasted risk parameters).

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 Bank's models were developed based on 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).

In the context of IFRS9 implementation, the Bank has further enhanced its retail credit risk assessment models linking risk parameters estimation with macro-economic factors allowing their forecasting over one year and lifetime horizon under different macroeconomic scenarios (base, adverse and optimistic) and supporting the staging analysis and allocation to risk classes under homogeneous pools.

The Group Credit Risk Capital Adequacy Control 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 on an ongoing basis. The Group Models Validation and Governance Sector implements the Bank's validation policy which complies with international best practices and regulatory requirements. The Bank verifies the validity of the rating models and scoring systems on

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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 in wholesale and retail rating systems 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 performs collaterals' valuation in accordance with its processes and policies. 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. (note 25), 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 order to monitor the valuation of residential property held as collateral, the Bank uses the Residential Property Index developed in collaboration with other major banks in Greece. This methodology, 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. The Residential Property Index is used in combination with physical inspection and desktop valuation, depending on the EBA status and the balance of the loan.

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For commercial real estates, the Bank uses the Commercial Real Estate Index developed by Eurobank Property Services S.A. This index is based on internationally accepted methodology and constitutes a tool for the statistical monitoring of possible changes of the values of the commercial properties as well as for the trends in the particular market. It is updated on an annual basis. The Commercial Real Estate Index is used in combination with physical inspection and desktop valuation, depending on the EBA status and the balance of the loan.

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 through the use of advanced statistical reports and 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 significant 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.

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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.

6.2.1.1 Maximum exposure to credit risk before collateral held

Amounts under IFRS 9

	2018	
	€ million	
Credit risk exposures relating to on-balance sheet assets are as follows:		
Due from credit institutions ⁽²⁾	2,005	
Less: Impairment allowance	<u>(2)</u>	2,003
Debt securities held for trading		18
Derivative financial instruments		1,875
Loans and advances to customers at amortised cost:		
- Wholesale lending	13,668	
- Mortgage lending	14,895	
- Consumer lending	2,862	
- Small business lending	5,850	
Less: Impairment allowance	<u>(7,967)</u>	29,308
Loans and advances to customers measured at FVTPL		46
Investment securities:		
- Debt securities measured at amortised cost	971	
Less: Impairment allowance	<u>(30)</u>	941
- Debt securities measured at FVOCI		5,578
Investment securities at FVTPL		78
Other financial assets ⁽¹⁾	35	
Less: Impairment allowance	<u>(13)</u>	22
Credit risk exposures relating to off-balance sheet items (note 42)		
- Loan commitments		2,438
- Financial guarantee contracts and other commitments		<u>2,532</u>
Total		<u>44,839</u>

⁽¹⁾ It refers to financial assets subject to IFRS 9 impairment requirements, which are recognised within other assets.

⁽²⁾ It excludes € 1.2 bn pledged deposits for guarantees relating to the lending activities of banking subsidiaries (note 19).

The above table represents the Bank's maximum credit risk exposure as at 31 December 2018, 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 carrying amounts as reported in the balance sheet. For off-balance sheet items, the maximum exposure is the nominal amount that the Bank may be required to pay if the financial guarantee contracts and other commitments are called upon and the loan commitments are drawn down. Off-balance sheet loan commitments presented above, include revocable commitments to extend credit of € 2.2 bn that are subject to ECL measurement.

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Amounts under IAS 39

	2017 € million
Credit risk exposures relating to on-balance sheet assets are as follows:	
Due from credit institutions	2,867
Debt securities held for trading	12
Derivative financial instruments	1,884
Loans and advances to customers:	
- Wholesale lending	14,053
- Mortgage lending	15,298
- Consumer lending	4,212
- Small business lending	6,320
Less: Impairment allowance	(9,017)
Investment securities:	
- Debt securities	6,554
Other assets	1,302
Credit risk exposures relating to off-balance sheet items (note 42)	1,485
Total	44,970

Note: Other assets exclude repossessed properties and relative prepayments of € 272 million.

The above table represents the Bank's maximum credit risk exposure as at 31 December 2017, 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 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.

6.2.1.2 Loans and advances to customers

The section below provides an 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 42/30.05.2014 and its amendments. Following the adoption of IFRS 9 from 1 January 2018, the Bank updated the disclosures in relation to the guidelines stated above in order to comply with the revised IFRS 7 'Financial Instruments: Disclosures'. Given that the Bank has adopted IFRS 9 without restatement of comparative information, the information applicable under IFRS 9 is presented in separate sections from the respective disclosures under IAS 39, where appropriate.

(a) Credit quality of loans and advances to customers
Applicable from 1 January 2018

Loans and advances to customers carried at amortised cost are classified depending on how ECL is measured.

Accordingly, loans reported as non-impaired include loans for which a '12-month ECL allowance' is recognized as they exhibit no significant increase in credit risk since initial recognition and loans for which a 'Lifetime ECL allowance' is recognized as they exhibit a significant increase in credit risk since initial recognition but are not considered to be in default.

Credit impaired loans category includes loans that are considered to be in default, for which a loss allowance equal to 'Lifetime ECL' is recognized and loans classified as 'Purchased or originated credit impaired' (POCI) which are always measured on the basis of lifetime ECL.

Loans and advances to customers carried at FVTPL are not subject to ECL measurement and therefore are not included in the quantitative information provided in the below sections for loans and advances measured at amortised cost, except where indicated.

Notes to the Financial Statements

The Bank's accounting policy regarding impairment of financial assets is set out in note 2.2.13.

Applicable before 1 January 2018

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 2.2.13 'Impairment of financial assets').

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

The evidence considered by the Bank in determining whether there is objective evidence of impairment is set out in note 2.2.13.

Regulatory definitions

'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 2018, the Bank's default exposures amounted to € 14,290 million (2017: € 16,682 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 2018, the Bank's non-performing exposures included in loans and advances to customers at amortised cost amounted to € 15,208 million (1 January 2018: € 18,037 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 2018, the Bank's performing exposures included in loans and advances to customers at amortised cost amounted to € 22,067 million (1 January 2018: € 21,760 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.

Quantitative information

Amounts under IFRS 9

The following tables present the total gross carrying and nominal amount, representing the maximum exposure to credit risk before the impairment allowance, of loans and advances and credit related commitments respectively, that are classified as non-impaired (stage 1 and stage 2) and those classified as credit-impaired (stage 3 and POCI). They also present the total impairment allowance recognized in respect of all loans and advances and credit related commitments, analyzed into individually or collectively assessed, based on how the respective impairment allowance has been calculated, the carrying amount of loans and advances, as well as the value of collateral held to mitigate credit risk.

Public Sector lending exposures include exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, excluding public and private companies with commercial activity. For credit risk management purposes, exposures to Public Sector are incorporated in wholesale lending.

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

Notes to the Financial Statements

The following table presents information about the credit quality of the gross carrying amount of loans and advances to customers carried at amortised cost, the nominal exposure of credit related commitments and the respective impairment allowance as well as the carrying amount of loans and advances to customers carried at FVTPL as at 31 December 2018:

	31 December 2018										
	Non impaired		Credit-impaired		Total gross carrying amount/nominal exposure € million	Impairment allowance				Carrying amount € million	Value of collateral € million
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired			12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired			
			Individually assessed € million	Collectively assessed € million	Individually assessed € million			Collectively assessed € million			
Retail Lending	8,409	4,813	469	9,916	23,607	(74)	(581)	(257)	(4,327)	18,368	14,847
- Mortgage	5,686	3,397	223	5,589	14,895	(30)	(279)	(129)	(2,016)	12,441	
<i>Value of collateral</i>	<i>4,966</i>	<i>2,647</i>	<i>126</i>	<i>3,710</i>							<i>11,449</i>
- Consumer	873	230	-	966	2,069	(28)	(85)	-	(747)	1,209	
<i>Value of collateral</i>	<i>0</i>	<i>1</i>	<i>-</i>	<i>128</i>							<i>129</i>
- Credit card	568	15	-	210	793	(5)	(6)	-	(172)	610	
<i>Value of collateral</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>							<i>-</i>
- Small business	1,282	1,171	246	3,151	5,850	(11)	(211)	(128)	(1,392)	4,108	
<i>Value of collateral</i>	<i>748</i>	<i>770</i>	<i>123</i>	<i>1,628</i>							<i>3,269</i>
Wholesale Lending	7,373	1,416	3,653	1,170	13,612	(49)	(97)	(2,065)	(516)	10,885	5,586
- Large corporate	6,274	902	2,166	64	9,406	(38)	(57)	(1,207)	(28)	8,076	
<i>Value of collateral</i>	<i>2,005</i>	<i>688</i>	<i>912</i>	<i>25</i>							<i>3,630</i>
- SMEs	1,099	514	1,487	1,106	4,206	(11)	(40)	(858)	(488)	2,809	
<i>Value of collateral</i>	<i>520</i>	<i>338</i>	<i>685</i>	<i>413</i>							<i>1,956</i>
Public Sector	56	-	-	0	56	(1)	-	-	(0)	55	5
- Greece	56	-	-	0	56	(1)	-	-	(0)	55	
<i>Value of collateral</i>	<i>5</i>	<i>-</i>	<i>-</i>	<i>-</i>							<i>5</i>
Loans and advances to customers at FVTPL										46	42
Total	15,838	6,229	4,122	11,086	37,275	(124)	(678)	(2,322)	(4,843)	29,354	20,480
Total value of collateral	8,244	4,444	1,846	5,904						-	20,480
Credit related commitments	3,894	178	589	309	4,970	(12)	(4)	(271)	(18)		
Loan commitments	2,428	10	-	0	2,438	(7)	(0)	-	-		
Financial guarantee contracts and other commitments	1,466	168	589	309	2,532	(5)	(4)	(271)	(18)		
<i>Value of collateral</i>	<i>433</i>	<i>33</i>	<i>48</i>	<i>2</i>							

Notes to the Financial Statements

The Bank assesses the credit quality of its loans and advances to customers and credit related commitments that are subject to ECL using internal credit rating systems for the wholesale portfolio, which are based on a variety of quantitative and qualitative factors, while the credit quality of the retail portfolio is based on the allocation of risk classes into homogenous pools.

The following tables present the distribution of the gross carrying amount of loans and advances and the nominal exposure of credit related commitments based on the credit quality classification categories and stage allocation:

		31 December 2018			
		Non impaired		Credit-impaired	
	Internal credit rating	12-month ECL	Lifetime ECL not	Lifetime ECL	Total gross carrying amount
		€ million	credit-impaired € million	credit-impaired € million	
Retail Lending					
- Mortgage	PD<2.5%	2,610	1	-	2,611
	2.5%<=PD<4%	2,117	593	-	2,710
	4%<=PD<10%	823	611	-	1,434
	10%<=PD<16%	31	376	-	407
	16%<=PD<99.99%	105	1,816	-	1,921
	100%	-	-	5,812	5,812
- Consumer	PD<2.5%	495	-	-	495
	2.5%<=PD<4%	126	-	-	126
	4%<=PD<10%	83	5	-	88
	10%<=PD<16%	169	1	-	170
	16%<=PD<99.99%	0	224	-	224
	100%	-	-	966	966
- Credit card	PD<2.5%	421	-	-	421
	2.5%<=PD<4%	124	-	-	124
	4%<=PD<10%	-	1	-	1
	10%<=PD<16%	21	-	-	21
	16%<=PD<99.99%	2	14	-	16
	100%	-	-	210	210
- Small business	PD<2.5%	218	2	-	220
	2.5%<=PD<4%	937	-	-	937
	4%<=PD<10%	37	7	-	44
	10%<=PD<16%	45	9	-	54
	16%<=PD<99.99%	45	1,153	-	1,198
	100%	-	-	3,397	3,397
Wholesale Lending					
- Large corporate	Strong	3,821	14	-	3,835
	Satisfactory	2,448	509	-	2,957
	Watch list	5	379	-	384
	Impaired (Defaulted)	-	-	2,230	2,230
- SMEs	Strong	571	25	-	596
	Satisfactory	516	150	-	666
	Watch list	12	339	-	351
	Impaired (Defaulted)	-	-	2,593	2,593
Public Sector					
All countries	Strong	6	-	-	6
	Satisfactory	50	-	-	50
	Watch list	-	-	-	-
	Impaired (Defaulted)	-	-	0	0
Total		15,838	6,229	15,208	37,275

Notes to the Financial Statements

		31 December 2018			Total nominal amount € million
		Non impaired		Credit-impaired	
		12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	
Credit Related Commitments					
Retail Lending					
Loan commitments					
	PD<2.5%	1,339	0	-	1,339
	2.5%<=PD<4%	922	-	-	922
	4%<=PD<10%	3	1	-	4
	10%<=PD<16%	21	1	-	22
	16%<=PD<99.99%	1	8	-	9
	100%	-	-	0	0
Financial guarantee contracts and other commitments					
	PD<2.5%	21	-	-	21
	2.5%<=PD<4%	93	-	-	93
	4%<=PD<10%	-	-	-	-
	10%<=PD<16%	-	-	-	-
	16%<=PD<99.99%	-	-	-	-
	100%	-	-	-	-
Wholesale Lending					
Loan commitments					
	Strong	90	-	-	90
	Satisfactory	44	-	-	44
	Watch list	8	-	-	8
	Impaired (Defaulted)	-	-	-	-
Financial guarantee contracts and other commitments					
	Strong	1,019	52	-	1,071
	Satisfactory	327	62	-	389
	Watch list	6	54	-	60
	Impaired (Defaulted)	-	-	898	898
Total		3,894	178	898	4,970

The table below depicts the internal credit rating *bands* (MRA rating scale or equivalent) for the wholesale portfolio that correspond to the credit quality classification categories presented in the above tables.

Wholesale Lending	
Credit Quality classification categories	Internal Credit Rating
Strong	1-4
Satisfactory	5-6
Watch list	7-9
Impaired (Defaulted)	10

Notes to the Financial Statements

The following table presents the movement of the gross carrying amounts for loans and advances to customers by product line and stage and is calculated by reference to the opening and closing balances for the reporting year from 1 January 2018 to 31 December 2018:

	31 December 2018												Total € million
	Wholesale			Mortgage			Consumer			Small business			
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	
Gross carrying amount at 1 January	6,419	2,106	5,441	5,743	3,405	6,151	1,476	297	2,439	1,248	1,064	4,008	39,797
New loans and advances originated or purchased	2,127	-	-	115	-	-	179	-	-	177	-	-	2,598
Transfers between stages													
-to 12-month ECL	859	(839)	(20)	501	(487)	(14)	90	(87)	(3)	108	(102)	(6)	-
-to lifetime ECL not credit-impaired loans	(217)	285	(68)	(164)	925	(761)	(50)	132	(82)	(58)	398	(340)	-
-to lifetime ECL credit-impaired loans	(16)	(192)	208	(69)	(408)	477	(44)	(71)	115	(26)	(171)	197	-
Loans and advances derecognised/ reclassified as held for sale during the year	-	-	(144)	-	-	(0)	(11)	(2)	(994)	(6)	(1)	(0)	(1,158)
Amounts written-off	-	-	(329)	-	-	(53)	-	-	(256)	-	-	(423)	(1,061)
Repayments	(1,253)	(86)	(489)	(590)	(170)	(111)	(249)	(44)	(78)	(154)	(75)	(83)	(3,382)
Foreign exchange differences and other movements	(490)	142	224	150	132	123	50	20	35	(7)	58	44	481
Gross Carrying amount at 31 December	7,429	1,416	4,823	5,686	3,397	5,812	1,441	245	1,176	1,282	1,171	3,397	37,275
Impairment allowance	(50)	(97)	(2,581)	(30)	(279)	(2,145)	(33)	(91)	(919)	(11)	(211)	(1,520)	(7,967)
Carrying amount at 31 December	7,379	1,319	2,242	5,656	3,118	3,667	1,408	154	257	1,271	960	1,877	29,308

Note 1: Wholesale product line category includes also Public sector loans portfolio.

Note 2: "Loans and advances derecognised/reclassified as held for sale during the year" presents loans sold, modified (where the modification resulted in a derecognition) and those that have been reclassified as held for sale during the year.

Notes to the Financial Statements

Credit impaired loans and advances to customers

The following table presents the ageing analysis of credit impaired (Stage 3) loans and advances by product line at their gross carrying amounts, as well as the respective cumulative loss allowances and 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 2018							Lifetime ECL credit- impaired € million
	Retail lending			Wholesale lending		Public sector		
	Mortgage	Consumer	Credit card	Small	Large	Greece		
				business	corporate			
€ million	€ million	€ million	€ million	€ million	€ million	€ million		
up to 90 days	1,229	121	1	560	906	392	-	3,209
90 to 179 days	227	45	5	78	38	48	-	441
180 to 360 days	159	60	6	67	24	25	-	341
more than 360 days	4,197	740	198	2,692	1,262	2,128	0	11,217
Total gross carrying amount	5,812	966	210	3,397	2,230	2,593	0	15,208
Impairment allowance	(2,145)	(747)	(172)	(1,520)	(1,235)	(1,346)	(0)	(7,165)
Carrying amount	3,667	219	38	1,877	995	1,247	0	8,043
Value of Collateral	3,836	128	-	1,751	937	1,098	-	7,750

Amounts under IAS 39

The following tables present the total gross amount, representing the maximum exposure to credit risk before 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 exposure is assessed for impairment, the total net amount, as well as the value of collateral held to mitigate credit risk.

Public Sector lending includes exposures to the central government, local authorities, state-linked companies and entities controlled and fully or partially owned by the state, excluding public and private companies with commercial activity.

In 2018 the Bank proceeded with a change in the presentation of exposures included under Public Sector in order to align with the types of exposures monitored under Public Sector for regulatory and credit risk management purposes. Consequently, for 31 December 2017, Public Sector exposures of total net amount € 576 million, are restated to € 62 million, whereas an amount of € 514 million is now presented within Wholesale Lending. The tables for 31 December 2017 where Public Sector is presented separately have been amended accordingly.

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

	31 December 2017								Value of collateral € million
	Non impaired		Impaired		Total gross amount € million	Impairment allowance		Total net amount € million	
	Neither past due nor impaired € million	Past due but not impaired € million	Individually assessed € million	Collectively assessed € million		Individually assessed € million	Collectively assessed € 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	7,725	761	5,502	-	13,988	(2,792)	(215)	10,981	6,098
- Large corporate	6,187	676	2,456	-	9,319	(1,323)	(139)	7,857	3,816
- SMEs	1,538	85	3,046	-	4,669	(1,469)	(76)	3,124	2,282
Public Sector	65	0	0	-	65	(0)	(3)	62	4
- Greece	65	0	0	-	65	(0)	(3)	62	4
Total	18,377	3,407	5,700	12,399	39,883	(2,890)	(6,127)	30,866	21,625

Notes to the Financial Statements

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 table presents the risk classification of loans and advances that are neither past due nor impaired:

	31 December 2017				Value of collateral € million
	Strong € million	Satisfactory (risk) € million	Watch list (higher risk) € million	Total neither past due nor impaired € 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	5,702	1,807	216	7,725	3,157
- Large corporate	4,639	1,411	137	6,187	2,320
- SMEs	1,063	396	79	1,538	837
Public Sector	1	64	-	65	4
- Greece	1	64	-	65	4
Total	5,703	12,458	216	18,377	10,586

Loans and advances past due but not impaired

The following table presents 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							Total past due but not impaired € million
	Retail lending			Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million	Greece € 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	0	-	353	448	63	-	2,291

Notes to the Financial Statements

Impaired loans and advances

The following table presents the movement of impaired loans and advances by product line:

	31 December 2017							Total impaired € million
	Retail lending			Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € 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)	(0)	(33)
Balance at 31 December	<u>6,151</u>	<u>2,003</u>	<u>435</u>	<u>4,008</u>	<u>2,456</u>	<u>3,046</u>	<u>0</u>	<u>18,099</u>
Cumulative impairment allowance	(2,057)	(1,510)	(303)	(1,824)	(1,376)	(1,469)	(0)	(8,539)
Net balance at 31 December	<u>4,094</u>	<u>493</u>	<u>132</u>	<u>2,184</u>	<u>1,080</u>	<u>1,577</u>	<u>0</u>	<u>9,560</u>

The following table presents 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							Total impaired € million
	Retail lending			Wholesale lending		Public sector		
	Mortgage € million	Consumer € million	Credit card € million	Small business € million	Large corporate € million	SMEs € million		
up to 29 days	785	96	1	368	767	256	0	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	<u>4,094</u>	<u>493</u>	<u>132</u>	<u>2,184</u>	<u>1,080</u>	<u>1,577</u>	<u>0</u>	<u>9,560</u>
Value of collateral	<u>4,140</u>	<u>128</u>	<u>34</u>	<u>2,016</u>	<u>1,048</u>	<u>1,382</u>	<u>-</u>	<u>8,748</u>

(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.

Notes to the Financial Statements

The LTV ratio of the mortgage portfolio is presented below:

	2018 € million
Mortgages	
Less than 50%	3,136
50%-70%	1,774
71%-80%	1,186
81%-90%	1,075
91%-100%	2,560
101%-120%	1,460
121%-150%	1,288
Greater than 150%	2,416
Total exposure	14,895
Average LTV	90.31%

	2017 € million
Mortgages	
Less than 50%	3,248
50%-70%	2,021
71%-80%	1,012
81%-90%	921
91%-100%	900
101%-120%	1,676
121%-150%	2,071
Greater than 150%	3,449
Total exposure	15,298
Average LTV	101.39%

The breakdown of collateral and guarantees for loans and advances to customers at amortised cost is presented below:

	31 December 2018				
	Value of collateral received				Guarantees received
	Real Estate	Financial	Other	Total	
	€ million	€ million	€ million	€ million	€ million
Retail Lending	14,491	288	68	14,847	196
Wholesale Lending ⁽¹⁾	2,651	75	2,860	5,586	150
Public sector	1	4	-	5	-
Total	17,143	367	2,928	20,438	346

	31 December 2017				
	Value of collateral received				Guarantees received
	Real Estate	Financial	Other	Total	
	€ million	€ million	€ million	€ 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

⁽¹⁾ Other collaterals include assigned receivables, equipment, inventories, vessels, etc.

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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 2.2.18 and 29). 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, 26 and 27).

