EUROBANK ERGASIAS S.A.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2018

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Selected Explanatory Notes to the Condensed Interim Financial Statements

Interim Balance Sheet

	Note	30 June 2018 € million	31 December 2017 € million
ASSETS			
Cash and balances with central banks		**413**	372
Due from credit institutions		**3,197**	2,867
Securities held for trading		**42**	13
Derivative financial instruments		**1,789**	1,884
Loans and advances to customers	12	**29,900**	30,866
Investment securities	13	**5,847**	6,616
Shares in subsidiary undertakings	14	**1,798**	1,814
Property, plant and equipment		**238**	237
Investment property		**27**	22
Intangible assets		**120**	105
Deferred tax assets	11	**4,875**	4,846
Other assets	15	**1,712**	1,608
Assets classified as held for sale	14	**-**	198
Total assets		**49,958**	51,448
LIABILITIES			
Due to central banks	16	**5,050**	9,994
Due to credit institutions	17	**8,379**	7,168
Derivative financial instruments		**1,840**	1,850
Due to customers	18	**27,182**	25,015
Debt securities in issue	19	**2,298**	503
Other liabilities	20	**786**	476
Total liabilities		**45,535**	45,006
EQUITY			
Ordinary share capital	21	**656**	656
Share premium	21	**8,056**	8,056
Reserves and retained earnings		**(4,331)**	(3,263)
Preference shares	19	**-**	950
Total equity attributable to shareholders of the Bank		**4,381**	6,399
Hybrid Capital	22	**42**	43
Total equity		**4,423**	6,442
Total equity and liabilities		**49,958**	51,448

Notes on pages 6 to 48 form an integral part of these condensed interim financial statements.

Interim Income Statement

	Note	Six months ended 30 June 2018 € million	Six months ended 30 June 2017 € million	Three months ended 30 June 2018 € million	Three months ended 30 June 2017 € million
Net Interest income		**533**	543	**268**	276
Net banking fee and commission income		**77**	62	**45**	29
Income from non banking services		**3**	3	**1**	1
Dividend income	6	**17**	12	**17**	8
Net trading income	4	**(3)**	27	**(4)**	4
Gains less losses from investment securities	13	**42**	33	**21**	18
Other income/(expenses)	7	**10**	0	**10**	1
Operating income		**679**	680	**358**	337
Operating expenses	8	**(333)**	(334)	**(170)**	(168)
Profit from operations before impairments, provisions and restructuring costs		**346**	346	**188**	169
Impairment losses relating to loans and advances to customers	9	**(289)**	(311)	**(150)**	(154)
Other impairment losses and provisions	10	**(2)**	(6)	**(4)**	(7)
Restructuring costs	10	**(40)**	(1)	**(7)**	(1)
Profit before tax		**15**	28	**27**	7
Income tax	11	**(17)**	(10)	**(19)**	1
Net profit/(loss)		**(2)**	18	**8**	8

Notes on pages 6 to 48 form an integral part of these condensed interim financial statements.

Interim Statement of Comprehensive Income

	Six months ended 30 June				Three months ended 30 June			
		2018		2017		**2018**		2017
		€ million		€ million		**€ million**		€ million
Net profit/(loss)		**(2)**		18		**8**		8
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	**13**		20		**7**		8	
- transfer to net profit, net of tax	**(9)**	**4**	(4)	16	**(5)**	**2**	(3)	5
Debt securities at FVOCI								
- changes in fair value, net of tax	**(42)**		-		**15**		-	
- transfer to net profit, net of tax (note 13)	**(45)**	**(87)**	-	-	**(26)**	**(11)**	-	-
Available for sale securities								
- changes in fair value, net of tax	-		103		-		82	
- transfer to net profit, net of tax	-	-	(22)	81	-	-	(15)	67
Other comprehensive income		**(83)**		97		**(9)**		72
Total comprehensive income		**(85)**		115		**(1)**		80

Notes on pages 6 to 48 form an integral part of these condensed interim financial statements.

Interim Statement of Changes in Equity

	Total equity attributable to shareholders of the Bank						
	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Hybrid capital € million	Total € million
Balance at 1 January 2017, as restated [1]	656	8,056	7,540	(11,033)	950	43	6,212
Net profit	-	-	-	18	-	-	18
Other comprehensive income	-	-	97	-	-	-	97
Total comprehensive income for the six months ended 30 June 2017	-	-	97	18	-	-	115
Balance at 30 June 2017, as restated [1]	656	8,056	7,637	(11,015)	950	43	6,327
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 2.3.2)			13	(995)			**(982)**
Balance at 1 January 2018, as restated	**656**	**8,056**	**7,768**	**(12,013)**	**950**	**43**	**5,460**
Net profit/(loss)	-	-	-	(2)	-	-	**(2)**
Other comprehensive income	-	-	(83)	-	-	-	**(83)**
Total comprehensive income for the six months ended 30 June 2018	**-**	**-**	**(83)**	**(2)**	**-**	**-**	**(85)**
Redemption of preference shares	-	-	-	-	(950)	-	**(950)**
Hybrid capital's dividend paid and buy back, net of tax	-	-	-	(0)	-	(1)	**(1)**
Merger with a Bank' s subsidiary (note 14)	-	-	1	(2)	-	-	**(1)**
	-	**-**	**1**	**(2)**	**(950)**	**(1)**	**(952)**
Balance at 30 June 2018	**656**	**8,056**	**7,686**	**(12,017)**	**-**	**42**	**4,423**
	Note 21	Note 21			Note 19	Note 22	

[1] *Further information on the restatement due to change in accounting policy is provided in note 47 of the Financial Statements for the year ended 31 December 2017.*

Notes on pages 6 to 48 form an integral part of these condensed interim financial statements.

Interim Cash Flow Statement

	Note	Six months ended 30 June 2018 € million	2017 € million
Cash flows from operating activities			
Profit before income tax		**15**	28
Adjustments for :			
Impairment losses relating to loans and advances to customers	9	**289**	311
Other impairment losses, provisions and restructuring costs	10	**42**	7
Depreciation and amortisation	8	**22**	19
Other (income)/losses on investment securities	13	**(68)**	(47)
(Income)/losses on debt securities in issue	19	**36**	(0)
(Gain)/ loss on sale of subsidiary undertakings, associates and joint ventures	14	**(7)**	(2)
Dividends from subsidiaries, associates and joint ventures	6	**(16)**	(12)
Other adjustments		**(1)**	4
		312	308
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**(86)**	(142)
Net (increase)/decrease in securities held for trading		**(29)**	(0)
Net (increase)/decrease in due from credit institutions		**45**	347
Net (increase)/decrease in loans and advances to customers		**(132)**	121
Net (increase)/decrease in derivative financial instruments		**46**	(34)
Net (increase)/decrease in other assets	15	**(136)**	14
Net increase/(decrease) in due to central banks and credit institutions		**(3,733)**	(2,146)
Net increase/(decrease) in due to customers		**2,173**	291
Net increase/(decrease) in other liabilities		**(69)**	(78)
		(1,921)	(1,627)
Net cash from/(used in) operating activities		**(1,609)**	(1,319)
Cash flows from investing activities			
Acquisition of fixed and intangible assets		**(39)**	(28)
Proceeds from sale of fixed and intangible assets		**4**	-
(Purchases)/sales and redemptions of investment securities		**696**	1,352
Acquisition of subsidiaries, associates, joint ventures and participations in capital increases	14	**(0)**	(8)
Proceeds from disposal/liquidation of holdings in subsidiaries, associates and joint ventures and capital return	14	**183**	-
Dividends from investment securities, subsidiaries, associates and joint ventures		**55**	12
Net cash from/(used in) investing activities		**899**	1,328
Cash flows from financing activities			
(Repayments)/proceeds from debt securities in issue	19	**812**	(53)
Purchase of hybrid capital		**(0)**	-
Hybrid captal's dividend paid	22	**(1)**	-
Redemption on preference shares, net of expenses	19	**(4)**	-
Net cash from/(used in) financing activities		**807**	(53)
Net increase/(decrease) in cash and cash equivalents		**97**	(44)
Cash and cash equivalents at beginning of period	24	**506**	454
Cash and cash equivalents at end of period	24	**603**	410

Notes on pages 6 to 48 form an integral part of these condensed interim 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 condensed interim financial statements were approved by the Board of Directors on 29 August 2018. The independent Auditor's Report on Review of Condensed Interim Financial Information is included in the Section V of the Financial Report for the period ended 30 June 2018.

2. Basis of preparation and principal accounting policies

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

2.1 Basis of preparation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' as adopted by the European Union (EU) and they should be read in conjunction with the Bank's annual financial statements for the year ended 31 December 2017. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. Except as indicated, financial information presented in euro has been rounded to the nearest million.

The accounting policies and methods of computation in these condensed interim financial statements are consistent with those in the annual financial statements for the year ended 31 December 2017, except as described below.