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 2018						
	Gross amount	Of which: added this year	Accumulated impairment	Of which: arising this year	Net amount	Net Sale Price	Net gain/(loss) on sale
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Real estate auction items	455	135	(97)	0	358	25	(1)
- Residential	268	62	(61)	4	207	18	(1)
- Commercial	187	73	(36)	(4)	151	7	0

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

There are no properties classified as investment property or own used, as a result of repossession or transfer from repossessed properties categories in 2018 and 2017. In 2017 the Bank repossessed securities amounting to € 20 million, which were classified as available for sale investment securities.

Notes to the Financial Statements

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

As described above in note 6.2.1, 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.

Amounts under IFRS 9

The following table breaks down the Bank's exposure into loans and advances to customers and credit related commitments at their gross carrying amount and nominal amount respectively by ECL stage, product line, industry and geographical region and impairment allowance by product line, industry and geographical region:

	31 December 2018											
	Greece				Rest of Europe				Other Countries			
	Gross carrying/nominal amount				Gross carrying/nominal amount				Gross carrying/nominal amount			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Impairment allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Impairment allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Impairment allowance
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	
Retail Lending	8,409	4,813	10,385	(5,239)	-	-	-	-	-	-	-	-
-Mortgage	5,686	3,397	5,812	(2,454)	-	-	-	-	-	-	-	-
-Consumer	873	230	966	(860)	-	-	-	-	-	-	-	-
-Credit card	568	15	210	(183)	-	-	-	-	-	-	-	-
-Small business	1,282	1,171	3,397	(1,742)	-	-	-	-	-	-	-	-
Wholesale Lending	6,356	1,325	4,514	(2,497)	103	15	202	(154)	914	76	107	(76)
-Commerce and services	3,177	539	2,160	(1,263)	26	8	111	(78)	5	24	54	(42)
-Manufacturing	1,534	232	902	(488)	-	1	1	(0)	-	-	-	-
-Shipping	22	0	-	(0)	77	-	61	(56)	909	52	35	(24)
-Construction	556	307	994	(596)	0	6	20	(13)	-	-	18	(10)
-Tourism	564	236	447	(136)	-	-	-	-	-	-	-	-
-Energy	503	11	9	(13)	-	-	4	(4)	-	-	-	-
-Other	-	-	2	(1)	-	-	5	(3)	-	-	-	-
Public Sector	56	-	0	(1)	-	-	-	-	-	-	-	-
Total	14,821	6,138	14,899	(7,737)	103	15	202	(154)	914	76	107	(76)
Credit related Commitments	3,568	101	113	(61)	270	60	785	(244)	56	17	0	(0)
-Loan commitments	2,400	10	0	(7)	-	-	-	-	28	-	-	(0)
-Financial guarantee contracts and other commitments	1,168	91	113	(54)	270	60	785	(244)	28	17	0	(0)

As at 31 December 2018, the carrying amount of Bank's loans measured at FVTPL amounted to € 46 million, all of which were included in Wholesale lending portfolio.

Notes to the Financial Statements

Amounts under IAS 39

The following table breaks 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	Out of which: impaired amount	Impairment allowance	Gross amount	Out of which: impaired amount	Impairment allowance	Gross amount	Out of which: impaired amount	Impairment allowance
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ 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	12,664	5,092	(2,696)	332	247	(177)	992	163	(134)
-Commerce and services	6,363	2,598	(1,512)	159	132	(90)	160	102	(95)
-Manufacturing	2,797	906	(457)	2	1	(0)	-	-	-
-Shipping	91	31	(18)	121	68	(61)	831	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	65	-	(3)	-	-	-	-	-	-
Total	38,559	17,689	(8,706)	332	247	(177)	992	163	(134)

(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. The Bank has employed a range of forbearance solutions 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.

Forbearance solutions

Forbearance solutions 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:

- arrears capitalization;
- arrears repayment plan;
- reduced payment above interest only;
- interest-only payments;

Notes to the Financial Statements

- reduced payment below interest only;
- grace period;
- interest rate reduction;
- loan term extensions;
- split balance;
- partial debt forgiveness/write-down;
- operational restructuring; and
- debt to equity swaps.

Specifically for unsecured consumer loans (including credit cards), forbearance programs (e.g. term extensions), are applied in combination with debt consolidation whereby all existing consumer balances are pooled together. Forbearance solutions are applied in order 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, in alignment with the Bank of Greece Executive Committee Act 42/30.05.2014 and its amendments. TAG controls and monitors the effectiveness of the forbearance schemes and warrants the continuous improvement and adjustment of policies and procedures.

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 6.2.

Debt for equity swaps

For wholesale portfolios, the Bank on occasion participates in debt for equity transactions as part of forbearance measures, as described in note 2.2.9. In 2018, equity positions acquired by the Bank and held as of 31 December 2018 are: (a) 10.67% of the non-voting shares of Pillarstone Bidco S.C.A. for € 0.02 million, in the context of the restructuring of Famar S.A. (note 29) and b) 12.1% of Regency Hellenic Investments S.A. for € 8.5 million, following the debt restructuring of Regency Entertainment S.A. Similarly in 2017, equity positions acquired by the Bank and held as of 31 December 2017 were: (a) 100% of Standard Ktimatiki S.A. (note 25), (b) 24.37% of Famar S.A., (c) 47.66% of the non-voting preferred shares of ELTER S.A. for € 0.3 million, (d) 0.86% of FRIGOGLASS S.A.I.C. for € 0.03 million and (e) 18.02% of UNISOFT S.A. for € 27.

Applicable from 1 January 2018

i. Classification of Forborne loans

Forborne loans are classified either as non-impaired (stage 2), or impaired (stage 3) by assessing their delinquency and credit quality status.

Credit impaired forborne 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 forborne loans (stage 2). In addition, non-impaired forborne loans, including those that were previously classified as credit 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 aggregate amount, there are no past due amounts over 30 days and the loans are neither credit impaired nor any other SICR criteria are met they exit forborne status and are classified as stage 1.

Particularly, the category of credit impaired forborne loans includes those that (a) at the date when forbearance measures were granted, were more than 90 days past due 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

Notes to the Financial Statements

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 credit impaired status.

Furthermore, forbore 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 credit impaired loans (stage 3) consistently with the Bank's management and monitoring of all denounced loans

ii. 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 2.2.13 and 6.2.1. Accordingly, forbore loans to wholesale customers, retail individually significant exposures and financial institutions are assessed on an individual basis. Forborne retail lending portfolios are generally assessed for impairment separately from other retail loan portfolios on a collective basis as they consist of large homogenous portfolio.

iii. Loan restructurings

In cases where the contractual cash flows of a forbore loan have been substantially modified, the original forbore loan is derecognized and a new loan is recognized. The Bank records the modified asset as a 'new' financial asset at fair value and the difference with the carrying amount of the existing one is recorded in the income statement as derecognition gain or loss.

In cases where the modification as a result of forbearance measures is not considered substantial, the Bank recalculates the gross carrying amount of the loan and recognizes the difference as a modification gain or loss in the income statement. The Bank continues to monitor the modified forbore loan in order to determine if the financial asset exhibits significant increase in credit risk since initial recognition during the forbearance period.

As at 31 December 2018, the carrying amount of Bank's forbore loans measured at FVTPL amounted to € 31 million.

Applicable before 1 January 2018

i. Classification of Forborne loans

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 forbore 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 forbore. 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 forbore status.

Particularly, the category of impaired loans includes those that (a) at the date when forbearance measures were granted, were more than 90 days past due 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, forbore 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.

ii. 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 2.2.13 and 6.2.1. Specifically, the retail loans are segregated

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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.

iii. 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 derecognition are described in note 2.2.13. Upon derecognition, any difference between the old loan and the fair value of the new loan is recognized in the income statement. Impaired loans that are derecognized 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.

Amounts under IFRS 9

The following tables present an analysis of Bank's forborne activities for loans measured at amortised cost. In order to align with the quantitative information provided in section (a) based on revised IFRS 7 requirements, the relevant tables below are presented on a gross carrying amount basis, while cumulative impairment allowance is presented separately, in line with the Bank's internal credit risk monitoring and reporting.

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

	2018 € million
Forbearance measures:	
Split balance	3,213
Loan term extension	2,988
Arrears capitalisation	556
Reduced payment below interest owed	254
Interest rate reduction	656
Reduced payment above interest owed	506
Arrears repayment plan	118
Interest only	37
Grace period	99
Debt/equity swaps	65
Partial debt forgiveness/Write-down	24
Operational restructuring	49
Other	174
Total gross carrying amount	8,739
Less: cumulative impairment allowance	(1,997)
Total carrying amount	6,742

Notes to the Financial Statements

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

	31 December 2018		
	Total loans & advances at amortised cost € million	Forborne loans & advances € million	% of Forborne loans & advances
Gross carrying amounts:			
12-month ECL	15,838	0	0%
Lifetime ECL (not credit-impaired)	6,229	4,489	72%
Lifetime ECL (credit-impaired)	15,208	4,250	28%
Total Gross Amount	37,275	8,739	23%
Cumulative ECL Loss allowance:			
12-month ECL allowance	(124)	(0)	
Lifetime ECL (not credit-impaired) allowance	(678)	(527)	
Lifetime ECL (credit-impaired) allowance of which:	(7,165)	(1,470)	
- Individually assessed	(2,322)	(447)	
- Collectively assessed	(4,843)	(1,023)	
Total carrying amount	29,308	6,742	23%
Collateral received	20,438	5,883	

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

	2018 € million
Gross carrying amount at 1 January	10,005
Forbearance measures in the year ⁽¹⁾	1,010
Forborne loans derecognised/ reclassified as held for sale during the year ⁽²⁾	(41)
Write-offs of forborne loans	(20)
Repayment of loans	(406)
Loans & advances that exited forbearance status ⁽³⁾	(1,999)
Other	190
Less: cumulative impairment allowance	(1,997)
Carrying amount at 31 December	6,742

⁽¹⁾ Forbearance measures in the year depict loans to which forbearance measures were granted for the first time during the reporting period.

⁽²⁾ "Forborne loans derecognised/ reclassified as held for sale during the year" presents loans sold, modified (where the modification resulted in a derecognition) and those that have been reclassified as held for sale during the year.

⁽³⁾ An amount of € 825 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:

	2018 € million
Retail Lending	7,020
- Mortgage	4,960
- Consumer	390
- Credit card	0
- Small business	1,670
Wholesale Lending	1,719
- Large corporate	1,066
- SMEs	653
Total gross carrying amount	8,739
Less: cumulative impairment allowance	(1,997)
Total carrying amount	6,742

Notes to the Financial Statements

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

	2018 € million
Greece	8,666
Rest of Europe	40
Other countries	33
Total gross carrying amount	8,739
Less: cumulative impairment allowance	(1,997)
Total carrying amount	6,742

The following table provides information on modifications due to forbearance measures on lending exposures which have not resulted in derecognition. Such financial assets were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

Modified lending exposures	2018 € million
Loans modified during the year with loss allowance measured at an amount equal to lifetime ECL	
Gross carrying amount at 31 December ⁽¹⁾	1,969
Modification loss	67
Loans modified since initial recognition at a time when loss allowance was based on lifetime ECL	
Gross carrying amount at 31 December for which loss allowance has changed to 12-month ECL measurement	560

⁽¹⁾ Gross carrying amount at 31 December includes all loans modifications due to forbearance during the year.

In the year ended 31 December 2018, the gross carrying amount of loans previously modified for which the loan allowance has reverted to being measured at an amount equal to lifetime ECL amounted to € 96 million. The contractual amount outstanding on lending exposures that were written off during the year ended 31 December 2018 and that are still subject to enforcement activity is € 1,010 million.

Amounts under IAS 39

For comparison purposes the tables that depict forborne loans and advances to customers i) by type, ii) by product line and iii) by geographical region, have been amended in order to be presented on a gross carrying amount basis, while cumulative impairment allowance is presented separately, in line with the Bank's internal credit risk monitoring and reporting.

Notes to the Financial Statements

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

	2017 € million
Forbearance measures:	
Split balance	3,996
Loan term extension	3,065
Arrears capitalisation	717
Reduced payment below interest owed	735
Interest rate reduction	573
Reduced payment above interest owed	340
Arrears repayment plan	127
Interest only	75
Grace period	144
Debt/equity swaps	91
Partial debt forgiveness/Write-down	44
Operational restructuring	51
Other	106
Total gross amount	<u>10,064</u>
Less: cumulative impairment allowance	<u>(2,045)</u>
Total net amount	<u>8,019</u>

The following table presents a summary of the credit quality of forbore 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	<u>39,883</u>	<u>10,064</u>	<u>25.2</u>
Individual impairment allowance	(2,890)	(438)	15.2
Collective impairment allowance	(6,127)	(1,607)	26.2
Total Net amount	<u>30,866</u>	<u>8,019</u>	<u>26.0</u>
Collateral received	21,625	6,527	

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

	2017 € million
Balance at 1 January	8,586
Forbearance measures in the year ⁽²⁾	1,027
Interest income	181
Repayment of loans (partial or total)	(345)
Loans & advances that exited forbearance status ⁽¹⁾	(1,054)
Impairment loss	(192)
Loss on derecognition:	1
Other	(185)
Balance at 31 December	<u>8,019</u>

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

⁽²⁾ Forbearance measures in the year depict loans to which forbearance measures were granted for the first time during the reporting period

Notes to the Financial Statements

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

	2017 € million
Retail Lending	8,268
- Mortgage	5,592
- Consumer	731
- Credit card	0
- Small business	1,945
Wholesale Lending	1,796
- Large corporate	1,107
- SMEs	689
Total gross carrying amount	<u>10,064</u>
Less: cumulative impairment allowance	<u>(2,045)</u>
Total net amount	<u><u>8,019</u></u>

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

	2017 € million
Greece	9,960
Rest of Europe	42
Other countries	62
Total gross amount	<u>10,064</u>
Less: cumulative impairment allowance	<u>(2,045)</u>
Total net amount	<u><u>8,019</u></u>

6.2.1.3 Debt Securities

Following the transition to IFRS 9 at 1 January 2018, the Bank has adjusted where necessary the relevant information for the year ended 2018, in accordance with the revised IFRS 7 'Financial Instruments: Disclosures'. Given that the Bank has adopted IFRS 9 without restatement of comparative information, the information on the Bank's exposure to credit risk from debt securities for the year ended 2018 applicable under IFRS 9, is presented separately from the respective disclosures under IAS 39.

Notes to the Financial Statements

Amounts under IFRS 9

The following tables present an analysis of debt securities by external credit rating agency designation at 31 December 2018, based on Moody's ratings or their equivalent:

	31 December 2018		
	Lifetime ECL not credit-impaired		Total
	12-month ECL € million	securities € million	
Investment securities at amortised cost			
Aaa	-	-	-
Aa1 to Aa3	-	-	-
A1 to A3	-	-	-
Lower than A3	217	754	971
Unrated	-	-	-
Gross Carrying Amount	217	754	971
Impairment Allowance	(2)	(28)	(30)
Carrying Amount	215	726	941
Investment securities at FVOCI			
Aaa	219	-	219
Aa1 to Aa3	1,093	-	1,093
A1 to A3	435	-	435
Lower than A3	3,739	21	3,760
Unrated	71	-	71
Carrying amount	5,557	21	5,578

	31 December 2018	
	Securities held for trading	Investment securities mandatorily at FVTPL
	€ million	€ million
Securities at FVTPL		
Aaa	-	-
Aa1 to Aa3	-	4
A1 to A3	-	-
Lower than A3	18	0
Unrated	0	-
Carrying Amount	18	4

Securities rated lower than A3 include: € 3,180 million related to Greek sovereign debt, € 1,115 million related to Eurozone members sovereign debt and € 83 million related to sovereign debt issued mainly by European Union members and candidate members.

Notes to the Financial Statements

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

	31 December 2018						Total € million
	Greece		Other European countries		Other countries		
	12-month ECL € million	Lifetime ECL not credit- impaired loans € million	12-month ECL € million	Lifetime ECL not credit- impaired loans € million	12-month ECL € million	Lifetime ECL not credit- impaired loans € million	
	Investment securities at amortised cost						
Sovereign	216	754	-	-	-	-	970
Banks	-	-	-	-	-	-	-
Corporate	1	-	-	-	-	-	1
Gross Carrying Amount	217	754	-	-	-	-	971
Impairment Allowance	(2)	(28)	-	-	-	-	(30)
Net Carrying Amount	215	726	-	-	-	-	941
Investment securities at FVOCI							
Sovereign	2,229	-	2,740	-	50	-	5,019
Banks	61	-	92	-	4	-	157
Corporate	144	16	156	5	81	-	402
Carrying Amount	2,434	16	2,988	5	135	-	5,578

	31 December 2018		
	Greece € million	Other European countries € million	Total € million
Investment securities at FVTPL			
Sovereign	-	-	-
Banks	-	-	-
Corporate	0	4	4
Carrying amount	0	4	4
Securities held for trading			
Sovereign	11	-	11
Banks	-	6	6
Corporate	1	-	1
Carrying amount	12	6	18

Amounts under IAS 39

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

	31 December 2017				Total € million
	Securities held for trading € million	Available- for-sale securities € million	Debt securities lending portfolio € million	Held-to- maturity securities € 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

Notes to the Financial Statements

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

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

	31 December 2017			Total € million
	Greece € million	Other European countries € million	Other countries € 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

6.2.1.4 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 2018					
	Gross amounts of recognised financial assets € million	Gross amounts of recognised liabilities offset in the balance sheet € million	Net amounts of financial assets presented in the balance sheet € million	Related amounts not offset in the BS		
Financial instruments (incl. non-cash collateral) € million				Cash collateral received € million	Net amount € million	
Financial Assets						
Reverse repos with banks	120	(100)	20	(20)	-	-
Derivative financial instruments	1,874	-	1,874	(1,790)	(23)	61
Total	1,994	(100)	1,894	(1,810)	(23)	61

Notes to the Financial Statements

	31 December 2018					
	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not offset in the BS		
				Financial instruments (incl. non-cash collateral) € million	Cash collateral pledged € million	Net amount € million
Financial Liabilities						
Derivative financial instruments	1,897	-	1,897	(601)	(1,285)	11
Repurchase agreements with banks	8,010	(100)	7,910	(7,910)	-	-
Total	9,907	(100)	9,807	(8,511)	(1,285)	11

	31 December 2017					
	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	Related amounts not offset in the BS		
				Financial instruments (incl. non-cash collateral) € million	Cash collateral received € million	Net amount € million
Financial Assets						
Reserve 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					
	Gross amounts of recognised financial liabilities € million	Gross amounts of recognised financial assets offset in the balance sheet € million	Net amounts of financial liabilities presented in the balance sheet € million	Related amounts not offset in the BS		
				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)	-	-
Total	7,752	(235)	7,517	(6,234)	(1,274)	9

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.

6.2.2 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. The market risks the Bank is exposed to are managed and monitored by Group Market and Counterparty Risk Sector (GMCRS).

GMCRS is responsible for the measurement, monitoring and reporting of market risk and specifically interest rate risk in the Banking Book (IRRBB) of the Group. The Sector reports to the GCRO and its main responsibilities include:

- Monitoring of all key market & IRRBB risk indicators (VaR, sensitivities, interest rate gaps);
- Implementation of Stress Testing methodologies for market risk (historical and hypothetical), and IRRBB;
- Monitoring and reporting of market and IRRBB risk limits utilization; and
- Development, maintenance and expansion of risk management infrastructure

Notes to the Financial Statements

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 2018 and 2017

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

	2018	2017
	€ million	€ million
Interest rate risk	35	17
Foreign Exchange Risk	0	0
Equities Risk	1	0
Total VaR	35	17

⁽¹⁾ Interest rate volatility applied to all portfolios. Credit spread volatility applied to FVTPL and FVOCI 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

Notes to the Financial Statements

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, covered bonds, securitizations and Tier 2 notes can be analyzed into time bands as shown in the following tables:

	31 December 2018				
	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
	€ million	€ million	€ million	€ million	€ million
Securities held for trading	-	2	1	2	13
Fixed coupon bonds	-	-	1	2	13
Variable coupon bonds	-	2	-	-	-
Investment securities	36	58	516	2,304	3,229
Fixed coupon bonds	-	-	516	2,304	3,229
Variable coupon bonds	36	58	-	-	-
Debt Issued (Third Parties)	-	(1,246)	-	(500)	(950)
Fixed coupon covered bonds	-	-	-	(500)	-
Fixed coupon subordinated notes (Tier 2)	-	-	-	-	(950)
Variable coupon securitisations	-	(1,246)	-	-	-
Derivatives⁽¹⁾	348	1,782	1,389	(1,441)	(2,122)

	31 December 2017				
	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
	€ million	€ million	€ million	€ million	€ million
Securities held for trading	-	-	-	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)	1,277	13	(990)

⁽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.

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(ii) Foreign exchange risk

The following table presents the Bank's exposure to foreign currency exchange risk as at 31 December 2018 and 2017:

	31 December 2018							Total € million
	USD € million	CHF € million	RON € million	RSD € million	BGN € million	OTHER € million	EUR € million	
ASSETS								
Cash and balances with central banks	10	1	-	-	-	4	382	397
Due from credit institutions	88	210	25	0	0	32	2,835	3,190
Securities held for trading	0	-	0	-	-	0	18	18
Derivative financial instruments	13	2	-	-	0	0	1,860	1,875
Loans and advances to customers	1,292	3,235	0	-	0	24	24,803	29,354
Investment securities	245	-	-	-	-	-	6,352	6,597
Other assets ⁽¹⁾	3	1	-	221	189	0	8,410	8,824
Assets classified as held for sale	-	-	0	-	-	-	20	20
Total Assets	1,651	3,449	25	221	189	60	44,680	50,275
LIABILITIES								
Due to central banks and credit institutions	722	3	5	0	0	17	10,550	11,297
Derivative financial instruments	14	0	0	-	0	0	1,882	1,896
Due to Customers	1,525	18	0	0	0	117	27,475	29,135
Debt securities in issue	0	-	-	-	-	-	2,697	2,697
Other Liabilities	8	1	16	-	-	0	847	872
Total Liabilities	2,269	22	21	0	0	134	43,451	45,897
Net on balance sheet position	(618)	3,427	4	221	189	(74)	1,229	4,378
Derivative forward foreign exchange position	608	(3,399)	(25)	-	(430)	65	3,322	141
Total Foreign Exchange Position	(10)	28	(21)	221	(241)	(9)	4,551	4,519
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
Securities held for trading	1	-	-	-	-	-	12	13
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⁾	58	1	-	221	192	37	8,123	8,632
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

⁽¹⁾ Other assets include Shares in subsidiary undertakings, property, plant and equipment, investment property, intangible assets, deferred tax assets and other assets.

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6.2.3 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.

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 2018 and 2017, 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.

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	31 December 2018				
	Less than 1 month	1 - 3 months	3 months to 1 year	Over 1 year	Total
	€ million	€ million	€ million	€ million	€ million
- Cash and balances with central banks	397	-	-	-	397
- Due from credit institutions	663	142	361	462	1,628
- Loans and advances to customers	2,276	325	2,058	24,695	29,354
- Debt Securities	-	6	528	6,007	6,541
- Equity Securities	-	-	-	74	74
- Derivative financial instruments	-	-	-	66	66
- Other assets ⁽¹⁾	72	10	9	8,733	8,824
- Assets classified as held for sale	20	-	-	-	20
Total	3,428	483	2,956	40,037	46,904

	31 December 2017				
	Less than 1 month	1 - 3 months	3 months to 1 year	Over 1 year	Total
	€ million	€ million	€ million	€ million	€ 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

⁽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:

- Cash and balances with central banks;
- Eligible bonds and other financial assets for collateral purposes; and
- 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 2018 and 2017. 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.

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	31 December 2018				nominal (inflow)/ outflow € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	
Non-derivative liabilities:					
- Due to central banks and credit institutions	8,828	790	-	1,688	11,306
- Due to customers	22,155	2,802	4,195	4	29,156
- Debt securities in issue	1	91	327	3,043	3,462
- Other liabilities	103	169	600	-	872
	31,087	3,852	5,122	4,735	44,796
Derivative financial instruments:	13	-	-	-	13

Off-balance sheet items

	Less than 1 year € million	Over 1 year € million
Credit related commitments	3,906	1,064
Capital expenditure	13	-
Operating lease commitments	26	81
Total	3,945	1,145

	31 December 2017				Gross nominal (inflow)/ € million
	Less than 1 month € million	1 - 3 months € million	3 months to 1 year € million	Over 1 year € million	
Non-derivative liabilities:					
- Due to central banks and 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

6.3 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:

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- (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, less liquid debt instruments held or issued by the Bank and equity instruments.
- (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, loans and advances to customers and asset backed securities issued by the Bank's special purpose entities.

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 2018			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Securities held for trading	18	0	-	18
Investment securities at FVTPL	20	6	52	78
Derivative financial instruments	0	1,874	1	1,875
Investment securities at FVOCI	5,493	85	-	5,578
Loans and advances to customers mandatorily at FVTPL	-	-	46	46
Financial assets measured at fair value	5,531	1,965	99	7,595
Derivative financial instruments	0	1,896	-	1,896
Trading liabilities	4	-	-	4
Financial liabilities measured at fair value	4	1,896	-	1,900

	31 December 2017			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Securities 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

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. During the year ended 31 December 2018, the Bank transferred OTC derivative instruments of € 0.6 million from Level 3 to Level 2 following the assessment on the significance of the CVA adjustment to their entire fair value

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measurement, calculated based on internal rating models. In addition, equity instruments of € 0.3 million were transferred from Level 1 to Level 2 as their market was not considered active.

Reconciliation of Level 3 fair value measurements

	2018 € million	2017 € million
Balance at 1 January	39	48
Transition to IFRS 9	52	-
Transfers into Level 3	0	0
Transfers out of Level 3	(1)	(0)
Additions, net of disposals and redemptions	4	(1)
Total gain/(loss) for the year included in profit or loss	4	(1)
Total gain/(loss) for the year included in other comprehensive income	-	(6)
Foreign exchange differences and other	1	(1)
Balance at 31 December	99	39

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.

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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 equity instruments at FVTPL under IFRS 9 (AFS under IAS 39) 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.

Loans and advances to customers which contractual cash flows do not represent solely payments of principal and interest (SPPI failures) are measured mandatorily at fair value through profit or loss. Quoted market prices are not available as there are no active markets where these instruments are traded. Their fair values are estimated on an individual loan basis by discounting the future expected cash flows over the time period they are expected to be recovered, using an appropriate discount rate. Expected cash flows which incorporate credit risk represent significant unobservable input in the valuation and as such the entire fair value measurement is categorized as Level 3 in the fair value hierarchy. A reasonably possible increase/decrease in those recovery rates by +5%/-5% would increase/decrease the total fair value measurement by € 2 million.

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 2018				
	Level 1 € million	Level 2 € million	Level 3 € million	Fair value € million	Carrying amount € million
Loans and advances to customers	-	-	29,270	29,270	29,308
Investment securities at amortized cost	-	392	-	392	941
Financial assets not carried at fair value	-	392	29,270	29,662	30,249
Debt securities in issue held by third party investors	510	722	1,247	2,479	2,691
Financial liabilities not carried at fair value	510	722	1,247	2,479	2,691

	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

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:

- 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;
- 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

Notes to the Financial Statements

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.

7. Net interest income

	2018 € million
Interest income	
Customers	1,197
- measured at amortized cost	1,196
- measured at FVPTL	1
Banks and other (measured at amortised cost)	30
Securities ⁽¹⁾	151
- measured at amortized cost	17
- measured at FVOCI	133
- measured at FVPTL	1
Derivatives (hedge accounting)	15
Derivatives (no hedge accounting)	414
	<u>1,807</u>
Interest expense	
Customers (measured at amortized cost)	(129)
Banks (measured at amortized cost)	(140)
Debt securities in issue (measured at amortized cost)	(85)
Derivatives (hedge accounting)	(3)
Derivatives (no hedge accounting)	(395)
	<u>(752)</u>
Total	<u>1,055</u>
	2017 € million
Interest income	
Customers	1,247
Banks and other	25
Securities ⁽¹⁾	163
Derivatives	347
	<u>1,782</u>
Interest expense	
Customers	(120)
Banks	(238)
Debt securities in issue	(3)
Derivatives	(321)
	<u>(682)</u>
Total	<u>1,100</u>

⁽¹⁾ The interest income from trading securities included is immaterial for the year ended 31 December 2018 and 2017.

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

	31 December 2018		
	Interest income on non-impaired loans and advances	Interest income on impaired loans and advances	Total
	€ million	€ million	€ million
Retail lending	441	278	719
Wholesale lending ⁽¹⁾	351	127	478
Total interest income from customers	792	405	1,197

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

⁽¹⁾ Including interest income on loans and advances to Public Sector

The unwinding of the discount of the impairment allowance (note 23) amounting to € 251 million (retail lending € 169 million and wholesale lending € 82 million) is included in interest income on impaired loans and advances to customers (2017: retail lending € 167 million and wholesale lending € 83 million).

8. Net banking fee and commission income

	2018	2017
	€ million	€ million
Lending related activities	70	61
Mutual funds and assets under management	32	27
Capital markets	34	8
Network activities and credit cards	49	39
Other	0	(8)
Total	185	127

9. Dividend income

During the year, the Bank recognized dividend income mainly resulting from shares in subsidiaries amounting to € 123 million (2017: € 132 million).

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

	2018	2017
	€ million	€ million
Eurobank Private Bank Luxembourg S.A.	30	30
ERB Istanbul Holding A.S.	30	-
Eurobank Bulgaria A.D.	17	14
Eurolife ERB Insurance Group Holdings S.A.	16	8
Eurobank Factors S.A.	15	30
ERB New Europe Holding B.V.	13	38
Eurobank Fund Management Company (Luxembourg) S.A.	-	7
Grivalia Properties R.E.I.C.	-	4
Other	2	1
Total	123	132

Notes to the Financial Statements

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

	2018 € million
Debt securities of which:	78
- measured at amortized cost	-
- measured at FVOCI	77
- measured at FVPTL	1
Equity securities measured at FVTPL	2
Gains/(losses) on derivative financial instruments (hedge accounting)	(1)
Gains/(losses) on derivative financial instruments (no hedge accounting)	11
Revaluation on foreign exchange positions	9
Total	99

	2017 € million
Debt securities and other financial instruments	36
Equity securities	30
Gains/(losses) on derivative financial instruments	54
Revaluation on foreign exchange positions	3
Total	123

11. Other income/ (expenses)

For the year ended 31 December 2018, other income/(expenses) mainly include: (a) € 27.7 million loss resulting from the disposal of Bancpost S.A. and ERB Leasing IFN S.A., including the provisions recognized following the finalization of the completion statements of the Romanian disposal group and the completion of Bancpost's tax audit (note 25), (b) € 25 million capital return received from Eurolife ERB Insurance Group Holdings S.A., corresponding to the accumulated profits of Eurolife group, (c) € 4.3 million derecognition gain on loans measured at amortised cost, the terms of which were substantially modified, (d) € 2.2 million loss from the disposal of ERB Leasing E.A.D. (note 25), (e) € 4.9 million refund to which the Bank was entitled, based on the agreement for the sale of 80% of the Group's insurance operations completed in August 2016 and following the resolution of a legal claim in favor of Eurolife ERB Life Insurance S.A., and (f) € 6.8 million fee expense related to the deferred tax credits according to article 82 of Law 4472/2017 (note 16).

12. Operating expenses

	2018 € million	2017 € million
Staff costs (note 13)	(382)	(399)
Administrative expenses	(148)	(143)
Contributions to resolution and deposit guarantee funds	(53)	(51)
Depreciation of real estate properties and equipment	(24)	(22)
Amortisation of intangible assets	(18)	(16)
Operating lease rentals	(40)	(41)
Total	(665)	(672)

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 as a part of the total amount of contributions (note 42).

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13. Staff costs

	2018 € million	2017 € million
Wages, salaries and performance remuneration	(269)	(282)
Social security costs	(64)	(69)
Additional pension and other post employment costs	(12)	(11)
Other	(37)	(37)
Total	(382)	(399)

The average number of employees of the Bank during the year was 8.216 (2017: 8,617). As at 31 December 2018, the number of branches and business/private banking centers of the Bank amounted to 373.

14. Other impairments, restructuring costs and provisions

	2018 € million	2017 € million
Impairments and provisions related to shares in subsidiary undertakings, associates and joint ventures (notes 25, 34)	(76)	(105)
Impairment losses and valuation losses on real estate properties	(15)	(19)
Other impairment losses and provisions ⁽¹⁾	(3)	(8)
Impairment losses/ reversal on bonds (note 24)	15	-
Other impairment losses and provisions	(79)	(132)
Voluntary exit schemes and other related costs (note 34)	(52)	(5)
Other restructuring costs	(6)	(6)
Restructuring costs	(58)	(11)
Total	(137)	(143)

⁽¹⁾ Includes impairment losses on equity securities (under IAS 39 for the year 2017), other assets and provisions on litigations and other operational risk events.

For the year ended 31 December 2018, considering the trend in Greek real estate market prices and the particular characteristics of the Bank's real estate portfolio, an amount of € 15 million impairment and valuation losses on investment and repossessed properties has been recognised in the income statement.

As at 31 December 2018, the Bank recognized restructuring costs amounting to € 6 million mainly related with the optimization of its lending operations. As at 31 December 2017, the Bank had recognized restructuring expenses amounting to € 6 million, mainly relating to the rationalization of its branch network.

15. Income tax

	2018 € million	2017 € million
Current tax	(3)	(1)
Deferred tax (note 16)	(6)	36
Tax adjustments	(14)	-
Total tax (charge)/income	(23)	35

According to Law 4172/2013 currently in force, the nominal Greek corporate tax rate for the year 2018 is 29%. In addition, dividends distributed as of 1 January 2019, other than intragroup dividends, which under certain preconditions are relieved from both income and withholding tax, are subject to 10% withholding tax. According to article 23 of Law 4579/2018, which was enacted in December 2018 and amended Law 4172/2013, the Greek corporate tax rate for entities other than credit institutions, will decrease annually by 1% for each of the next four years starting from 2019, resulting to 25% for the year 2022 and onwards.

For the year ended 31 December 2018, a provision of € 14 million has been recognized in the income statement against income tax receivables, which are further pursued in courts.

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In October 2018, the Greek Council of State communicated its decisions to the Bank and another Greek banking institution, ruling against their refund right in reference to taxes prepaid (by way of withholding) on interest arising from bonds and treasury bills for the year 2008 (amounting to € 4 million for the Bank). The said decisions interpreted the Greek tax law applicable for the year 2008 and stated that such withholding taxes are allowed to be offset only against the banks' annual corporate income tax and any excess part is not refundable. However, in respect of such withholding taxes, two previous favorable decisions for different years (the one related to the Bank for the year 2010 and a second to another banking institution) have been issued by the same Council of State body. The Bank challenged the respective Council of State decision at the European Court. In addition to the above, the Bank has similar pending tax cases in the context of the interpretation of Law 2238/1994, amounting to € 46 million for the year 2012.

On 29 March 2019, a legislative bill was voted by the Greek Parliament including provisions which safeguard the collectability of both the tax receivables of Law 2238/1994 arising (as mentioned above) from withholding taxes on interest from bonds (for years 2008, 2010, 2011 and 2012) as well as the tax receivables of Law 4046/2012 (for years 2010, 2011 and 2012) arising from taxes of € 13 million for the Bank, withheld on interest from Greek sovereign bonds, Greek T-bills and corporate bonds with Greek State guarantee.

In reference to its total uncertain tax positions, the Bank assesses all relevant developments (e.g. legislative changes, case law, ad hoc tax/legal opinions, administrative practices) and raises adequate provisions.

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

	2018 € million	2017 € million
Profit/(loss) before tax	56	(24)
Tax at the applicable tax rate	(16)	7
Tax effect of:		
- income not subject to tax and non deductible expenses	24	38
- tax adjustments	(14)	-
- other	(17)	(10)
Total tax (charge)/income	(23)	35

Tax certificate and open tax years

The Bank has in principle 6 open tax years (i.e. 5 years as from the end of the fiscal year within which the relevant tax return should have been submitted). For the open tax years 2013-2015 the Bank was required to obtain an 'Annual Tax Certificate' pursuant to the Law 4174/2013, 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 obtained by external auditors unqualified tax certificates for the open tax years 2013-2017. For the year ended 31 December 2018, 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/aforementioned statute of limitations, 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 2012 (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.

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The movement on deferred income tax is as follows:

	2018	2017
	€ million	€ million
Balance at 1 January	4,846	4,902
Income statement credit/(charge)	(6)	36
Investment securities at FVOCI	64	-
Available for sale investment securities	-	(85)
Cash flow hedges	(2)	(8)
Other	1	1
Balance at 31 December	4,903	4,846

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

	2018	2017
	€ million	€ million
Impairment/valuation relating to loans and accounting write-offs ⁽¹⁾	3,124	3,005
PSI+ tax related losses	1,151	1,201
Losses from disposals and crystallized write-offs of loans	265	239
Other impairments/ valuations through the income statement	248	312
Unused tax losses	62	21
Costs directly attributable to equity transactions	23	31
Cash flow hedges	15	17
Defined benefit obligations	12	13
Own used, investment and repossessed properties	(15)	(13)
Investment securities at FVOCI	(24)	-
Valuations directly to available-for-sale revaluation reserve	-	(84)
Other ⁽¹⁾	42	104
Net deferred income tax	4,903	4,846

⁽¹⁾ As at 31 December 2018, deferred tax asset of € 61 million on provisions for credit related commitments of the Bank to its subsidiaries (mainly to reflect the carrying values of their loans' portfolios) has been reclassified from "other" category of temporary taxable differences to "Impairment/ valuation relating to loans and accounting write-offs".

Following the completion of the sale of the Romanian disposal group (note 25), the relevant valuation temporary differences were reversed, but were not fully utilized against taxable profits. This resulted to the increase of the deferred tax on unused tax losses and the decrease of deferred tax on valuations through the income statement for the year ended 31 December 2018.

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

	2018	2017
	€ million	€ million
Impairment/ valuation relating to loans, disposals and write-offs	85	102
Unused tax losses	41	(9)
Tax deductible PSI+ losses	(50)	(50)
Change in fair value and other temporary differences	(82)	(7)
Deferred income tax (charge)/credit	(6)	36

As at 31 December 2018, the Bank recognized net deferred tax assets amounting to € 4.9 bn as follows:

- (a) € 3,124 million refer to deductible temporary differences arising from impairment/ valuation relating to loans including the accounting debt write-offs according to the Greek tax law 4172/2013, as in force. These temporary differences can be utilized in future periods with no specified time limit and according to current tax legislation;
- (b) € 1,151 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;

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- (c) € 265 million refer to the unamortized part of the crystallized tax losses arising from write-offs and disposals of loans, which are subject to amortization (i.e. 1/20 of losses per year starting from year 2016 and onwards), according to the Greek tax law 4172/2013, as in force;
- (d) € 62 million refer to unused tax losses of which ca € 48 million tax losses resulted from the sale of the Romanian disposal group in April 2018 (note 25). The ability for the Bank to utilize tax losses carried forward expires in five tax years after the year of their recognition;
- (e) € 23 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) € 278 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 2018, 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 2018. 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 2018 the Bank has conducted a deferred tax asset (DTA) recoverability assessment based on a) its three-year Business Plan that was approved by the Board of Directors in January 2018 and provided outlook of its profitability and capital position for the period up to the end of 2020 and b) the update of the Plan for the period till the end of 2021 that was submitted to the Board of Directors and the Hellenic Financial Stability Fund (HFSF) on December 2018. The January 2018 Business Plan has also been submitted to the Hellenic Financial Stability Fund (HFSF) and to the Single Supervisory Mechanism (SSM).

For the years beyond 2021, 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 repatriation of customer deposits replacing more expensive funding sources, (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 and its update largely depend on the risks and uncertainties that stem from the macroeconomic environment in Greece (note 2.1).

The Bank is in the process of the finalization of its updated business plan, subject to the completion of all the remaining actions and the receipt of all the necessary approvals from the competent authorities, relating to the merger of the Bank with Grivalia Properties REIC (note 43) and the Bank's planned strategic initiatives for the accelerated reduction of NPEs (note 6).

Deferred tax credit against the Greek State and tax regime for loan losses

As at 31 December 2018, pursuant to the Law 4172/2013, as in force, the Bank's eligible DTAs/deferred tax credits (DTCs) against the Greek State amounted to € 3,927 million. The DTCs will be converted into directly enforceable claims (tax credit) against the

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Greek State provided that the Bank's after tax accounting result for the year is a loss. In particular, DTCs are accounted for on: (a) the losses from the Private Sector Involvement (PSI) and the Greek State Debt Buyback Program and (b) 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 and other losses in general due to credit risk recorded up to 30 June 2015.

In accordance with the tax regime, in force, the above crystallized tax losses arising from write-offs and disposals on customers' loans are amortised over a twenty-year period, maintaining the DTC status during all this period, while they are disconnected from the accounting write-offs. Accordingly, the recovery of the Bank's deferred tax asset recorded on loans and advances to customers and the regulatory capital structure are safeguarded, contributing substantially to the achievement of the NPEs reduction targets, through the acceleration of write-offs and disposals.

As of 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 for credit institutions (i.e. 29%) and the tax rate applicable on 30 June 2015 (i.e. 26%). For the year ended 31 December 2018, an amount of € 6.8 million has been recognized in "Other income/ (expenses)".

17. Cash and balances with central banks

	2018 € million	2017 € million
Cash in hand	329	337
Balances with central banks	68	35
Total	397	372
of which:		
Mandatory and collateral deposits with central banks	45	13

Mandatory deposits with central banks include deposits of € 45 million (2017: € 13 million) with the Bank of Greece which represent the minimum level of average monthly deposits which the Bank is required to maintain; the majority 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:

	2018 € million	2017 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	352	359
Due from credit institutions	138	147
Total	490	506

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

	2018 € million	2017 € million
Amortisation of premiums/discounts and accrued interest	(79)	(57)
(Gains)/losses from investment securities	(79)	(65)
Dividends	(1)	(1)
Total	(159)	(123)

Changes in liabilities arising from financing activities

During the year ended 31 December 2018, changes in the Bank's liabilities arising from financing activities, i.e., debt securities in issue (note 33), are attributable to: a) debt issuance amounting to € 2,349 million (net of issuance costs) of which € 946 million are

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related to the issuance of Tier 2 capital instruments following the full redemption of preference shares, b) debt repayment amounting to € 158 million and c) accrued interest and amortisation of debt issuance costs amounting to € 3 million.

19. Due from credit institutions

	2018 € million	2017 € million
Pledged deposits with banks	2,986	2,757
Placements and other receivables from banks	85	9
Current accounts and settlement balances with banks	119	101
Total	3,190	2,867

	2018 € million	2017 € million
Included in due from credit institutions were unsubordinated amounts due from: -subsidiary undertakings	1,263	1,200

As at 31 December 2018, the pledged deposits with banks mainly include: a) € 1,187 million cash collaterals for guarantees relating to the lending activities of banking subsidiaries, b) € 1,661 million cash collaterals on risk mitigation contracts for derivative transactions and repurchase agreements (CSAs, GMRAs), c) € 93 million pledged deposits relating to the securitized issues and d) € 44 million cash collateral relating to the sale of the Romanian disposal group (note 25).

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

	2018 € million	2017 € million
Greece	18	9
Other European countries	3,156	2,806
Other countries	16	52
Total	3,190	2,867

20. Securities held for trading

	2018 € million	2017 € million
Debt Securities (note 6.2.1.3)	18	12
Equity securities	-	1
Total	18	13

21. 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.

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	31 December 2018			31 December 2017		
	Contract/ notional amount € million	Fair values		Contract/ notional amount € million	Fair values	
		Assets € million	Liabilities € million		Assets € million	Liabilities € million
	Derivatives for which hedge accounting is not applied/ held for trading					
- Interest rate swaps	24,648	1,726	1,265	16,475	1,736	1,279
- Interest rate options	7,113	35	76	3,502	32	87
- Cross currency interest rate swaps	286	20	19	686	16	30
- Currency forwards/currency swaps	3,106	16	15	2,735	17	11
- Currency options	214	1	1	1,211	13	9
- Commodity derivatives	56	7	7	88	4	4
- Credit default swaps	801	4	7	458	-	5
- Other (see below)	10	0	-	116	0	0
		1,809	1,390		1,818	1,425
Derivatives designated as fair value hedges						
- Interest rate swaps	3,110	1	347	1,570	10	307
- Cross currency interest rate swaps	4	0	0	-	-	-
		1	347		10	307
Derivatives designated as cash flow hedges						
- Interest rate swaps	154	-	58	192	0	54
- Cross currency interest rate swaps	3,078	65	101	3,032	56	64
		65	159		56	118
Total derivatives assets/liabilities		1,875	1,896		1,884	1,850

Other derivative contracts include exchange traded interest futures and warrants.

Information on the fair value measurement and offsetting of derivatives is provided in notes 6.3 and 6.2.1.4, 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 and cross currency interest rate swaps. In 2018, the Bank recognized a loss of € 59.3 million (2017: € 65 million gain) from changes in the carrying amount of the hedging instruments, used as the basis of recognizing hedge ineffectiveness and € 59.1 million gain (2017: € 66 million loss) from changes in the carrying amount of the hedged items attributable to the hedged risk. The amount of hedge ineffectiveness recognized for 2018 in income statement was € 0.2 million loss (2017: € 1 million loss).

(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. For the year ended 31 December 2018, an amount of € 3 million gain was recognised in other comprehensive income in relation to derivatives designated as cash flow hedges. Furthermore, in 2018, the ineffectiveness recognized in the income statement that arose from cash flow hedges was nil (2017: 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

Notes to the Financial Statements

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 assets, as categorized by counterparty's geographical region and industry sector, is presented in the following table:

	31 December 2018			
	Other			Total € million
	Greece	European	Other	
	€ million	countries	countries	
Sovereign	1,210	-	-	1,210
Banks	7	295	302	604
Corporate	60	-	1	61
Total	1,277	295	303	1,875

	31 December 2017			
	Other			Total € million
	Greece	European	Other	
	€ million	countries	countries	
Sovereign	1,197	-	-	1,197
Banks	0	298	316	614
Corporate	72	0	1	73
Total	1,269	298	317	1,884

At 31 December 2018, the maturity profile of the nominal amount of the financial instruments designated by the Bank in hedging relationships is presented in the table below:

	31 December 2018									
	Fair Value Hedges				Cash Flow Hedges					
	3 - 12	1-5 years	Over 5	Total	1 - 3	3 - 12	1-5 years	Over 5	Total	
	months	€ million	years		€ million	months	months	years		€ million
Interest rate swaps	42	525	2,543	3,110	-	27	35	92	154	
Cross currency interest rate swaps	-	-	4	4	500	1,343	1,060	175	3,078	
Total	42	525	2,547	3,114	500	1,370	1,095	267	3,232	

(a) Fair value hedges

The following table presents data relating to the hedged items under fair value hedges for the year ended 31 December 2018:

	31 December 2018		
	Carrying amount	Accumulated amount of FV hedge adjustments on the hedged item	Change in value as the basis for recognising hedge ineffectiveness
	€ million	€ million	€ million
	Loans and advances to customers	312	22
Debt securities AC	726	219	5
Debt securities FVOCI	2,372	47	56
Total	3,410	288	59

At 31 December 2018, the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any items that have ceased to be adjusted for hedging gains and losses was € 183 million.

Notes to the Financial Statements

(b) Cash flow hedges

The cash flow hedge reserves for continuing hedges as at 31 December 2018 were € 26 million loss, of which € 5 million gain relates to loans and advances to customers and € 31 million loss to deposits.

As at 31 December 2018, the balances remaining in the cash flow hedge reserve from any cash flow hedging relationships for which hedge accounting is no longer applied was € 26 million loss.

The reconciliation of the components of Bank's special reserves including cash flow hedges is provided in note 38.

22. Loans and advances to customers

	As at		
	31 December 2018 € million	1 January 2018 € million	31 December 2017 € million
Loans and advances to customers at amortised cost			
- Gross carrying amount	37,275	39,797	39,883
- Impairment allowance	(7,967)	(9,904)	(9,017)
Carrying Amount	29,308	29,893	30,866
Loans and advances to customers at FVTPL	46	52	-
Total	29,354	29,945	30,866

The table below presents the carrying amount of loans and advances to customers per business unit and per stage as at 31 December 2018:

	31 December 2018				1 January 2018	31 December 2017
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit- impaired ⁽¹⁾ € million	Total amount € million	Total amount € million	Total amount € million
Loans and advances to customers at amortised cost						
Mortgage lending:						
- Gross carrying amount	5,686	3,397	5,812	14,895	15,299	15,298
- Impairment allowance	(30)	(279)	(2,145)	(2,454)	(2,518)	(2,211)
Carrying Amount	5,656	3,118	3,667	12,441	12,781	13,087
Consumer lending:						
- Gross carrying amount	1,441	245	1,176	2,862	4,212	4,212
- Impairment allowance	(33)	(91)	(919)	(1,043)	(2,112)	(1,920)
Carrying Amount	1,408	154	257	1,819	2,100	2,292
Small Business lending:						
- Gross carrying amount	1,282	1,171	3,397	5,850	6,320	6,320
- Impairment allowance	(11)	(211)	(1,520)	(1,742)	(2,168)	(1,876)
Carrying Amount	1,271	960	1,877	4,108	4,152	4,444
Wholesale lending:						
- Gross carrying amount	7,429	1,416	4,823	13,668	13,966	14,053
- Impairment allowance	(50)	(97)	(2,581)	(2,728)	(3,106)	(3,010)
Carrying Amount	7,379	1,319	2,242	10,940	10,860	11,043
Total loans and advances to customers at AC						
- Gross carrying amount	15,838	6,229	15,208	37,275	39,797	39,883
- Impairment allowance	(124)	(678)	(7,165)	(7,967)	(9,904)	(9,017)
Carrying Amount	15,714	5,551	8,043	29,308	29,893	30,866
Loans and advances to customers at FVTPL						
Carrying Amount				46	52	-
Total				29,354	29,945	30,866

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Non-performing loans sale transactions

As of 30 September 2018, a non performing unsecured consumer loan (NPL) portfolio of the Bank of total unpaid principal ca. € 1.1 bn (€ 1 bn on balance sheet exposure that carried an impairment allowance of € 0.94 bn) was classified as held for sale, as its sale was considered highly probable. On 16 October 2018, the Bank, in line with its NPE reduction plan, announced that it has entered into an agreement with the consortium of B2Holding ASA and Waterfall Asset Management to sell the aforementioned portfolio. The servicing of the portfolio will remain with Financial Planning Services (FPS), which is the 100% owned by the Bank licensed NPL servicer, and will take place in cooperation with the licensed company B2Kapital S.A. In December 2018, the Bank completed the disposal with no impact in the income statement.

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).

Non-performing loans classified as held for sale

In December 2018, the Bank entered into an agreement for the disposal of a non-performing corporate loans' portfolio. Accordingly, gross loans of € 65 million, which carried an impairment allowance of € 45 million were classified as held for sale, as their sale was considered highly probable. In January 2019, the disposal of the aforementioned loan portfolio was completed.

The above sales of non-performing lending exposures in 2018 which were performed within the context of the Bank's NPE reduction targets are consistent with the hold-to-collect business model for loans and advances to customers carried at amortized cost.

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

	2018 € million	2017 € million
Gross investment in finance leases receivable:		
Not later than 1 year	26	28
Later than 1 year and not later than 5 years	3	4
Later than 5 years	16	18
	<u>45</u>	<u>50</u>
Unearned future finance income on finance leases	(2)	(2)
Net investment in finance leases	43	48
Less: Impairment allowance	(26)	(27)
Total	<u>17</u>	<u>21</u>
The net investment in finance leases is analysed as follows:		
Not later than 1 year	26	27
Later than 1 year and not later than 5 years	2	3
Later than 5 years	15	18
	<u>43</u>	<u>48</u>
Less: Impairment allowance	(26)	(27)
Total	<u>17</u>	<u>21</u>

Notes to the Financial Statements

23. Impairment allowance for loans and advances to customers

The movement of the impairment allowance for loans and advances to customers by product line and stage is calculated by reference to opening and closing balances for the reporting period from 1 January 2018 to 31 December 2018:

	31 December 2018												Total € million
	Wholesale			Mortgage			Consumer			Small business			
	12-month ECL € million	Lifetime ECL not credit- impaired loans € million	Lifetime ECL credit- impaired loans € million	12-month ECL € million	Lifetime ECL not credit- impaired loans € million	Lifetime ECL credit- impaired loans € million	12-month ECL € million	Lifetime ECL not credit- impaired loans € million	Lifetime ECL credit- impaired loans € million	12-month ECL € million	Lifetime ECL not credit- impaired loans € million	Lifetime ECL credit- impaired loans € million	
Impairment allowance as at 1 January (note 2.3.2)	56	147	2,903	23	299	2,196	38	115	1,959	15	203	1,950	9,904
Transfer of ECL allowance ⁽²⁾	(2)	(6)	(101)	-	-	-	(7)	(0)	(0)	(5)	(0)	-	(121)
New loans and advances originated or purchased	8	-	-	0	-	-	7	-	-	1	-	-	16
Transfers between stages													
- to 12-month ECL	5	(4)	(1)	29	(27)	(2)	37	(33)	(4)	21	(19)	(2)	-
- to lifetime ECL not credit-impaired loans	(0)	13	(13)	(1)	167	(166)	(3)	56	(53)	(2)	88	(86)	-
- to lifetime ECL credit-impaired loans	(0)	(15)	15	(1)	(50)	51	(4)	(31)	35	(0)	(33)	33	-
Impact of ECL net remeasurement	(3)	(44)	266	(22)	(109)	173	(35)	(13)	246	(20)	(27)	121	533
Recoveries from written - off loans	-	-	-	-	-	-	-	-	2	-	-	-	2
Loans and advances derecognised/ reclassified as held for sale during the year ⁽³⁾	-	-	(123)	-	-	(0)	(0)	(0)	(937)	(0)	(0)	(0)	(1,060)
Amounts written off	-	-	(329)	-	-	(53)	-	-	(256)	-	-	(423)	(1,061)
Unwinding of Discount	-	-	(82)	-	-	(60)	-	-	(41)	-	-	(68)	(251)
Foreign exchange and other movements	(14)	6	46	2	(1)	6	(0)	(3)	(32)	1	(1)	(5)	5
Impairment allowance as at 31 December	50	97	2,581	30	279	2,145	33	91	919	11	211	1,520	7,967

⁽¹⁾ As of 1 January 2018, the impairment allowance for credit related commitments (off balance sheet items) is monitored separately from the impairment allowance on loans and advances to customers and accordingly is presented within other liabilities (note 34).

⁽²⁾ Impairment allowances in relation to loans sold, modified (where the modification resulted in a derecognition) and those that have been reclassified as held for sale during the year, are presented in line "Loans and advances derecognized /reclassified as held for sale during the year".

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The impairment losses relating to loans and advances to customers recognized in the Bank's income statement for the year ended 31 December 2018 amounted to € 606 million and are analyzed as follows:

	31 December 2018 € million
Impairment loss on loans and advances to customers	(549)
Modification loss on loans and advances to customers	(68)
Impairment loss for credit related commitments	11
Total	(606)

The movement of the impairment allowance for loans and advances to customers by product line for the reporting period from 1 January 2017 to 31 December 2017 is as follows:

	31 December 2017				Total € million
	Wholesale € million	Mortgage € million	Consumer € million	Small business € 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

⁽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.

⁽²⁾ For the year ended 31 December 2017, an amount of € 584 million included relates to the non-performing loans sale transactions (note 22).

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.

24. Investment securities

	As at		
	31 December 2018 € million	1 January 2018 € million	31 December 2017 € million
Investment securities at FVOCI	5,578	5,408	-
Investment securities at amortized cost	941	993	-
Investment securities at FVTPL	78	162	-
Available-for-sale investment securities	-	-	4,884
Debt securities lending portfolio	-	-	1,624
Held-to-maturity investment securities	-	-	108
Total	6,597	6,563	6,616

Further information in relation to investment securities is provided in note 6.2.1.3.

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, the Bank had 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 for fixed rate ones, which would be sold back after a short holding period to EFSF.

In January 2018, the Bank concluded the sale of its entire position in the aforementioned EFSF notes, as the remaining fixed rate said bonds of face value of € 362 million were sold back to the EFSF, with no effect in the Bank's income statement.

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24.1 Movement of investment securities

	31 December 2018					Total € million
	Investment securities at FVOCI		Investment securities at amortised cost		Investment securities at FVTPL	
	12-month ECL	Lifetime ECL not credit-impaired	12-month ECL	Lifetime ECL not credit-impaired		
	€ million	€ million	€ million	€ million	€ million	
Gross carrying amount at 1 January	5,388	20	302	746	162	6,618
Additions, net of disposals and redemptions	199	(2)	(84)	-	(91)	22
Transfers	(2)	2	-	-	-	-
Net gains/(losses) from changes in fair value for the year	(112)	1	-	-	2	(109)
Amortisation of premiums/discounts and interest	77	0	(1)	3	0	79
Changes in fair value due to hedging	-	-	(2)	6	-	4
Exchange adjustments and other movements	7	-	2	(1)	5	13
Gross carrying amount at 31 December	5,557	21	217	754	78	6,627
Impairment allowance	-	-	(2)	(28)	-	(30)
Net carrying amount at 31 December	5,557	21	215	726	78	6,597

	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

24.2 Movement of ECL

	31 December 2018		
	Measured at amortised cost € million	Measured at FVOCI € million	Total € million
Balance at 1 January	55	12	67
New financial assets purchased	0	11	11
- of which 12-month ECL	-	11	11
Changes due to change in ECL risk parameters	(25)	(0)	(25)
- of which lifetime ECL not credit-impaired	(25)	(0)	(25)
Financial assets disposed during the year	-	(6)	(6)
- of which 12-month ECL	-	(6)	(6)
Financial assets redeemed during the year	(0)	(1)	(1)
Balance as at 31 December	30	16	46

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During the year ended 31 December 2018, the impairment allowance of the investment securities of the Bank decreased by € 21 million, mainly due to the improvement of the credit quality of the Hellenic Republic as depicted in the markets and due to the improvement of the long-term prospects of the Greek Economy after the end of the third economic adjustment programme.

24.3 Equity reserve: revaluation of the investment securities at FVOCI

Gains and losses arising from the changes in the fair value of investment securities at FVOCI (available-for-sale investment securities until the end of 31 December 2017) are recognized in a corresponding revaluation reserve in equity. The movement of the reserve is as follows:

	2018 € million	2017 € million
Balance at 1 January under IAS 39	206	4
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3.2)	13	-
Balance at 1 January under IFRS 9	219	-
Net gains/(losses) from changes in fair value	(111)	335
Tax (expense)/benefit	30	(97)
	(81)	238
Net (gains)/losses transferred to net profit on disposal	(78)	(59)
Impairment losses (ECL as of 1 January 2018) transferred to net profit	11	0
Tax (expense)/benefit on net (gains)/losses transferred to net profit on disposal	22	15
Tax (expense)/benefit on impairment losses (ECL as of 1 January 2018) transferred to net profit	(3)	(0)
	(48)	(44)
Net (gains)/losses transferred to net profit from fair value hedges/amortization of mark-to-market	(52)	11
Tax (expense)/benefit	15	(3)
	(37)	8
Balance at 31 December	53	206

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25. Shares in subsidiaries

The following is a listing of the Bank's subsidiaries at 31 December 2018:

<u>Name</u>	<u>Note</u>	<u>Percentage holding</u>	<u>Country of incorporation</u>	<u>Line of business</u>
Be Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services		98.01	Greece	Business-to-business e-commerce, accounting, tax and sundry 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.		100.00	Greece	Loans and Credits Claim Management
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.		100.00	Greece	Real Estate
Modern Hoteling	b	100.00	Greece	Real Estate
Eurobank Bulgaria A.D.		56.14	Bulgaria	Banking
ERB Leasing Bulgaria EAD	d	100.00	Bulgaria	Leasing
ERB Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd	m	100.00	Channel Islands	Special purpose financing vehicle
CEH Balkan Holdings Ltd ⁽²⁾	h	100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd ⁽²⁾	g	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
ERB IT Shared Services S.A. ⁽¹⁾		1.10	Romania	Informatics data processing
Eurobank Finance S.A. ⁽¹⁾⁽²⁾		19.65	Romania	Investment banking
Eurobank A.D. Beograd		55.80	Serbia	Banking
ERB Leasing A.D. Beograd ⁽¹⁾⁽²⁾		17.51	Serbia	Leasing
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 ⁽²⁾		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc ⁽²⁾		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc ⁽²⁾		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc ⁽²⁾		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc ⁽²⁾		-	United Kingdom	Special purpose financing vehicle
Tegea Plc ⁽²⁾		-	United Kingdom	Special purpose financing vehicle
Maximus Hellas Designated Activity Company	f	-	Ireland	Special purpose financing vehicle
Astarti Designated Activity Company	k	-	Ireland	Special purpose financing vehicle

⁽¹⁾ Not direct control by the Bank.

⁽²⁾ Entities under liquidation at 31 December 2018.

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, Themeleion IV Holdings Ltd, Themeleion V Mortgage Finance Plc, Themeleion VI Mortgage Finance Plc, Anaptyxi APC Ltd, Byzantium II Finance Plc, Tegea Holdings Ltd and Anaptyxi SME I Holdings Ltd, which are under liquidation and (b) Karta II Holdings Ltd.

(ii) Dormant entity: Enalios Real Estate Development 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) Eurobank Household Lending Services S.A., Greece

In December 2017, the Board of Directors of the Bank and its wholly owned subsidiary Eurobank Household Lending Services S.A. decided the merger of the two companies, by absorption of the latter by the former, in the context of the Group's rationalization of operations. In June 2018, the above merger was completed, after all necessary approvals from the competent authorities were obtained.

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The legal merger was effected on the basis of the legal merger balance sheets of each company as at 31 December 2017. As of that date the Bank incorporated the assets and the liabilities of the merged subsidiary amounting to € 19.6 million (of which € 11 million intercompany balances with the Bank) and € 4.4 million (of which € 0.04 million intercompany balances with the Bank) respectively, at their carrying amounts in the consolidated financial statements without any fair value adjustments. The difference of ca € 0.5 million loss between the carrying amount of the investment in the merged subsidiary before the legal merger amounting to € 15.6 million, and the carrying amount of net assets acquired amounting to € 15.2 million has been recognized in the Bank's equity, in accordance with the Bank's accounting policy for such transactions (note 2.2.1).

The results of Eurobank Household Lending Services S.A. were incorporated in the Bank's income statement prospectively, as of 1 January 2018, amounting to € 0.4 million gain until the completion of the legal merger at the end of June 2018.

(b) Modern Hoteling, Greece

In the context of the management of its non performing exposures (NPEs), in January 2018, the Bank established a wholly owned subsidiary, Modern Hoteling, to operate as a real estate company in Greece.

(c) ERB Property Services Sofia E.A.D., Bulgaria

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. On the same date, the Bank's subsidiary Eurobank Property Services S.A. also disposed its participation in the company to Eurobank Bulgaria A.D. In June 2018, following the aforementioned transactions, the company's name changed to ERB Property Services Sofia E.A.D.

(d) 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.

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

In September 2017, the sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group) 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 had reached an agreement with Banca Transilvania (BT) with regards to the above sale. Following the said agreement, on 3 April 2018, Eurobank and BT concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Bank in the above companies to BT.

The consideration of the transaction, net of related costs, reached € 150 million, in addition to the € 48 million capital return received by the Bank in the first quarter 2018. In the fourth quarter of 2018, the Bank has recognized a provision of € 14.1 million following the finalization of the completion statements of the Romanian disposal group.

According to the Sale Purchase Agreement (SPA) executed between Eurobank Group (the Seller) and Banca Transilvania (BT) (the Purchaser), there are also specific indemnity clauses based on which the Purchaser could claim specific amounts, subject to certain limitations on total claims. In the above context in the third quarter 2018, the Bank has recognized a provision of € 15 million for Bancpost S.A. tax issues (see "Tax audit" below). Accordingly, an amount of € 28 million loss has been recognized in "Other income/(expenses)" for the year ended 31 December 2018. The transaction has been capital accretive and liquidity positive for the Group.

Tax audit

According to the tax audit assessment communicated to Bancpost S.A. within July 2018, following the completion of the tax audit for the years 2011-2015, the additional taxes to be paid amount in total to € 40 million, approximately. The said taxes result from the imposition of additional withholding taxes of € 30 million (including surcharges of € 10 million) and additional corporate income tax of € 10 million deriving from both the disallowance for tax deduction of certain expenses and the recognition of deemed taxable income.

The Group is in close cooperation with BT, which is in the process of challenging the tax audit assessment in courts.

Notes to the Financial Statements

According to the SPA, the Purchaser could claim, subject to certain limitations on the total claim, from the Seller the tax liabilities that will be assessed by a tax authority as a result of a Tax audit covering all tax matters in respect of all open (non-expired) taxable periods of Bancpost S.A. until the completion of the transaction. In respect of the above, in the third quarter of 2018, the Bank has recognized the aforementioned provision of € 15 million in the income statement.

Romanian National Authority for Consumer Protection (ANPC)

In addition, in July and August, the Romanian National Authority for Consumer Protection (ANPC) has imposed two fines on Bancpost S.A. in connection with complaints raised by certain Bancpost S.A. lending clients. The cases related to portfolios of performing loans which were assigned by Bancpost S.A. to ERB New Europe Funding II B.V. (NEF II) (an SPV in the Netherlands controlled by Eurobank) in 2008. The ANPC has imposed fines on Bancpost S.A. totalling € 68 thousand, as it challenged the capacity of NEF II to acquire the loan receivables from Bancpost S.A. and of certain alleged breaches of consumer protection laws. Furthermore, the ANPC concluded that payments by the consumers such as interests, fees, penalties in relation to all loans assigned to NEF II were illegally cashed in by NEF II for a period of ten years and should be reimbursed by Bancpost S.A.

The Group is in close cooperation with BT, which is in the process of challenging the ANPC minutes in courts.

The SPA for the sale of Bancpost S.A. mentioned above between Eurobank Group and BT also provides for an indemnity in respect of losses incurred from claims made against the Purchaser or Bancpost S.A. in relation to loans and receivables of the above perimeter.

The Group is closely monitoring the developments of all the above cases of Bancpost S.A. and is in the process of analyzing the potential implications that may affect its legal rights and obligations, including those arising under the SPA with BT.

(f) Maximus Hellas Designated Activity Company, Ireland

In the second quarter of 2018, the Bank established Maximus Hellas Designated Activity Company, a special purpose financing vehicle for the securitization of a portfolio of corporate and SME (small and medium enterprise) loans (note 33).

(g) Chamia Enterprises Company Ltd, Cyprus

In June 2018, the extraordinary General Meeting of the Shareholders of the company decided its liquidation.

(h) CEH Balkan Holdings Ltd, Cyprus

In December 2018, the sole shareholder of the company decided its liquidation.

(i) Eurobank Property Services S.A., Romania

In September 2018, the Bank disposed its participation in Eurobank Property Services S.A. in Romania to Eurobank Property Services S.A. in Greece, resulting to the recognition of gain of € 0.1 million.

(j) ERB Property Services d.o.o. Beograd, Serbia

In October 2018, the Bank disposed its participation in ERB Property Services d.o.o. Beograd in Serbia to Eurobank Property Services S.A. in Greece resulting to the recognition of gain of € 0.01 million.

(k) Astarti Designated Activity Company, Ireland

In October 2018, the Bank established Astarti Designated Activity Company, a special purpose financing vehicle for the securitization of a portfolio of consumer and SME (small and medium enterprise) loans (note 33).

(l) ERB Leasing E.A.D, Bulgaria

In November 2018, the Bank completed the sale of the 100% of the shares and voting rights of ERB Leasing E.A.D. with a resulting loss of € 2.2 million recognized in "other income/expenses".

(m) ERB Hellas Funding Ltd, Channel Islands

In December 2018, the share capital of the company increased by € 0.8 million.

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Agreement for the acquisition of Piraeus Bank Bulgaria A.D. by Eurobank Bulgaria A.D.

On 7 November 2018, the Bank announced that it has concluded an agreement with Piraeus Bank S.A. for the acquisition of Piraeus Bank Bulgaria A.D. (“PBB”), a subsidiary of Piraeus Bank, by Eurobank’s subsidiary in Bulgaria, Eurobank Bulgaria A.D. (“Postbank”) (the “Transaction”).

The Transaction is subject to approvals by the relevant competent regulatory and supervisory authorities and is expected to take place during the second quarter of 2019. Further information about the Transaction is provided in the consolidated financial statements for the year ended 31 December 2018.

Post balance sheet events

Eurobank Property Services S.A., Greece

In January 2019, the Bank and Cerved Credit Management Group S.r.l. (Cerved) signed a binding agreement in the context of which Cerved will acquire the entire share capital of Eurobank Property Services S.A. in Greece (EPS) and its subsidiaries Eurobank Property Services S.A. in Romania and ERB Property Services d.o.o. Beograd in Serbia from Eurobank. EPS Greece has also been appointed as real estate servicer for Eurobank for the next five years with respect to all real estate valuation activities and other services. The agreement is subject to standard conditions for similar transactions, and is envisaged to take place by early April 2019 via the acquisition from Cerved, for a consideration of € 8 million, of the entire share capital of EPS. Further consideration of up to € 5 million in the form of earn – out will be due upon reaching certain economic results and conditions in the timeframe until 2023. The transaction is in line with the Bank’s strategy to focus on its core operations, adopting an outsourcing business model in relation to real estate services.

Modern Hoteling, Greece

In February 2019, the Bank signed a pre- agreement with third party for the disposal of its participation (100%) in Modern Hoteling. Based on the above agreement, a share capital increase took place in March 2019, which was covered by the purchaser in order for the company’s debt to be fully repaid to the Bank. Upon completion of the share capital increase, the Bank’s participation in the company decreased to 41% and based on the relevant share purchase agreement signed in the same month, the disposal of the company was completed.

Impairment in Subsidiaries undertakings

In the context of the impairment review of its investment in subsidiary undertakings, the Bank reassessed the recoverable amounts of its subsidiaries. Accordingly, the following impairment charge was recorded:

	2018	2017
	€ million	€ million
Eurobank Ergasias Leasing S.A.	33	33
ERB Istanbul Holding A.S.	10	-
Eurobank Asset Management Mutual Fund Mngt Company S.A.	-	32
Bancpost S.A ⁽¹⁾	-	31
NEU Property Holdings Ltd	-	3
CEH Balkan Holdings Ltd	-	3
Eurobank Household Lending Services S.A.	-	2
Standard Ktimatiki S.A.	-	1
Total	43	105

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

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27. Investment property

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

	2018 € million	2017 € million
Cost:		
Balance at 1 January	28	67
Transfers from/ to property plant and equipment	20	8
Disposals and write-offs	(4)	(46)
Impairments	(3)	(1)
Balance at 31 December	<u>41</u>	<u>28</u>
Accumulated depreciation:		
Balance at 1 January	(6)	(8)
Transfers from/ to property plant and equipment	(4)	(1)
Disposals and write-offs	1	4
Charge for the year	(0)	(1)
Balance at 31 December	<u>(9)</u>	<u>(6)</u>
Net book value at 31 December	<u>32</u>	<u>22</u>

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 2018, an amount of € 3.7 million (2017: € 3 million) was recognized as rental income from investment property in income from non-banking services. As at 31 December 2018 and 2017, there were no capital commitments in relation to investment property.

The fair value measurements as at 31 December 2018 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.

Class of Property	31 December 2018		31 December 2017	
	Fair Value	Book Value	Fair Value	Book Value
	€ million	€ million	€ million	€ million
-Commercial	36	29	25	19
-Land Plots	3	3	3	3
Total	<u>39</u>	<u>32</u>	<u>28</u>	<u>22</u>

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.

Notes to the Financial Statements

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.

28. Intangible assets

	2018 € million	2017 € million
Cost:		
Balance at 1 January	252	211
Arising from merger (note 25)	23	-
Additions	50	41
Transfers	(17)	-
Disposals and write-offs	(5)	-
Balance at 31 December	303	252
Accumulated amortisation:		
Balance at 1 January	(147)	(131)
Arising from merger (note 25)	(22)	-
Transfers	7	-
Amortization charge for the year	(18)	(16)
Disposals and write-offs	3	-
Balance at 31 December	(177)	(147)
Net book value at 31 December	126	105

29. Other assets

	2018 € million	2017 € million
Receivable from Deposit Guarantee and Investment Fund	707	704
Reposessed properties and relative prepayments	437	272
Pledged amount for a Greek sovereign risk financial guarantee	240	241
Balances under settlement ⁽²⁾	108	1
Prepaid expenses and accrued income	70	70
Income tax receivable ⁽¹⁾	46	140
Other guarantees	44	35
Investments in associates and joint ventures (see below)	37	34
Other assets	77	111
Total	1,766	1,608

⁽¹⁾ Includes withholding taxes, net of provisions.

⁽²⁾ Includes settlement balances with customers and balances under settlement relating to the auction process.

In the context of the active management of the NPEs, the Bank leveraged the electronic auction platform, which was launched in February 2018, in order to effectively process the planned foreclosure actions. This resulted to the net increase of reposessed properties and relative prepayments by € 165 million for the year ended 31 December 2018.

As at 31 December 2018, other assets net of provisions, amounting to € 77 million include, among others, receivables related to (a) prepayments to suppliers, (b) public entities and (c) legal cases.

Notes to the Financial Statements

The following is the listing of the Bank's associates and joint ventures as at 31 December 2018:

<u>Name</u>	<u>Note</u>	<u>Country of incorporation</u>	<u>Line of business</u>	<u>Percentage Holding</u>
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.		Greece	Real estate	41.67
Global Finance S.A. ⁽²⁾		Greece	Investment financing	9.91
Famar S.A. ⁽¹⁾	a	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
Alpha Investment Property Commercial Stores S.A.	b	Greece	Real estate	30.00

⁽¹⁾ Entities under liquidation.

⁽²⁾ Eurolife Insurance group (Eurolife ERB Insurance Group Holdings S.A. and its subsidiaries) and Global Finance group (Global Finance S.A. and its subsidiaries) are considered as Bank's associates.

(a) Famar S.A., Luxembourg

In September 2018, the terms of the restructuring of Famar S.A. and its group of companies (controlled through its subsidiary Famar Holding S.A.R.L.) were agreed among the company, the Greek banks and Pillarstone Europe LLP. In December 2018, upon the completion of the restructuring with the signing of the relevant agreement, there was a change of control for Famar Holding S.A.R.L. and its subsidiaries, as the Greek banks were replaced as shareholders by Pillarstone Bidco S.C.A. (an affiliate of Pillarstone Europe LLP). In particular, according to the agreement, the Bank acquired 10.67% of the D non – voting shares of Pillarstone Bidco S.C.A. that are entitled only to the potential equity upside of Famar Group derived from Famar's disposal. Accordingly, in December 2018, the Extraordinary General Meeting of the Shareholders of Famar S.A decided its liquidation.

(b) Alpha Investment Property Commercial Stores S.A. (AEP Commercial Stores S.A.), Greece

In December 2018, in the context of the debt restructuring of a Bank's corporate customer, AEP Commercial Stores S.A., a special purpose real estate company was established, in which Eurobank holds a participation of 30%. Based on the contractual terms of the shareholders' agreements and the substance of the arrangement, AEP Commercial Stores S.A. is accounted as a joint venture of the Group.

Post balance sheet events

Peirga Kythnou P.C., Greece

In February 2019, in the context of a debt restructuring, Eurobank and Piraeus Bank S.A. established Peirga Kythnou S.A., to operate as a real estate company in Greece. Based on the contractual terms of the shareholders' agreements and the substance of the arrangement, Peirga Kythnou S.A. will be accounted as a joint venture of the Bank.

Unisoft S.A., Greece

In March 2019, the Bank increased its participation in Unisoft S.A. from 18% to 29%, as a result of the share capital increase performed in the context of the company's debt restructuring scheme.

30. Due to central banks

	2018	2017
	€ million	€ million
Secured borrowing from ECB and BoG	2,050	9,994

As at 31 December 2018, the Bank's dependency on Eurosystem financing facilities decreased to € 2.1 bn (of which € 0.5 bn funding from ELA), mainly due to deposits inflows, assets deleveraging, increased market repos on Greek Government securities and two asset backed securities issues sold via a private placement to an international institutional investor (note 33) (31 December 2017: € 10 bn, of which € 7.9 bn from ELA). As at 28 February 2019, the Bank has eliminated the use of ELA funding while the total Eurosystem funding further declined to € 1.3 bn.

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31. Due to credit institutions

	2018	2017
	€ million	€ million
Secured borrowing from credit institutions	7,909	5,903
Borrowings from international financial and similar institutions	429	353
Interbank takings	789	825
Current accounts and settlement balances with banks	120	87
Total	9,247	7,168

As at 31 December 2018, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals Greek and other Eurozone members government securities, EFSF/ESM bonds and covered bonds issued by the Bank (notes 6.2.1.3 and 33). As at 31 December 2018, borrowings from international financial and similar institutions include borrowings from European Investment Bank and other similar institutions.

32. Due to customers

	2018	2017
	€ million	€ million
Savings and current accounts	16,187	14,250
Term deposits	12,778	10,712
Repurchase agreements	170	53
Total	29,135	25,015

Following the transition to IFRS 9, the Bank has revoked the fair value option designation under IAS 39 for structured deposits and measures them at amortized cost after separating the embedded derivatives from the host contracts. In November 2018, these deposits matured.

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 2018 the amount that the Bank transferred to the Greek State was almost nil (2017: nil).

33. Debt securities in issue

	2018	2017
	€ million	€ million
Securitized	1,245	-
Subordinated notes (Tier 2)	947	-
Covered bonds	499	497
Medium-term notes (EMTN)	6	6
Total	2,697	503

Securitisations

In June 2018 the Bank, through its special purpose financing vehicle Maximus Hellas DAC, issued asset backed securities of total face value of € 1,251.5 million, collateralized by a portfolio of corporate and SME (small and medium enterprise) loans, which consisted of: (a) a senior class of notes (the "Class A notes") of face value € 813.5 million at a cost of three month Euribor plus 250 basis points which was sold via a private placement to two Asset-Backed Commercial Paper – ABCP conduits administered by an international institutional investor and (b) a subordinated class of notes (the "Class B notes") of face value of € 438 million, which were retained by the Bank. The transaction has been accounted as a collateralized borrowing, considering that the Bank retains all significant risks and rewards of the securitized assets. As at 31 December 2018, the outstanding amount of Class A notes amounted to € 654 million.

In addition, in December 2018, the Bank through its special purpose financing vehicle Astarti DAC, issued asset backed securities of total face value of € 810 million, collateralized by a portfolio of small business and consumer loans, which consisted of: (a) a senior class of notes (the "Class A notes") of face value € 591 million at a cost of three month Euribor plus 210 basis points which was sold via a private placement to two Asset-Backed Commercial Paper – ABCP conduits administered by an international institutional

Notes to the Financial Statements

investor and (b) a subordinated class of notes (the “Class B notes”) of face value of € 219 million, which were retained by the Bank. The transaction has been accounted as a collateralized borrowing, considering that the Bank retains all significant risks and rewards of the securitized assets.

In July 2018, mortgage backed securities of face value of € 1,041 million issued by the special purpose financing vehicle Tegea PLC and retained by the Bank, were fully redeemed.

Tier 2 Capital instruments

In the context of the first stream of Hellenic Republic’s plan to support liquidity in the Greek economy under Law 3723/2008, the Bank had issued preference shares with nominal value of € 950 million, which were subscribed by the Hellenic Republic. 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.

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

Pursuant to the terms of their issuance, the above Tier 2 capital 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. On 31 December 2018, the said instruments amounted to € 947 million, including € 4 million issuance costs and € 0.2 million accrued interest.

Further information, in respect of the Tier 2 capital instruments and the relevant legal framework is provided in the note 37 of the financial statements for the year ended 31 December 2017.

Covered bonds

During the year ended 31 December 2018, the Bank proceeded with the issue of covered bonds of face value of € 2,720 million and the cancellation/partial cancellation of covered bonds of face value of € 2,030 million. All of the aforementioned issues were fully retained by the Bank.

Post balance sheet events

In February 2019, the Bank proceeded with the partial cancellation of covered bonds of face value of € 50 million, previously retained by the Bank.

On 18 March 2019, the Bank through its special purpose entity, Maximus Hellas DAC, proceeded with the upsize of its asset backed securities issue to a total face value of € 1,338 million, of which € 910 million class A notes were held by an international institutional investor and € 428 million class B notes were retained by the Bank.

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website (Investor Report for Covered Bonds Programs).

34. Other liabilities

	2018	2017
	€ million	€ million
Balances under settlement ⁽¹⁾	151	138
Deferred income and accrued expenses	62	56
Standard legal staff retirement indemnity obligations (note 35)	43	44
ECL allowance for credit related commitments (note 6.2.1.2)	305	-
Sovereign risk financial guarantee	43	45
Other provisions	130	69
Other liabilities	138	124
Total	872	476

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

Notes to the Financial Statements

As at 31 December 2018, other liabilities amounting to € 138 million mainly consist of payables relating with (a) suppliers and creditors, (b) contributions to insurance organizations and (c) duties and other taxes and (d) trading liabilities.

As at 31 December 2018, other provisions amounting to € 130 million (31 December 2017: € 69 million) mainly include: (a) € 50 million for outstanding litigations and claims in dispute (note 42), (b) € 8 million for restructuring costs, related to the Voluntary Exit Scheme (VES), (c) € 38 million for other operational risk events, of which € 31 million relates to the sale of Romania disposal group (note 25) and (d) € 34 million for the participation in share capital increases of Bank's subsidiaries with negative net assets value, which are necessary for the continuity of their operations.

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

	31 December 2018		
	Litigations and claims in dispute € million	Other € million	Total € million
Balance at 1 January	58	11	69
Amounts charged during the year	2	116	118
Amounts used during the year	(0)	(0)	(0)
Amounts reversed during the year	(8)	(2)	(10)
Other movements ⁽¹⁾	(2)	(45)	(47)
Balance at 31 December	50	80	130

	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

⁽¹⁾ Other movements include an amount of € 46 million (31 December 2017: € 33 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, already in force during 2017, was designed for the Group's employees in Greece in line with the principal commitments of the Bank's restructuring plan (note 5). In that context an additional scheme with the same terms was announced on 19 January 2018 and implemented for the employees of specific eligible units in Greece.

Up to 31 December 2018, the cost for the VES amounted to € 156 million, net of provision for retirement benefits, out of which € 50 million has been recognized in the Bank's income statement for the year ended 31 December 2018. The estimated annual saving, as a result of the additional VES cost recognised in the year ended 31 December 2018, amounts to € 20 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.

Notes to the Financial Statements

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

	2018 € million	2017 € million
Balance at 1 January	44	40
Arising from merger (note 25)	1	-
Current service cost	3	3
Interest cost	1	1
Past service cost and (gains)/losses on settlements	43	29
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	(2)	1
Actuarial (gains)/losses arising from changes in demographic assumptions	1	-
Actuarial (gains)/losses arising from experience adjustments	1	3
Benefits paid	(49)	(33)
Balance at 31 December	43	44

The benefits paid by the Bank during 2018, in the context of the Voluntary Exit Scheme (VES) (note 34), amounted to € 49 million. The provision for staff retirement obligations of the staff that participated in the above scheme, amounted to € 5 million.

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

	2018 %	2017 %
Discount rate	1.9	1.8
Future salary increases	2.3	2.6

As at 31 December 2018, the average duration of the standard legal staff retirement indemnity obligation was 18 years (2017: 18 years).

A quantitative sensitivity analysis based on reasonable changes to significant actuarial assumptions as at 31 December 2018 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 (€ 3.0 million)/ € 3.3 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 € 3.3 million/ (€ 3.0 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 (2017: € 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 2018	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.

Notes to the Financial Statements

37. 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 2018, 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 2018, 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 € 17 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 2018, 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 movement of hybrid capital issued by the Bank, in the form of preferred securities, through its Special Purpose Entity, ERB Hellas Funding Limited, for the year ended 31 December 2018 is analyzed as follows (no movement for the year ended 31 December 2017):

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 1 January	2	4	18	19	43
Buy Back	-	-	(1)	-	(1)
Balance at 31 December	2	4	17	19	42

Following the redemption of the Greek State – owned preference shares (note 33) 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 € 2.5 million (€ 2.2 million after tax) in total on the Series A, B, C and D. As at 31 December 2018, the dividend attributable to preferred securities holders amounted to € 2.8 million (€ 2.4 million, after tax).

Notes to the Financial Statements

38. Special reserves

	Statutory reserves € million	Non-taxed reserves € million	Fair value reserve € million	Other reserves € million	Total € million
Balance at 1 January 2017	204	891	4	6,441	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	<u>204</u>	<u>887</u>	<u>206</u>	<u>6,458</u>	<u>7,755</u>
Balance at 1 January 2018	204	887	206	6,458	7,755
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3.2)	-	-	13	-	13
Balance at 1 January 2018, as restated	204	887	219	6,458	7,768
Merger with a Bank's subsidiary (note 25)	1	0	-	0	1
Debt securities at FVOCI					
- changes in fair value, net of tax	-	-	(81)	-	(81)
- transfer to net profit, net of tax	-	-	(85)	-	(85)
Cash flow hedges					
- changes in fair value, net of tax	-	-	-	26	26
- transfer to net profit, net of tax	-	-	-	(21)	(21)
Actuarial gains/(losses) on post employment benefit obligations, net of tax	-	-	-	0	0
Balance at 31 December 2018	<u>205</u>	<u>887</u>	<u>53</u>	<u>6,463</u>	<u>7,608</u>

As at 31 December 2018, included in other reserves: (a) a Bank's special reserve amounted to € 5,579 million (2017: € 5,579 million), which can be only either capitalized or offset against losses carried forward pursuant to corporate law in force and (b) cash flow hedging reserve amounted to € 37 million loss (2017: € 42 million loss).

Statutory reserves, fair value reserve and cash flow hedges are not distributable while non-taxed reserves are taxed when distributed.

39. Dividends

Based on the 2018 results in combination with the article 159 of Company Law 4548/2018, 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 shareholders of the Bank cannot exceed 35% of the profits as provided in article 161 par. 2 of Company Law 4548/2018.

40. 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.

Notes to the Financial Statements

The Bank enters into securitizations of various classes of loans (corporate, small and medium enterprise and consumer), 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 2018, the securitizations' issues held by third parties amounted to € 1,245 million (2017: liability nil) (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	
	2018	2017
	€ million	€ million
Securities held for trading	6	5
Loans and advances to customers	15,789	24,704
-securitized loans ⁽¹⁾	2,268	436
-pledged loans under covered bond program	5,014	4,658
-pledged loans with central banks	8,337	19,552
-other pledged loans	170	58
Investment securities	6,374	6,513
Total	22,169	31,222

⁽¹⁾ It includes securitized loans of issues held by the Bank, not used for funding.

(b) 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 2018, the Bank had obtained through reverse repos securities of face value of € 117 million, sold under repurchase agreements with cash value of € 123 million (2017: € 180 million and € 255 million, respectively). Furthermore, as at 31 December 2018, the Bank had obtained Greek treasury bills as collaterals for derivatives transactions with the Hellenic Republic of face value of € 1.2 bn, sold under repurchase agreements with € 860 million cash value (2017: € 970 million and € 623 million, respectively).

As at 31 December 2018, the cash value of the assets transferred or borrowed by the Bank through securities lending, reverse repo and other agreements (points a and b) amounted to € 15,618 million, while the associated liability from the above transactions amounted to € 11,974 million of which € 100 million repo agreements offset in the balance sheet against reverse repo deals (notes 30, 31, 32 and 33 and 6.2.1.4) (2017: cash value € 20,655 million and liability € 16,190 million of which € 235 million repo agreements offset in the balance sheet). 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 29.

41. 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. Accordingly, non-cancellable lease payments are determined based on the said legal provisions and the relevant contractual terms.

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.

Notes to the Financial Statements

Leases as lessee-Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	€ million	€ million
Not later than one year	26	29
Later than one year and no later than five years	56	52
Later than five years	25	34
Total	107	115

There are no material future minimum sublease payments to be received under non-cancellable subleases.

Leases as lessor-Non-cancellable operating lease rentals are receivable as follows:

	2018	2017
	€ million	€ million
Not later than one year	2	1
Later than one year and no later than five years	3	2
Later than five years	1	2
Total	6	5

42. Contingent liabilities and other commitments

The Bank presents the credit related commitments it has undertaken within the context of its lending related activities into the following three categories: a) financial guarantee contracts, which refer to guarantees and standby letters of credit that carry the same credit risk as loans (credit substitutes), b) commitments to extend credit, which comprise firm commitments that are irrevocable over the life of the facility or revocable only in response to a material adverse effect and c) other credit related commitments, which refer to documentary and commercial letters and other guarantees of medium and low risk according to the Regulation No 575/2013/EU.

Credit related commitments are analyzed as follows:

	2018	2017
	€ million	€ million
- Financial guarantees contracts	971	884
- Financial guarantees contracts given to Bank SPVs' issuing EMTNs	87	115
- Other credit related Commitments	254	368
- Commitments to extent credit	172	118
Total	1,484	1,485

As of 31 December 2018, the credit related commitments within the scope of IFRS 9 impairment requirements amounted to € 4.9 bn, including revocable loan commitments of € 2.2 bn and guarantees of € 1.2 bn relating to the lending activities of banking subsidiaries for which the equivalent pledged amount is presented within "Due from credit institutions". The analyses per stage, according to IFRS 9, of the above credit related commitments and the corresponding allowance for impairment losses of € 305 million (1 January 2018: € 331 million) are provided in the note 6.

In addition, the Bank has issued a sovereign risk financial guarantee of € 0.24 bn (2017: € 0.24 bn) for which an equivalent amount has been deposited under the relevant pledge agreement (note 29).

Other commitments

(a) The Bank has signed irrevocable payment commitment and collateral arrangement agreements with the Single Resolution Board (SRB) amounting in total to € 10 million as at 31 December 2018 (2017: € 7 million), representing 15% of its resolution contribution payment obligation to the Single Resolution Fund (SRF) for the years 2016-2018.

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 29).

(b) As at 31 December 2018, the commitments related to capital expenditure amounted to € 13 million (2017: € 26 million).

Notes to the Financial Statements

Legal Proceedings

As at 31 December 2018, a provision of € 50 million has been recorded for a number of legal proceedings outstanding against the Bank (2017: € 58 million), as set out in note 34. The said amount includes € 34 million for an outstanding litigation related to the acquisition of New TT Hellenic Postbank S.A. in 2013 (31 December 2017: € 40 million).

Furthermore, in the normal course of its business, the Bank has been involved in a number of legal proceedings, which are either at still a premature or at an advanced trial instance. The final settlement of these cases may require the lapse of a certain time so that the litigants exhaust the legal remedies provided for by the law. The Management, having considered the advice of the Legal Services General Division, does not expect that there will be an outflow of resources and therefore does not acknowledge the need for a provision.

Against the Bank various legal remedies and redresses have been filed amongst others in the form of lawsuits, applications for injunction measures, motions to vacate payment orders and appeals in relation to the validity of clauses for the granting of loans in Swiss Francs. A class action has also been filed by a consumer union. To date the vast majority of the judgments issued by the first instance and the appellate Courts have found in favor of the Bank's positions. On the class action, a judgment of the Athens Court of Appeals was issued in February 2018, which was in favour of the Bank and rejected the lawsuit on its merits. The judgment has been challenged by the consumer unions with an appeal before the Supreme Court scheduled to be heard on 20 May 2019. As to certain aspects of Swiss Francs loans there is also a pending lawsuit before the Supreme Court at plenary session which was initiated from an individual lawsuit.

In any event, the Management of the Bank is closely monitoring the developments to the relevant cases so as to ascertain potential accounting implications in accordance with the Bank's accounting policies.

43. Other significant and post balance sheet events

Merger Agreement between Eurobank and Grivalia

On 26 November 2018, the Boards of Directors ("BoD") of Eurobank Ergasias S.A. ("Eurobank") and Grivalia Properties REIC ("Grivalia") announced that they unanimously decided to commence the merger of the two companies by absorption of Grivalia by Eurobank (the "Merger").

On 7 February 2019, the European Commission (DG Competition) decided that the Merger is in line with Eurobank's commitments and State Aid rules considering that the strengthening of its capital base through the Merger will enable Eurobank to significantly reduce its non-performing loans in the near future.

On 22 February 2019, the Board of Directors of Eurobank and Grivalia approved the Draft Merger Agreement for the absorption of Grivalia by Eurobank according to the provisions of the Greek Codified Law 2190/1920, in conjunction with the provisions of Greek laws 2166/1993 and 2515/1997, as in force. The merger shall be conducted by accounting consolidation of assets and liabilities of the companies being merged and, specifically, by contribution of Grivalia's assets and liabilities to Eurobank, as described on the merger balance sheet of 31 December 2018 of Grivalia. The proposed share exchange ratio is 15.80000000414930 new Eurobank ordinary registered shares for every 1 Grivalia ordinary registered share, while Eurobank shareholders will retain the number of Eurobank ordinary shares they currently hold. The Merger will result in an ownership split of the enlarged share capital of ca. 58.9% owned by existing Eurobank shareholders and ca. 41.1% by existing Grivalia shareholders.

The above is subject to the fulfillment of certain conditions, including the approval of the Draft Merger Agreement by the General Meetings of shareholders of the merging companies on 5 April 2019 and the receipt of the remaining necessary permissions and approvals by the competent authorities, which are expected by May 2019. The Merger will enhance Eurobank's capital position and its earnings capacity, which in turn will enable the acceleration of its NPE reduction plan.

Following the completion of the merger, Fairfax group, which currently holds 18.40% and 51.43% in Eurobank and Grivalia, respectively, will become the largest shareholder in the merged entity with a ca. 33.03% shareholding.

As at December 2018, Grivalia group had total assets of € 1.16 bn and total liabilities of € 0.29 bn. The Annual Financial Report of Grivalia for the year ended 31 December 2018 is available at the company's website.

Notes to the Financial Statements

Agreement with the Real estate management company

On 22 February 2019, the Board of Directors of Eurobank approved the upcoming agreement (SLA), pursuant to article 100 of Greek Law 4548/2018, of the Bank with the company to be incorporated under the name “Grivalia Management Company S.A.” (the “Company”). The Grivalia Management Company S.A. was established in March 2019 and is a related party to Eurobank, since a member of the Bank’s Board of Directors holds the majority (70%) of the shares of the Company and is an executive member of the board of directors of the Company.

The Bank shall conclude a 10-year advisory services agreement with Grivalia Management Company S.A. for the combined real estate portfolio of the merging entities, which will come into force upon completion of the merger.

Further information on the above transactions are provided in the Bank’s Report of the Directors for the year ended 31 December 2018 and in the relevant announcements on the Bank’s website dated 26 November 2018 and 8 February, 25 February and 1 March 2019.

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

- Note 2.1 - Basis of preparation
- Note 5 - Capital Management
- Note 6.2 - Financial risk factors
- Note 15 - Income tax
- Note 22 - Loans and advances to customers
- Note 25 - Shares in subsidiaries
- Note 29 - Other assets
- Note 30 - Due to central banks
- Note 33 - Debt securities in issue
- Note 42 - Contingent liabilities and other commitments

44. Related parties

As of November 2015, the percentage of the Bank’s ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 2.38%. The HFSF is considered to have significant influence over the Bank pursuant to the provisions of the Law 3864/2010, as in force, and the Relationship Framework Agreement (RFA) the Bank has entered into with the HFSF. Further information in respect of the HFSF rights based on the aforementioned framework is provided in the section “Report of the Directors and Corporate Governance Statement” of the Annual Financial Report for the year ended 31 December 2018.

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.

Notes to the Financial Statements

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 2018			31 December 2017		
	KMP ⁽¹⁾ and Entities controlled or jointly controlled by KMP		Associates and joint ventures	KMP ⁽¹⁾ and Entities controlled or jointly controlled by KMP		Associates and joint ventures
	Subsidiaries ⁽²⁾	KMP		Subsidiaries	KMP	
	€ million	€ million	€ million	€ million	€ million	€ million
Due from credit institutions ⁽³⁾	1,263.38	-	-	1,200.06	-	-
Securities held for trading	-	-	-	1.53	-	-
Derivative financial instruments assets	4.56	-	-	9.07	-	0.01
Investment securities	0.46	-	-	0.12	-	-
Loans and advances to customers ⁽³⁾	1,370.91	7.19	0.83	1,486.35	6.74	9.38
Other assets	5.18	-	6.86	45.16	-	4.37
Due to credit institutions	3,082.19	-	-	3,388.37	-	-
Derivative financial instruments liabilities	5.03	-	-	0.88	-	-
Due to customers	405.53	3.35	44.40	479.34	2.09	45.08
Debt securities in issue	6.72	-	-	6.64	-	-
Other liabilities ⁽³⁾	299.47	-	1.88	15.94	-	2.98
Net interest income	(4.26)	0.04	(6.77)	1.28	0.04	(8.28)
Net banking fee and commission income	7.28	-	12.78	3.95	-	6.87
Dividend income	105.60	-	16.08	122.87	-	7.83
Net trading income	0.26	-	0.23	(1.34)	-	0.16
Gains less losses from investment securities	-	-	0.31	-	-	0.02
Other operating income/(expense)	2.40	-	(22.70)	(15.39)	-	(22.20)
Other Impairment losses and provisions (note 14)	(34.00)	-	-	-	-	-
Impairment losses relating to loans and advances and collectors' fees	(39.40)	-	(10.58)	(86.54)	-	(2.93)
Guarantees issued ⁽⁴⁾	515.83	-	-	660.78	-	4.60
Guarantees received	-	0.03	-	-	0.04	-

⁽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 11 and 25.

⁽³⁾ As of 1 January 2018, the impairment allowance for credit related commitments is presented within Other liabilities/Provisions

⁽⁴⁾ Furthermore as of 31 December 2018, € 1.2 bn guarantees have been issued relating to the lending activities of banking subsidiaries for which the equivalent pledged amount is included above in "Due from credit institutions" (2017: € 1.2 bn).

For the year ended 31 December 2018, there were no material transactions with the HFSF. In addition, as at 31 December 2018, the loans, net of provisions, granted to entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements (note 25) amounted to € 3.3 million (2017: € 4.7 million).

Following the assessment of the recoverable amount of the Bank's funding to its subsidiaries, associates and joint ventures, an impairment loss of € 11 million has been recognized in respect of the Bank's loans, receivables and the credit related commitments to its subsidiaries, associates and joint ventures, mainly to reflect the carrying values of their loan's portfolios. As at 31 December 2018, the respective impairment allowance amounted to € 300 million (as at 1 January 2018, including the IFRS 9 transitions impact: € 323 million).

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 € 6.49 million (2017: € 5.34 million) and long-term employee benefits of € 1.54 million (2017: € 0.75 million). In addition, the Bank has formed a defined benefit obligation for the KMP amounting to € 1.68 million as at 31 December 2018 (2017: € 0.88 million), while the respective cost for the year amounts to € 0.09 million (2017: € 0.07 million).

Notes to the Financial Statements

45. 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 "KPMG Certified Auditors" ("PricewaterhouseCoopers Certified Auditors' for 2017) for audit and other services provided are analyzed as follows:

	2018 <u>€ million</u>	2017 <u>€ million</u>
Statutory audit	(1.2)	(1.2)
Tax Certificate	(0.2)	(0.2)
Other audit related assignments	(0.1)	(0.2)
Non audit assignments	(0.1)	(1.2)
Total	<u>(1.6)</u>	<u>(2.8)</u>

It is noted that the non-audit assignments fees of "KPMG Certified Auditors A.E." Greece ("PricewaterhouseCoopers Auditing Company S.A." Greece for 2017), statutory auditor of the Bank, amounted to € 0.03 million.

46. Board of Directors

The Board of Directors (BoD) was elected by the Annual General Meeting of the Shareholders of the Bank (AGM) held on 10 July 2018 for a three years term of office that will expire on 10 July 2021, prolonged until the end of the period the AGM for the year 2021 will take place.

Following the aforementioned AGM decision, the BoD was constituted as a body at the BoD meeting of 10 July 2018, as follows:

N. Karamouzis	Chairman, Non-Executive
F. Karavias	Chief Executive Officer
S. Ioannou	Deputy Chief Executive Officer
T. Kalantonis	Deputy Chief Executive Officer
K. Vassiliou	Deputy Chief Executive Officer
G. Chryssikos	Non-Executive
R. Boucher	Non-Executive Independent
R. Kakar	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, 29 March 2019

Nikolaos V. Karamouzis
I.D. No AB - 336562
CHAIRMAN
OF THE BOARD OF DIRECTORS

Fokion C. Karavias
I.D. No AI - 677962
CHIEF EXECUTIVE OFFICER

Harris V. Kokologiannis
I.D. No AN - 582334
GENERAL MANAGER OF GROUP FINANCE
GROUP CHIEF FINANCIAL OFFICER

VII. Website Address for Information on Subsidiaries of the Bank

The website address, where the annual financial statements for the year ended 31.12.2018 are uploaded, as well as the independent Auditors' reports and the Board of Directors' Reports of the entities, which are consolidated and not listed and which represent accumulatively more than 5% of the consolidated turnover or of the assets of the consolidated balance sheet or of the consolidated results after subtracting the proportion of minority shares, is: www.eurobank.gr

**VIII. Information of Eurobank Ergasias S.A. group for the period
1.1-31.12.2018 pursuant to article 6 of l. 4374/2016**

**INFORMATION OF EUROBANK ERGASIAS S.A. GROUP FOR THE PERIOD 01/01 - 31/12/2018
PURSUANT TO ARTICLE 6 OF L.4374 / 2016**

PAYMENTS ON CONSOLIDATED BASIS PURSUANT TO PARAGRAPH 1 OF ARTICLE 6 OF L.4374 / 2016 REGARDING LEGAL ENTITIES

LEGAL ENTITY / NAME OF INDIVIDUAL	AMOUNTS (pre taxes and charges)
1984 PRODUCTIONS S.A.	18,180.00
24 MEDIA SINGLE ENTITY LTD CO.	32,129.95
ABP PUBLISHING PRIVATE COMPANY	2,400.00
ACHAIKI RADIO PUBLISHING S.A.	1,512.00
AIRLINK S.A.	24,634.70
AKOI RADIO MANAGEMENT S.A.	13,500.00
AKRITES TELEVISION S.A.	1,401.50
ALEVritis TRYFON M.L.L.C.	2,400.00
ALLIANCE FOR GREECE	4,250.00
ALPHA 989 S.A.	22,918.35
ALPHA RADIO KRONOS S.A.	369.60
ALPHA SATELLITE TV S.A.	494,968.32
ALTER EGO MEDIA S.A.	410,869.00
ANEZAKIS EPAMEINONDAS	1,080.00
ANNA NIKOLOPOULOU & CO LIMITED PARTNERSHIP	7,000.00
ANTENNA TV S.A.	772,610.63
ANTONIOS KON. MOUNTAKIS	1,980.00
APE MPE S.A.	21,100.00
ASLANIDIS GEORG. ANASTASIOS	3,000.00
ASM PUBLICATIONS PRIVATE COMPANY	11,000.00
ATHANASSIOU DAMIANOS	2,880.00
ATHENS VOICE S.A.	20,540.00
ATHINAIKES RADIO ENTERPRISES P.KOSTAKIS L.L.C.	46,000.00
ATLAS TV RADIO ATHOS S.A.	2,872.80
ATTIKES EKDOSEIS S.A.	5,000.00
AXAOPOULOS IAKOVOS	520.00
BANKINGNEWS S.A.	64,000.00
BEHLIVANOS I. CHRISTOS	2,800.00
BOGDANOS KONSTANTINOS & CO LIMITED PARTNERSHIP	2,200.00
BOULEVARD FREE PRESS PRIVATE COMPANY	3,030.00
BOUSIAS COMMUNICATIONS L.L.C.	14,076.53
BROADCASTING PROMOTION S.A. SPORT TV	19,449.08
BUSINESS ORGANIZATION INTERNATIONAL SERVICES SA ALFA TELEVISION	7,606.73
CAPITAL.GR SERVICES PRINTED AND ELECTRONIC INFORMATION S.A.	134,000.14
CHAZLIS &RIBAS L.L.C.	5,000.00
CHRISI EFKERIA EDITIONS S.A.	22,023.34
CHRYSOULA CRISTINA HONDROGIANNI	1,098.00
COSMOS BROADCASTING TELECOMMUNICATIONS PUBLISHING COMMERSIAL S.A.	3,279.67
CRETALIVE SINGLE ENTITY LTD CO.	2,000.00
CRETAPOST PRIVATE COMPANY	1,000.00
D A PUBLISHING HOLDING COMPANY	27,096.77
D PG DIGITAL MEDIA S.A.	29,999.98
DAM PRODUCTIONS S.A.	21,000.00
DEMOCRATIC PRESS S.A.	16,700.00
DESMI S.A.	42,700.00
DG NEWSAGENCY S.A.	29,999.98
DIFONO RADIO OPERATIONS S.A.	21,555.10
DIO DEKA PUBLISHING S.A.	27,000.00
DIONATOS I. AND CO LIMITED PARTNERSHIP - DELTA PRESS	12,000.00
DITIONE LIMITED INTERNET ENTERPRISES	10,000.00
DOCUMENTO MEDIA SINGLE ENTITY PRIVATE COMPANY	56,970.00

DOUSIS ANASTASIOS & CO LIMITED PARTNERSHIP	21,500.00
ELEYTHERIA TOY TYPOU PUBLISHING S.A	64,720.00
ELNABI L.L.C.	800.00
ENIKOS S.A	67,980.00
ENTYPOEKDOTIKI INDUSTRIAL AND COMMERCIAL S.A.	14,000.00
ENTYPOI & DIADIKTYAKOI ODIGOI L.L.C.	160.00
ERINYA NEWS SINGLE ENTITY PRIVATE COMPANY	3,000.00
ESTIA NEWSPAPER C.S.A (includes expenses of the company DEMOCRATIC PRESS S.A.)	177,300.00
ETHOS MEDIA S.A.	7,125.00
EUROPE ONE RADIOTELEVISION S.A.	2,041.45
EXPLORER E.U.M.M.	24,731.00
FANOURAKIS ELEYTHERIOS	777.60
FAROSNET S.A	26,130.00
FELNIKOS ELECTRONIC MEDIA SINGLE ENTITY L.L.C.	15,300.00
FILELEYTHEROS PUBLISHING SA	90,000.00
FINANCIAL MARKETS VOICE S.A.	2,000.00
FORTHNET MEDIA S.A.	98,232.25
FOX NETWORK GROUP SA	25,347.60
FREENET S.A.	12,500.00
FRONTSTAGE ENTERTAINING S.A.	33,871.80
FREE SUNDAY S.A. & CO LIMITED PARTNERSHIP	21,678.50
FREENET S.A.	13,500.00
G. SIMANTONIS & CO PARTNERSHIP	850.00
GARANTONAKIS EMMANOUIL	428.40
GENERAL RADIOTELEVISION ENTERPRISES S.A. BLUE SKY KANAL65	11,454.34
GOC HELLAS MIKE	2,298.24
GRAPHOTECHNIKI KRITIS S.A.	2,514.72
GREEN BOX PUBLISHING S.A.	10,250.00
HANIOTIKA NEA PUBLISHING S.A.	1,900.00
HELLENIC CHAMBER OF COMMERCE DEVELOPMENT UNION OMIROS IR & S CUCG	4,590.00
HELLENIC TELECOMMUNICATION ORGANIZATION S.A.	68,383.08
HERODOTUS RADIO SINGLE ENTITY PRIVATE COMPANY	1,070.00
I AVGI - PUBLISHING AND JOURNALISTIC ORGANIZATION S.A.	55,999.98
I EFIMERIDA TON SINTAKTON S.A.	74,160.00
ICAP GROUP S.A.	8,720.00
ICHOS & RYTHMOS S.A.	9,884.35
IDENTITY S.A.	5,400.00
IKAROS RADIOTELEVISION COMPANY S.A.	53,186.71
INFINITAS INTERNET MULTIMEDIA PRIVATE COMPANY	4,396.75
INTERBUS S.A.	66,715.00
IONIAN RADIOTELEVISION ENTERPRISES	5,000.00
J O INFOCENT COMMUNICATIONS SINGLE ENTITY LTD CO	6,000.00
K.M.CHATZILIADIS &CO LIMITED PARTNERSHIP	2,402.40
KA BUSINESS GR PRIVATE COMPANY	3,000.00
KALAITZAKIS PUBLISHING COMPANY S.A.	1,840.00
KAMMI MARIA	1,250.00
KANTARTZOGLU STYLIANI	2,160.00
KARAMANOGLU PUBLICATIONS L.L.C.	9,500.00
KASMIRLIS DIMITRIOS	600.00
KASTORINI - TOMELITOU I.(NEWSPAPER)	1,700.00
KATHIMERINES PUBLICATIONS S.A.	377,560.62
KERKYRA PUBLICATIONS S.A.	2,500.00
KISS MEDIA S.A.	24,634.40
KOLLIAS A. NIKOLAOS	2,000.00
KONTRA MEDIA MME S.A.	26,258.25
KOTROTSOS PAVL. SERAFEIM	12,750.00
KOUTRA SOFIA	1,764.00
KOUTSOUKOS P. - BOUSTRAS A. S.A.	8,000.00
KOZYRI KAL. & MICH. GENERAL PARTNERSHIP PUBLISHING COMPANY	1,387.50

KYKLADIKI LIMITED PARTNERSHIP	600.00
KYKLOS S.A.	2,000.00
KYRIAKOPOULOS IOANNIS & CO LIMITED PARTNERSHIP	6,000.00
LEAD GENERATION S.A.	1,086.89
LEFT MEDIA S.A.	12,086.02
LEOUSI AIKATERINI	1,530.00
LIQUID MEDIA S.A.	17,800.00
LOIZOS KL. LOIZOS	2,000.00
LOVE RADIO BROADCASTING S.A.	27,737.33
MAKEDONIA ENIMEROSI S.A.	3,550.00
MANESIOTIS NIKOLAOS-PSOMIADIS KONSTANTINOS G.P.	5,400.00
MARATHON PRESS SINGLE ENTITY PRIVATE COMPANY	7,750.00
MARIA VASILAKI PUBLISHING BUSINESS SINGLE MEMBER LTD	2,000.00
MARKETING AND MEDIA SERVICES SINGLE ENTITY PRIVATE COMPANY	8,000.00
MATHIOUDAKIS MEDIA S.A.	750.00
MEDIA2DAY PUBLISHING S.A.	130,300.00
MELODIA S.A.	12,864.45
METHIMAKIS EMMANOUIL	985.00
METRODEAL SINGLE MEMBER PRIVATE COMPANY	5,721.60
METRON ARISON	700.00
MINISTRY OF CITIZEN PROTECTION	6,952.00
MODERN TIMES PUBLISHING	4,400.00
MONOCLE MEDIA LAB MONONEWS SINGLE ENTITY PRIVATE COMPANY	25,000.00
MUNICIPAL INFORMATION, SHOW AND COMMUNICATION ENTERPRISE - MUNICIPALITY OF THESSALONIKI	4,256.00
MYKONIATIS A. PUBLICATIONS S.A.	2,465.00
MYTILINI RADIOTELEVISION ENTERPRISES S.A.	1,333.50
N.K. MEDIA GROUP MEDIA PUBLISHING L.L.C.	60,999.94
NATIONAL OBSERVATORY SPECIAL RESEARCH FUND	5,000.00
NEA TELEORASI S.A.	273,122.29
NEO CHRIMA PUBLISHING S.A.	60,000.00
NEW MEDIA NETWORK SYNOPSIS S.A.	84,700.00
NEW YORK NATIONAL HERALD	79.30
NEWPOST PRIVATE COMPANY	44,000.00
NEWS DOT COM RADIOTELEVISION S.A.	673,049.54
NEWSIT L.L.C.	76,285.00
NEWSMEDIA PRIVATE COMPANY	4,900.00
NOTICE CONTENT AND SERVICES SINGLE ENTITY PRIVATE COMPANY	1,500.00
OLIVE MEDIA S.A.	16,000.00
ORFANIDIS PANAGIOTIS	864.00
P.D. PUBLICATIONS LTD	11,611.22
PALO DIGITAL TECHNOLOGIES LTD	24,204.06
PANCRETIAN RADIO TV S.A.	10,846.84
PANEPIRUS TV S.A.	612.00
PAPALIOS KONSTANTINOS & CO LIMITED PARTNERSHIP	4,792.00
PAPPIS VASILIOS	863.94
PARA ENA NETWORK SERVICES L.L.C.	99,000.00
PARAPOLITIKA PUBLISHING S.A.	103,108.00
PAYLOPOULOS S.NETWORK SOCIALNETWORK INFORMATION ADVERTISING OTHER ELECTRONIC SERVICES M.L.L.C.	6,000.00
PELOPONNESE PATRON EDITIONS S.A.	4,000.00
PERFECT MEDIA ADVERTISING SINGLE ENTITY PRIVATE COMPANY	22,903.23
PLEYSIS CONFERENCE CULTURAL SINGLE MEMBER L.L.C.	6,000.00
POLITI MARIELIZE VASILIKI CHARALAMBOS	4,000.00
PONTOS TV S.A.	3,192.00
PRASSOS DIMITRIOS	300.00
PREMIUM S.A.	44,000.00
PRIME APPLICATIONS S.A.	39,600.00
PROTAGON S.A.	27,000.00
PROTO THEMA PUBLISHING S.A.	292,404.80
PROVOLI SALES PROMOTION SA	1,200.00

PUBLISHING ADVERTISING SA-JOURNAL-PLANET	2,400.00
PUBLISHING S.A AGRICULTURAL NEWS	760.00
RADIO THESSALONIKI S.A.	6,032.48
RADIOTELEVISION ENTERPRISES REAL FM S.A.	117,004.55
RADIOTELEVISION ENTERPRISES SA SYROS T.V.1	1,810.00
RADIOTELEVISION ENTERPRISES ANTENNA FM S.A.	15,256.70
RADIOTELEVISION S.A.	47,098.88
RADIOTELEVISION TOURIST ENTERPRISES-IRIDA S.A.	2,181.84
RADIOTILEOPTIKI KILKIS S.A.	2,934.40
RAGAVIS CHR. KONSTANTINOS	201.61
RAKINTZIS K. & CO GENERAL PARTNERSHIP	648.00
REAL MEDIA S.A.	51,105.00
REPORT PRIVATE COMPANY	8,500.00
RETHYMNO TV S.A.	2,156.00
REYMATA PUBLICATIONS S.A.	31,000.00
RIZOPOULOS S & CO LIMITED PARTNERSHIP	20,000.00
SABD PUBLISHING S.A.	103,400.00
SALTERI NIK. MARIA	400.00
SANTORINI TV ENTERPRISES S.A.	350.00
SARISA L.L.C.	18,000.00
SARONIC GLAM PRIVATE COMPANY	1,500.00
SBC COMMUNICATION SERVICES SINGLE MEMBER PRIVATE COMPANY	5,737.00
SELANA S.A.	8,000.00
SFERA RADIO S.A.	22,673.04
SIRGANI PARASKEVI	3,000.00
SKLAVOUNAKIS EMMANOUIL	648.00
SOFIA D. OUZOUNIDOU	500.00
SPORTNEWS INTERNET SERVICES S.A.	14,110.00
STAMOULIS PUBLICATIONS S.A.	3,250.00
STERGOS - TSABIKOS MATSIS	4,025.81
STO KARFI PUBLICATIONS S.A.	30.00
SVARNIAS MICHALIS SINGLE ENTITY PRIVATE COMPANY	260.00
TAKE IT COMMUNICATION PRIVATE COMPANY	4,800.00
TELIA COMMUNICATIONS S.A.	3,960.00
THANOPOULOU DION. NIKI	1,078.80
THE NEWS OF ART PRIVATE COMPANY	5,000.00
THEOHARIS SPYR. GEORGIOS	3,750.00
THESS NEWS PRIVATE COMPANY	1,532.49
THESSALIKI RADIOTELEVISION S.A.	12,420.71
THESSALONIKI INTERNATIONAL FAIR S.A.	1,500.00
THOMA THEODORA	2,457.00
TIPOEKDOTIKI CHRISTOS DIMITRIADES & CO GENERAL PARTNERSHIP	2,500.00
TO KOUTI THS PANDORAS MEDIA LIMITED PARTNERSHIP	20,700.00
TRAPEZIKO VIMA NON PROFIT COMPANY	4,050.00
TRUEVOYAGERS SINGLE ENTITY PRIVATE COMPANY	2,000.00
TSAGARAKI N. MARIA	776.00
TSINIARAKIS MANOUSOS &CO LIMITED PARTNERSHIP	1,728.00
TSOBANAKI S. SONS - KOTIDIS H. GENERAL PARTNERSHIP	4,925.00
TYPOS MEDIA L.L.C.	3,050.00
THE TOC DIGITAL MEDIA INFORMATION SERVICES S.A.	39,500.00
V. DALLAS & CO LIMITED PARTNERSHIP 9AM INTERNET MEDIA LABS	600.00
V. SKOUTARAS S.A.	4,456.00
VASSILATOS CHRISTOFOROS	27,100.00
VASSILOPOULOS-PETROPOULOS	500.00
VERGINA HYBRIDIKI S.A.	3,000.00
VORIA GR S.A.	6,350.00
WALL STREET FINANCE SINGLE ENTITY PRIVATE COMPANY	10,800.00
WAVE MEDIA OPERATIONS L.L.C.	3,750.00
YSTEROGRAFO MEDIA PRIVATE COMPANY	1,000.00

ZAHARIOUDAKIS A. STYLIANOS	1,200.00
ZALONIS ST. EYAGGELOS	360.00
ZOUGLA.GR S.A.	66,000.00
	7,132,129.36

NOTES:

1. Not including charges in favor of Greek government (V.A.T, Special TV tax.) and in favor of third parties (advertisement tax), total amount **€1.689.827,28.**

**INFORMATION OF EUROBANK ERGASIAS S.A. GROUP FOR THE PERIOD 01/01 - 31/12/2018
PURSUANT TO ARTICLE 6 OF L.4374 / 2016**

PAYMENTS ON CONSOLIDATED BASIS PURSUANT TO PARAGRAPH 2 OF ARTICLE 6 OF L.4374 / 2016

LEGAL ENTITY / NAME OF INDIVIDUAL	AMOUNTS (pre taxes and charges)
CHRYSOSTOMOS OF SMYRNA A.E.E. - LYCEE LEONIN N.SMYRNI	1,000.00
"GIORTI ELIAS & LADIOU" CULTURAL CIVIL NOT FOR PROFIT COMPANY	500.00
"LA MELENA DEL HUACHINANGO" CULTURAL CIVIL NOT FOR PROFIT COMPANY	500.00
1st VOCATIONAL SENIOR HIGH SCHOOL OF ORESTIADA	360.00
3H SERVICES HOLISTIC HOUSE HANDLING I.K.E.	1,000.00
3H SERVICES HOLISTIC HOUSE HANDLING I.K.E.*	2,105.24
ACTION AID HELLAS	5,280.00
AGIOS SPYRIDON-CENTRE FOR CHILDREN WITH SPECIAL NEEDS	2,000.00
ANATOLIA COLLEGE BOARD OF TRUSTEES	55,000.00
ARGITHEANS' ASSOCIATION OF TRIKALA	250.00
ARGO PUBLISHING AND ADVERTISING SINGLE MEMBER LIMITED LIABILITY COMPANY	2,040.00
ARK OF THE WORLD	1,600.00
ARSENOGLOU ELENI	2,420.00
ASTERAS SINDOU ATHLETIC CLUB	2,000.00
ATHENS CHAMBER OF COMMERCE	13,392.00
ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS SPECIAL RESEARCH FUND	11,000.00
ATHLETIC CLUB OF TINOS-"PANELLINIOS "	100.00
BENAKI MUSEUM	500.00
BLOOD DONORS' SOCIETY OF ARTA PREFECTURE	300.00
CAIREAN LIBRARY	300.00
CANCER PATIENTS' SOCIETY OF ATHENS -"KEFI"	500.00
CAPITAL LINK FORUM, INC	7,586.02
CENTRE FOR INDIVIDUALS WITH SPECIAL NEEDS-"HARA"	12,000.00
CENTRE FOR RESEARCH AND TECHNOLOGY HELLAS	2,000.00
CENTRE FOR THERAPY OF ADDICTED PEOPLE OF MYTILINI-FAMILY ASSOCIATION	150.00
CENTRE OF HISTORY AND SCIENCE - "GRAMMI.ORG"	400.00
CHAINPROOF AI PRIVATE COMPANY	2,000.00
CHAINPROOF AI PRIVATE COMPANY*	2,105.24
CHALLEDU CIVIL NOT FOR PROFIT COMPANY	2,000.00
CHAMBER OF CHIOS	1,000.00
CHAMBER OF CORINTH DEVELOPMENT COMPANY	900.00
CHARILAOS TRIKOUPIS MESSOLONGIOU-ATHLETIC CLUB	3,000.00
CHATZINIKOLAOU NIK. & CO LIMITED PARTNERSHIP	15,000.00
CHESS CLUB "THOMAS GEORGIOU"	1,000.00
CHILDREN'S VILLAGE IN FILIRO	1,000.00
CHILD'S ASYLUM	507.00
CHIOS NAUTICAL CLUB	300.00
CHURCH OF SAINT ALEXIOS OF FILOTHEI IN OVRYA PATRON	3,000.00
CITY OF DRAMA LADIES' UNION	2,000.00
CIVIL NON PROFIT COMPANY-"PLEGMA"	500.00
CIVIL NOT FOR PROFIT COMPANY "APOSTOLI"	300,000.00
CLUB FOR DISSEMINATION OF K. KARAMANLIS POLITICAL HERITAGE	2,000.00
CLUB OF FOREST PROTECTION VOLUNTEERS OF AFIDNAI	1,000.00
CLUB OF OLIVE OIL FRIENDS-"FILAIOS"	620.00

CULTURAL AND ATHLETIC CLUB OF VEROIA RUNNERS	400.00
CULTURAL AND EDUCATIONAL CLUB OF ARVIS	500.00
CULTURAL CLUB OF RODAVGI ARTA - "I AGIA PARASKEVI"	150.00
CYCLADIC TOURISM NETWORK OF ANDROS	1,000.00
DDC FINANCIAL GROUP S.R.O.	13,400.00
DELFI ECONOMIC FORUM	10,000.00
DIAZOMA NOT FOR PROFIT ASSOCIATION	10,000.00
DIAZOMA NOT FOR PROFIT ASSOCIATION*	907.26
DIONATOS I. & CO LTD PARTNERSHIP	3,000.00
DISTRICT HEATING MUNICIPAL COMPANY OF PTOLEMAIDA (D.H.C.P.)	1,200.00
DOUKAS SCHOOL S.A.	2,500.00
DROMOI ZOIS-CIVIL NON-PROFIT COMPANY	300.00
EDUCATIONAL CLUB OF AGIOS GEORGIOS SYKOUSIS	1,000.00
EIMN, LLC	9,190.85
EKALI TOURIST AND HOTEL ENTERPRISES	3,000.00
ENTERPRENEURS AND DWELLERS ASSOCIATION OF VALAORITOU AND VOUKOURESTIOU STREETS	500.00
ETHELON CIVIL NOT FOR PROFIT COMPANY	678.10
ETHELON CIVIL NOT FOR PROFIT COMPANY*	8,046.00
ETHOS MEDIA S.A.	16,000.00
EUROPEAN LEAGUE OF ELECTRICAL ENGINEERING COLLEGE STUDENTS	1,200.00
EXHIBITION FOR THE MONUMENT AND THE RESTORATION WORKS ON THE HOLY SEPULCHRE	15,000.00
EXPRESS SINGLE MEMBER LIMITED LIABILITY COMPANY	356.88
FAROS KERATSINI ATHLETIC CLUB	300.00
FLOGA, PARENTS ASSOCIATION OF OF CHILDREN WITH NEOPLASTIC DISEASES	600.00
FOUNDATION FOR PEOPLE WITH SPECIAL NEEDS-"ASPRES PETALOUDES"	8,000.00
FOUNDATION MAKER'S PLACE PRIVATE CO	10,000.00
FOUNDATION OF THE MUSEUM FOR THE MACEDONIAN STRUGGLE	5,000.00
FRIENDS OF CHILDREN CANCER PATIENTS SOCIETY -"STORGI"	8,000.00
FRIENDS OF AEK UNION	414.00
G. CHATZIKOSTA GENERAL HOSPITAL OF IOANNINA *	1,607.10
GENERAL HOSPITAL OF ARGOS	2,000.00
GENERAL HOSPITAL OF LASITHI*	9,555.00
GENERAL HOSPITAL OF MESSINIA	5,000.00
GENERAL HOSPITAL OF XANTHI*	2,016.12
GENERAL SECRETARIAT FOR CIVIL PROTECTION -HQ*	806.45
GEO ROUTES CULTURAL INSTITUTE	5,000.00
GREEK CIVILISATION CULTURAL AND RESEARCH CENTRE NOT FOR PROFIT CIVIL COMPANY	690.00
GREEK CONFEDERATION OF COMMERCE AND BUSINESS	5,000.00
GREEK EXPORTERS' ASSOCIATION OF NORTHERN GREECE	17,000.00
GREEK SOCIETY FOR THE PROMOTION OF SAFETY OF SPORTS AND RECREATIONAL MEANS THE SEA AND WATER-"SAFE WATER SPORTS"	4,000.00
GREEK VETERANS TENNIS PLAYERS CLUB	3,000.00
GREEN BOX PUBLISHING S.A.	5,000.00
HALCYON ASSOCIATION OF FRIENDS AND FAMILIES OF PEOPLE WITH DISABILITIES	1,000.00
HAZLIS AND RIVAS COMMUNICATIONS LTD	10,000.00
HAZLIS K RIVAS INTERNATIONAL LTD	7,000.00
HELLENIC ASSOCIATION OF MOBILE APPLICATION COMPANIES*	15,000.00
HELLENIC ASSOCIATION OF WOMEN WITH BREAST CANCER - "ALMA ZOIS"	1,000.00
HELLENIC BASKETBALL FEDERATION	910,000.02
HELLENIC BASKETBALL FEDERATION*	2,419.36
HELLENIC BIBLICAL ASSOCIATION	100.00
HELLENIC CLIMBING CLUB-ACHARNAI CHAPTER	2,400.00
HELLENIC CLIMBING CLUB-PREVEZA CHAPTER	500.00
HELLENIC COTTON ASSOCIATION OF GINNERS AND EXPORTERS	1,000.00
HELLENIC EQUESTRIAN FEDERATION	5,000.00
HELLENIC EXCHANGES S.A.-ATHENS STOCK EXCHANGE	21,250.00
HELLENIC FEDERATION OF ENTERPRISES	55,000.00
HELLENIC INSTITUTE OF CUSTOMER SERVICE	5,000.00
HELLENIC MANAGEMENT ASSOCIATION	13,000.00

HELLENIC PANARCADIAN FEDERATION	13,000.00
HELLENIC RED CROSS	1,000.00
HELLENIC TOURISM S.A.	1,000.00
HELLENIC-AMERICAN CHAMBER	16,000.00
HELLENIC-AMERICAN EDUCATIONAL FOUNDATION	25,428.00
HELLENIC-GERMAN CHAMBER OF COMMERCE	2,000.00
HELLENIC-ITALIAN CHAMBER OF COMMERCE	5,000.00
HERACLES KALLISTHENIS FOUNDATION	1,800.00
HIPPOKRATEION GENERAL HOSPITAL OF THESSALONIKI*	1,000.00
HOLY METROPOLIS OF PERISTERI	1,500.00
HOLY METROPOLIS OF SYROS	3,000.00
HOLY MONASTERY OF VLATADES	42,000.00
HOME FOR LETTERS AND ART OF DODECANESE	400.00
HOTEL BRAIN HOTEL AND TOURISM S.A.	10,000.00
HOTELIERS' UNION OF SKIATHOS -"XENIOS ZEUS"	300.00
HUMANE SOCIAL COOPERATIVE ENTERPRISE	2,000.00
INFORMA UK LIMITED	20,000.00
INTERNATIONAL BOARD ON BOOKS FOR YOUNG PEOPLE	800.00
INTERNATIONAL HELLENIC UNIVERSITY SPECIAL RESEARCH FUND	2,000.00
INTERSPORT ATHLETICS S.A.	1,500.00
IOANN&MAR. CHATZIKYRIAKOU ALL GIRLS HOME	1,000.00
IPPEAS COMMERCIAL AND TRADE UNION OF PEFKI-ARTEMISION	250.00
ISOBAR IPROSPECT S.A.	5,534.84
ISTIAIA COMMERCIAL AND TRADE CLUB	250.00
JOURNALISTS' UNION OF ATHENS DAILY NEWSPAPERS EDUCATIONAL FOUNDATION	15,000.00
JUNIOR ACHIEVEMENT GREECE	1,000.00
KEFALLONIA ORPHANAGE-"O SOTIR"	500.00
KIDSHUB-CULTURE GUIDE FOR CHILDREN SINGLE ENTITY PRIVATE COMPANY	1,000.00
KOSTEAS-GEITONAS SCHOOL S.A.	1,612.91
KOYROS AEGINA ATHLETIC CLUB	300.00
LAWYERS AND INTERNS GUILD	2,000.00
LIVADEIA CHAMBER OF COMMERCE	600.00
MAKE A WISH FOUNDATION HELLAS	1,220.00
MANDOULIDES SCHOOLS S.A.	8,064.52
MANTIS BUSINESS INNOVATION SINGLE ENTITY PRIVATE COMPANY	8,000.00
MANTIS BUSINESS INNOVATION SINGLE ENTITY PRIVATE COMPANY *	2,105.25
MARKETING GREECE S.A.	50,000.00
MDA HELLAS	200.00
MEDICINE SANS FRONTIERES	1,000.00
MEDITERRANEAN AGRONOMY INSTITUTE OF CHANIA	1,000.00
MESOTOPOS LESVOS ATHLETIC CLUB	800.00
MINISTRY OF CITIZEN PROTECTION*	448.43
MINISTRY OF CULTURE UNION OF EMPLOYEES OF ATTICA, CENTRAL GREECE AND ISLANDS*	93.80
MINISTRY OF MERCANTILE MARINE & ISLAND POLICY	660.00
MK SAILING LIMITED	86,000.00
MULTI CHILD FAMILIES ASSOCIATION OF THE GREATER LARISSA AREA	140.00
MUNICIPAL ENTERPRICE OF PUBLIC BENEFIT OF KAVALA-"DIMOFELEIA"	6,500.00
MUNICIPAL TOURISM ENTERPRISE OF SAMOS -"PITHAGORAS O SAMIOS"	1,000.00
MUNICIPAL UTILITIES OF AGRINIO	3,000.00
MUNICIPAL WATER & SEWAGE ENTERPRISE NORTHERN TERRITORY OF CHANIA PREFECTURE	3,500.00
MUNICIPAL WATER & SEWAGE ENTERPRISE OF LAMIA	1,500.00
MUNICIPALITY OF AEGALEO	4,000.00
MUNICIPALITY OF AGIA PARASKEVI*	1,876.00
MUNICIPALITY OF AGIOS EFSTRATIOS	5,000.00
MUNICIPALITY OF ANDROS	500.00
MUNICIPALITY OF ARGOS*	12,096.78
MUNICIPALITY OF ASPROPYRGOS	9,000.00
MUNICIPALITY OF CHALANDRI*	300.00
MUNICIPALITY OF CHALKIDA	5,000.00

MUNICIPALITY OF CHALKIDA*	3,000.00
MUNICIPALITY OF CHIOS CULTURAL CENTRE "OMIREION"	700.00
MUNICIPALITY OF COFRU*	7,000.00
MUNICIPALITY OF DELTA*	15,782.00
MUNICIPALITY OF ELASSONA*	1,613.00
MUNICIPALITY OF ELEFSINA*	3,752.00
MUNICIPALITY OF EVROTAS*	2,868.00
MUNICIPALITY OF FARSALA*	5,638.71
MUNICIPALITY OF GLYFADA*	27,550.00
MUNICIPALITY OF IOANNINA*	1,200.00
MUNICIPALITY OF KERATSINI-DRAPETSONA*	4,057.87
MUNICIPALITY OF KIFISSIA	3,000.00
MUNICIPALITY OF KIFISSIA*	7,000.00
MUNICIPALITY OF LESVOS*	4,000.00
MUNICIPALITY OF LYKOVRISSEI - PEFKI	2,000.00
MUNICIPALITY OF MARATHON	500.00
MUNICIPALITY OF MEGALOPOLI	6,650.00
MUNICIPALITY OF MEGALOPOLI*	5,016.13
MUNICIPALITY OF MYCONOS*	4,032.26
MUNICIPALITY OF NAOYSSA	2,000.00
MUNICIPALITY OF NEA IONIA*	3,540.00
MUNICIPALITY OF NEA SMYRNI*	50,000.00
MUNICIPALITY OF OREOKASTRON	3,000.00
MUNICIPALITY OF PAPAGOS-CHOLARGOS	3,000.00
MUNICIPALITY OF SARONICOS*	4,690.00
MUNICIPALITY OF SPARTA*	12,094.35
MUNICIPALITY OF TEMPI	3,000.00
MUNICIPALITY OF THERMAIKOS*	4,245.00
MUNICIPALITY OF TINOS WELFARE SERVICES ENTREPRISE	650.00
MUNICIPALITY OF TRIKKAION	2,000.00
MUNICIPALITY OF TRIPOLI	2,500.00
MUNICIPALITY OF VARI-VOULA-VOULIAGMENI	5,000.00
MUNICIPALITY OF VOLOS	38,000.00
MUSIC AND LITERATURE CLUB OF ARTA-"SKOUFAS"	500.00
NATIONAL OPERA	37,919.17
NATIONAL THEATRE OF NOTHERN GREECE	7,500.00
NATURAL HISTORY MUSEUM OF METEORA & MUSHROOM MUSEUM	2,500.00
NEW TIMES PUBLISHING PRIVATE COMPANY	2,000.00
O AXIOS-ANATOLIKO THESSALONIKI CLUB FOR PROGRESS	2,000.00
OIKOTHERMANSI LTD	806.45
OLOI MAZI BOROUME*	1,407.00
OLYMPIACOS S.F.P	30,000.00
ORTHODOX ACADEMY OF CRETE	5,000.00
ORTHODOX CHURCH FOUNDATION -"O EVANGELISTIS MARKOS"	500.00
PALLADIAN COMMUNICATIONS SPECIALISTS S.A.	3,000.00
PANAITOLIKOS FC	1,000.00
PANATHINAIKOS ATHLETIC CLUB-VOLLEYBALL	2,000.00
PANHELLENIC SOCIETY FOR CANCER PREVENTION-"STOCHOS -PROLIPSI"	7,000.00
PANOS ATHANASIADIS & CO S.A. -"I NAFTEMPORIKI"	300.00
PANOSANDCRESSIDA4LIFE.ORG	8,000.00
PAPAPETROU PATROKLOS & CO LIMITED PARTNERSHIP	3,200.00
PELOPONNISOS PATRON PUBLICATIONS S.A.	4,000.00
PEOPLE WITH DISABILITIES PARENTS AND GUARDIANS UNION OF CHIOS	350.00
PIRAEUS MEDICAL ASSOCIATION	600.00
PNOE-FRIENDS OF CHILDREN IN INTENSIVE CARE	22,949.66
PREFECTURAL UNIT OF ARGOLIDA*	2,000.00
PREFECTURE OF MOUDROS COMMERCIAL UNION	500.00
PREFECTURE OF NOTHERN AEGEAN SEA*	5,000.00
PRIMARY SCHOOL EDUCATION OF CORFU*	325.83

PRIVATE LEGAL ENTITY TOGETHER FOR THE CHILD	4,500.00
PUBLIC AFFAIRS & NETWORKS SINGLE ENTITY PRIVATE COMPANY	5,000.00
PYRGOS COMMERCIAL UNION -"ERMIS"	500.00
REHABILITATION FOR THE DISABLED - "ELEPAP"	3,500.00
RELOAD GREECE FOUNDATION	21,500.00
RHODES BICYCLE CLUB- "RODILIOS"	1,200.00
SANI S.A.	20,000.00
SCH. COM. PRIM. EDUC. MUNICIPALITY OF AIGIALEIA	300.00
SCH. COM. PRIM. EDUC. MUNICIPALITY OF LESVOS*	1,301.34
SIMPLEAPPS SINGLE ENTITY PRIVATE COMPANY	800.00
SMITHNOVAK S.R.O.	15,368.44
SOCIAL COOPERATIVE - "ART EMEIS"	6,000.00
SOCIAL WELFARE CENTRE OF WEST GREECE PREFECTURE	1,500.00
SOCIETY FOR DIALOGUE, NETWORKING, TRANSPARENCY AND CREATIVITY -"IDIALOGUE"	4,032.26
SOS CHILDREN'S VILLAGE OF GREECE	9,000.00
SPECIAL VOCATIONAL TRAINING CENTER - "ESTIA"	1,000.00
ST. ANTHONY' S COLLEGE	28,801.84
STUDENTS OF MUSIC SCHOOL OF KAVALA PARENTS AND GUARDIANS UNION	1,000.00
STYLIANOS PANTELIDAKIS FOUNDATION	200.00
THE ALUMNI OF AMERICAN COLLEGE ANATOLIA	34,285.00
THE FEDERATION OF INDUSTRIES OF NORTHERN GREECE	7,661.29
THE FEDERATION OF INDUSTRIES OF PELOPONNESE AND WESTERN GREECE	1,000.00
THE GREEK TOURISM CONFEDERATION -"SETE"	130,000.00
THE INSTITUTE OF INTERNAL AUDITORS GREECE	1,500.00
THE SMILE OF THE CHILD	2,000.00
THESSALONIKI CHAMBER OF COMMERCE	9,000.00
THESSALONIKI COMMERCIAL UNION	1,500.00
THESSALONIKI DIPLOMATIC CORE*	1,000.00
THESSALONIKI FEDERATION OF SERRAIAN CLUBS	500.00
THESSALONIKI UNION OF BASKETBALL CLUBS	300.00
THIRA ATHLETIC CLUB	3,500.00
TOURISM ASSOCIATION OF MYTHIMNA	850.00
TOURISM ENTERPRENEURS FEDERATION OF CORFU	1,500.00
TRITON ATHLETIC CLUB OF AMAROUSSIO	500.00
TSOMOKOS SYMEON PUBLIC RELATIONS S.A.	3,000.00
TZENI KAREZI FOUNDATION	1,350.00
UNION OF GREEK PROCEDURAL LAWYERS	2,000.00
UNIVERSITY OF CRETE*	1,705.00
UNIVERSITY OF PATRAS SPECIAL RESEARCH FUND	1,500.00
UNIVERSITY OF PIREAUS RESEARCH CENTRE	5,500.00
UNIVERSITY OF PIREAUS RESEARCH CENTRE*	2,366.21
VERTICAL SOLUTIONS S.A.	3,000.00
VOULIAGMENI NAUTICAL CLUB	10,000.00
WAVE MEDIA OPERATIONS PRIVATE COMPANY	3,500.00
WORKER'S CENTRAL UNION OF ONASSIS CARDIAC SURGERY CENTER	5,000.00
XENAKIS CARS S.A.	2,500.00
XENEPEL SINGLE MEMBER LIMITED LIABILITY COMPANY	3,000.00
YOUTH ATHLETIC UNION OF SINDOS	2,000.00
ZANEIO FOUNDATION OF PIRAEUS FOR CHILD PROTECTION AND EDUCATION	1,000.00
ZOGRAFIO LICEUM	1,000.00
TOTAL	2,853,441.98

Notes:

1. Not including charges for Greek Government and in favor of third parties (V.A.T., etc), Total Amount € 203.843,69
2. Where (*) relates to grants / donations in kind.

INFORMATION UNDER PARAGRAPH 2 OF ARTICLE 6 OF L.4374/2016 CONCERNING INDIVIDUALS	
	AMOUNTS WITHOUT TAX
519 VALEDICTORIANS OF THE PROGRAM "THE GREAT MOMENT FOR EDUCATION"	415,200.00

42 INDIVIDUALS	135,003.46
TOTAL	550,203.46

FIXED ASSETS DONATIONS	
NAME	ITEM
1ST HEALTH DISTRICT/REGION OF ATTICA /ATHENS BRANCH	OTHER EQUIPMENT
ALEPOCHORITANS' CLUB OF EVROS	ELECTRONIC EQUIPMENT
ANIMAL WELFARE CIVIL NOT FOR PROFIT COMPANY - "SAVE A STRAY"	OFFICE FURNITURE
ART STUDIO OF MELISSIA	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
ASSOCIATION OF PARENTS & GUARDIANS 10th PRIMARY SCHOOL OF NEA IONIA	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
ASSOCIATION OF PARENTS & GUARDIANS 1st & 4th NURSERY OF MOURNIES	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS 1st PRIMARY SCHOOL OF XYLOKASTRO	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS 21st PRIMARY SCHOOL OF LARISA	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS 2nd PRIMARY SCHOOL OF N. PERAMOS	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS 3rd PRIMARY SCHOOL OF GERAKAS	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS 3rd PRIMARY SCHOOL OF TAVROS	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
ASSOCIATION OF PARENTS & GUARDIANS 4th PRIMARY SCHOOL & 9th NURSERY SCHOOL OF SYKIES	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS 4th PRIMARY SCHOOL OF HERACKLEION OF ATTICA	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS 5th JR HIGH SCHOOL OF N. SMYRNI- "HERODOTOS"	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
ASSOCIATION OF PARENTS & GUARDIANS 81st PRIMARY SCHOOL OF ATHENS	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS 8th PRIMARY SCHOOL OF THIVA	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS PRIMARY SCHOOL OF GRAMMENITSA	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS PRIMARY SCHOOL OF KOUNAVI	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
ASSOCIATION OF PARENTS & GUARDIANS PRIMARY SCHOOL OF STAMATA	ELECTRONIC EQUIPMENT
ASSOCIATION OF PARENTS & GUARDIANS UNIVERSITY OF ATHENS EXPERIMENTAL PRIMARY SCHOOL - "MARASLEIO"	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
BLOOD DONORS ASSOCIATION OF RHODES - "AGIOS EFRAIM"	ELECTRONIC EQUIPMENT
CHESS CLUB OF SAMOS "O MELISSOS"	ELECTRONIC EQUIPMENT
CHILDREN'S HOME OF LARISSA - "ELLINIKI MERIMNA"	ELECTRONIC EQUIPMENT
CLEANING STAFF ASSOCIATION OF PRIMARY AND SECONDARY EDUCATION PUBLIC SCHOOLS OF ATHENS	ELECTRONIC EQUIPMENT
CULTURAL & EDUCATIONA CLUB DAVLEIAS - "PARNASSOS"	ELECTRONIC EQUIPMENT
CULTURAL AND LOCAL IMPROVEMENT SOCIETY - "PROFITIS ILIAS"	OFFICE FURNITURE
CULTURAL AND LOCAL IMPROVEMENT SOCIETY OF GLOSSA SKOPELOS	ELECTRONIC EQUIPMENT
ELEPAP-REHABILITATION FOR THE DISABLED - AGRINIO CHAPTER	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
GREEK HISTORICAL EVANGELICAL ARCHIVE	OFFICE FURNITURE
HELLENIC CHILDRENS' MUSEUM	ELECTRONIC EQUIPMENT
HELLENIC SLOT COORDINATION AUTHORITY	OFFICE FURNITURE
HOLY CHURCH OF ST. DIMITRIOS LITHOCHORI EVRITANIAS	OFFICE FURNITURE , OTHER EQUIPMENT
HOLY CHURCH OF ST. PANTELEIMONAS	ELECTRONIC EQUIPMENT
HOLY CHURCH OF ST. TRIADOS KERAMATON OF ARTA	ELECTRONIC EQUIPMENT
HOLY CHURCH OF ST. VASSILEIOS	ELECTRONIC EQUIPMENT
KARDITSA RADIO CLUB	ELECTRONIC EQUIPMENT
	ELECTRONIC EQUIPMENT , TELECOMMUNICATIONS EQUIPMENT, OFFICE FURNITURE
KKPPDE - ACHAIA CHILDREN PROTECTION CHAPTER - "SKAGIPOULEIO"	
LARGE FAMILIES ASSOCIATION OF ELASSONA GREATER AREA	ELECTRONIC EQUIPMENT
MINISTRY OF CITIZEN PROTECTION (STATE POLICE REGIONAL DIRECTORATE OF N/E ATTICA, STATE POLICE ZOGRAFU, BOMB SQUAD, STATE POLICE KARPENISSI, STATE POLICE OF ATTICA, GENERAL DIRECTORATE OF IONIAN ISLANDS POLICE , STATE POLICE KORYDALLOS, POLICE DEPT. ISTIAIA , STATE POLICE OF DIMOTIKO THEATRO, DIRECTORATE OF TECHNICAL APPLICATIONS, SUBDIVISION LARISSA STATE POLICE - MANAGEMENT SUPPORT DEPT.,STATE POLICE ACHARNAI, POLICE DEPARTMENT PERAMA, POLICE DEPARTMENT CHIOS, TRAFFIC POLICE/ATHENS SUBDIVISION, POLICE OPERATIONS ATTICA, O.P.K.E,3RD DIAS BRANCH PIRAEUS)	ELECTRONIC EQUIPEMENT, OTHER EQUIPMENT, OFFICE FURINTURE

MINISTRY OF DEFENCE (353th MARITIME COOPERATION SQUADRON, COMMAND CENTRE (IVMP) PELOPONNESE, HQ COMPANY - 34th SPECIAL FORCES SQUADRON, CAMP COL. THOMAS NIKITAS IN ROUSSO KARDITSA, CAMP KALINSKI, Y.P.I.D. - VERIFICATION SERVICE, HELLENIC ARMY GENERAL STAFF, UNDERWATER DEMOLITION SCHOOL,752 ENGINEER BATTALION, MILITARY SUPPORT COMMAND, AGIOS ANDREAS K.A.A.Y., 50 BRIGADE MECHANIZED INFANTRY, AMMUNITIONS BATTALION, ARMY GEOGRAPHICAL SERVICE, 303 OUTPOST FACTORY, FLEET COMMAND, 34 MECHANIZED BRIGADE, SQUADRON A SEALS, II MECHANIZED INFANTRY DIVISION EDESSA, 80 MEDIC BATTALION NATIONAL GUARD, FUEL COMMAND SALAMINA, JOINT SERVICE INTELLIGENCE SCHOOL	ELECTRONIC EQUIPEMENT, OTHER EQUIPMENT, OFFICE FURINTURE, TELECOMMUNICATIONS EQUIPMENT
MONASTERY TIMIOS PRODROMOS OF ARTONINA	OFFICE FURNITURE
MUNICIPAL CENTRE FOR SOCIAL PROTECTION AND SOLIDARITY - MUNICIPALITY OF KORDELIO	ELECTRONIC EQUIPMENT
MUNICIPAL COMMUNITY OF NEA PERAMOS - MUNICIPALITY OF MEGARA	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
MUNICIPAL ENTERPRISE FOR WATER SUPPLY AND SEWERAGE - MUNICIPALITY OF DELPHI	ELECTRONIC EQUIPMENT, TELECOMMUNICATION EQUIPMENT, OFFICE FURNITURE
MUNICIPAL KINDERGARTENS OF PALAIO FALIRO	OFFICE FURNITURE
MUNICIPAL ORGANISATION FOR CULTURE,SPORT & ENVIRONMENT - MUNICIPALITY OF PAPAGOS-CHOLARGOS	ELECTRONIC EQUIPMENT
MUNICIPAL ORGANISATION OF THASSOS - "DIMAROGOS"	ELECTRONIC EQUIPMENT
MUNICIPALITY OF ACHARNAI	OFFICE FURNITURE
MUNICIPALITY OF ASPROPIRGOS	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
MUNICIPALITY OF ATHENS	ELECTRONIC EQUIPMENT
MUNICIPALITY OF ATHENS CULTURE, YOUTH AND SPORTS ORGANISATION	ELECTRONIC EQUIPMENT
MUNICIPALITY OF CALYMNOS	ELECTRONIC EQUIPMENT
MUNICIPALITY OF EDESSA	ELECTRONIC EQUIPMENT
MUNICIPALITY OF ELEFSINA	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
MUNICIPALITY OF ISTIAIA - AIDIPSOS	ELECTRONIC EQUIPMENT
MUNICIPALITY OF KALAMATA	ELECTRONIC EQUIPMENT
MUNICIPALITY OF KALAVRYTA	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
MUNICIPALITY OF KORYDALLOS	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
MUNICIPALITY OF LIKOVRISSI - PEFKI	ELECTRONIC EQUIPMENT
MUNICIPALITY OF MARATHON	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
MUNICIPALITY OF SIKIONIES	ELECTRONIC EQUIPMENT
MUNICIPALITY OF XYLOKASTRO - EVROSTINI	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
MUSIC AND LITERATURE SOCIETY OF ARTA - "SKOUFAS"	ELECTRONIC EQUIPMENT
NEA MICHANIONA ATHLETIC CLUB - "POSEIDON"	ELECTRONIC EQUIPMENT
PANHEPEIROTIC ASSOCIATION OF PATRA	ELECTRONIC EQUIPMENT
PATIENTS AND FRIENDS ASSOCIATION OF MULTIPLE SCLEROSIS - MYTILINI CHAPTER	ELECTRONIC EQUIPMENT
PUBLIC VOCATIONAL TRAINING INSTITUTES OF CHALANDRI - "INEVILIM"	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ACHARNAI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF AGIA VARVARA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF AGION ANARGYRON-KAMATERO	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF AGIOS NIKOLAOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ALEXANDROUPOLI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ALIMOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF AMAROUSSION	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF APOKORONOU CHANION	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ARGOS-MYCENAE	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ARGYROUPOLI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ARISTOTELI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ARTA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ATHENS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF CHAIDARI	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
SCH. COM. PRIM. EDUC. MUNICIPALITY OF CHALANDRI	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
SCH. COM. PRIM. EDUC. MUNICIPALITY OF CHALKIDA	ELECTRONIC EQUIPMENT

SCH. COM. PRIM. EDUC. MUNICIPALITY OF CORFU	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF CORINTH	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF DIONYSSOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF DRAMA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF EDESSA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ELEFSINA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF FILADELFIA-CHALKIDONA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF FILI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF GLYFADA	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ILION	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KALAMATA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KALAMBAKA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KALAVRYTA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KALLITHEA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KARDITSA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KIFISSIA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KORYDALLOS-NIKAIA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KOZANI	OFFICE FURNITURE
SCH. COM. PRIM. EDUC. MUNICIPALITY OF KYMI-ALIVERI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF LARISSA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF MAGNESSIA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF MALEVIDI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF MEGALOPOLI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF NAFPAKTIA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF NEA IONIA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF NEA SMYRNI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF NIKAIA	ELECTRONIC EQUIPMENT, TELECOMMUNICATIONS EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF ORCHOMENOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PALAIO FALIRO	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PALLINI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PAPAGOS-CHOLARGOS	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PATRAS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PAVLOS MELAS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PERISTERI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PETROUPOLI	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PIRAEUS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PREVEZA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF PYRGOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF SAMOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF SARONIKOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF SIKIONIES	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF SKYDRA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF THESSALONIK	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF TRIKKAION	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
SCH. COM. PRIM. EDUC. MUNICIPALITY OF TYRNAVOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF VARVARA	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF VOLOS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF VRILISSIA	OFFICE FURNITURE
SCH. COM. PRIM. EDUC. MUNICIPALITY OF VYRONAS	ELECTRONIC EQUIPMENT
SCH. COM. PRIM. EDUC. MUNICIPALITY OF WEST ACHAEIA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF ACHARNAI	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF AGIOS DIMITRIOS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF AGRINIO	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF AMAROUSIO	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF AMPELOKIPOI-MENEMENIS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF AMYNDACION	ELECTRONIC EQUIPMENT

SCH. COM. SEC. EDUC. MUNICIPALITY OF ARCHAIA OLYMPIA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF ARGYROUPOLIS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF ARISTOTELIS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF ATHENS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF CHALKIDA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF CHANIA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF CORINTH	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF DELPHI	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF DELTA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF DRAMA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF EDESSA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF ELLINIKO-ARGYROUPOLIS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF EORDAIA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF FYLI	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF GLYFADA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF GORTYNA-HERAKLEION	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF ILION	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF KALAMATA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF KALAMBAKA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF KATERINI	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF KERATSINI-DRAPETSONA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF KORDELLIO-EVOSMOS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF KORYDALLOS-NIKAIA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF KOZANI	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF LAGKADA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF LARISSA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF LEFKADA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF LIVADIA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF MAGNESSIA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF MEGARA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF NAOUSSA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF NEAPOLI SYKEES	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF OREOKASTRO THESSALONIKI	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF PALAMA KARDITSA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF PREVEZA	OFFICE FURNITURE
SCH. COM. SEC. EDUC. MUNICIPALITY OF PYRGOS ILIA	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF SARONIKOS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF SERRES	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF THERMI THESSALONIKI	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF THESSALONIKI	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF TRIKKAION	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF VEROIA	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
SCH. COM. SEC. EDUC. MUNICIPALITY OF VIRONAS	ELECTRONIC EQUIPMENT, OFFICE FURNITURE
SCH. COM. SEC. EDUC. MUNICIPALITY OF ZAKYNTHOS	ELECTRONIC EQUIPMENT
SCH. COM. SEC. EDUC. MUNICIPALITY OF ZITSA	ELECTRONIC EQUIPMENT
SCOUTS OF GREECE	ELECTRONIC EQUIPMENT
SCOUTS OF GREECE - 1st BRANCH OF VYRONAS	ELECTRONIC EQUIPMENT, TELECOMMUNICATION EQUIPMENT
TENNIS CLUB - "ILIOUPOLI"	ELECTRONIC EQUIPMENT
THEOTOKOS FOUNDATION	ELECTRONIC EQUIPMENT
THREE CHILDREN FAMILIES ASSOCIATION OF FARSALA	ELECTRONIC EQUIPMENT
TRAPEZA ATHINON - EUROBANK PENSIONERS' UNION	ELECTRONIC EQUIPMENT
UNIVERSITY GENERAL HOSPITAL OF LARISSA	OFFICE FURNITURE
VETERAN OFFICERS UNION PREFECTURE OF PELLA	ELECTRONIC EQUIPMENT
WOMENS' ASSOCIATIONS OF EVRITANIA	ELECTRONIC EQUIPMENT
ZOSIMADON HOME FOR THE ELDERLY	ELECTRONIC EQUIPMENT, OFFICE FURNITURE

THE ABOVE TABLE RELATES TO BANK'S FIXED ASSETS DONATIONS WITH RESIDUAL VALUE € 265,99