Going concern considerations

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

Macroeconomic environment

In 2018, Greece's real GDP is expected to grow by 1.9%, according to the May 2018 forecast by European Commission (2017: 1.4%, according to the Hellenic Statistical Authority's (ELSTAT) data). The unemployment rate in May 2018 was 19.5%, based on ELSTAT data (31 December 2017: 20.8%). On the fiscal front, Greece's primary surplus in 2017 was at 4.2% of GDP, according to Medium Term Fiscal Strategy 2019-2022, outperforming the respective 2017 Third Economic Adjustment Program (TEAP) target of 1.75% of GDP. The TEAP primary surplus target for the period 2018 - 2022 is expected at 3.5% of GDP each year.

The fourth and final review of the TEAP for Greece was concluded successfully in the 21 June 2018 Eurogroup, after the implementation of a series of prerequisite reforms. The Greek Government has built up a cash buffer of around € 24 bn so far, 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 sovereign financial needs for around 22 months after the end of the program. Following the expiration of the TEAP on 20 August 2018, Greece has entered into enhanced post program surveillance 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 decisive implementation of the reforms agreed in the context both of the TEAP and in the post program period surveillance, the implementation of medium term debt relief measures in accordance with 21 June 2018 Eurogroup decisions, the mobilization of European Union (EU) funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model will 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 targets and milestones for the post program surveillance of the country, (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 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

The gradual stabilisation 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 as well as the further relaxation of capital controls. The quick resolution of the uncertainty towards the post-program period 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 30 June 2018, the Bank's dependency on Eurosystem financing facilities decreased to € 5.1 bn (of which € 3.8 bn funding from ELA), mainly due to Group's deposits inflows of € 2.5 bn (of which € 2.2 bn in Greece), assets deleveraging, increased market repos on Greek Government bonds and an asset backed securities issue, the senior notes of which were sold via a private placement to third parties (note 19) (31 December 2017: € 10 bn, of which € 7.9 bn from ELA). On 31 July 2018, the Eurosystem funding further declined to € 3.7 bn, of which € 2.5 bn from ELA (note 16).

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. Going forward, the prime target remains the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place. As at 30 June 2018, the Bank has reduced its NPEs stock by € 0.8 bn since 31 December 2017 to € 17.3 bn, outperforming the respective target submitted to SSM by € 0.5 bn (note 12).

The Group's Common Equity Tier 1 (CET1) ratio stood at 14.8% (Bank 13.6%) at 30 June 2018, and the net profit attributable to shareholders amounted to € 36 million (€ 113 million net profit from continuing operations before restructuring costs) for the period ended 30 June 2018, while the Bank' s after tax result amounted to a loss of € 2 million.

Going concern assessment

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

2.1.1 New and amended standards and interpretations adopted by the Bank

The following new and amended standards and 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:

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 condensed interim financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

The adoption of the standard had no significant impact on the Bank's condensed interim financial statements as net interest income, which is a primary revenue stream of the Bank, is not impacted by the adoption of IFRS 15 and the existing Bank accounting treatment for revenue from contracts with customers, including fee and commission income, is generally in line with IFRS 15.

Annual Improvements to IFRSs 2014-2016 Cycle
IAS 28 'Investments in Associates and Joint Ventures': It is clarified that venture capital organizations, mutual funds, unit trusts and similar entities are allowed to elect measuring their investments in associates or joint ventures at fair value through profit or loss.

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

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 condensed interim financial statements.

IFRS 9 'Financial Instruments'
On 1 January 2018, the Bank adopted IFRS 9 'Financial Instruments', which replaces 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.

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 portfolios 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 de-recognition
- 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 loan loss impairments 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 loans and other 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 on the basis of a 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.

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')

Due to the changes in IFRS 9, these Financial Statements include transition disclosures which provide qualitative and quantitative information about the impact from the Classification and Measurement and ECL requirements. The new disclosures for hedge accounting will be included in the annual financial report of the Bank for the period ending 31 December 2018, as there is no change in the accounting policies since the last annual financial statements of the Bank (31 December 2017).

2.2 IFRS 9 'Financial Instruments' – Changes to significant accounting policies

As a result of transition to IFRS 9, the following significant accounting policies replace the respective accounting policies in accordance with IAS 39 that were in effect until 31 December 2017 as disclosed in note 2.2 of the Bank's financial statements for the year ended 31 December 2017. The below changes are applicable from 1 January 2018.

The amended accounting policies will continue to be subject to reviews and refinements until the Bank finalizes its financial statements for the year ending 31 December 2018.

(i) Financial assets and liabilities - Classification and measurement

The Bank classifies all of its 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.

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).

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, net of an allowance for expected credit losses (ECL).

Interest income, realized gains and losses on derecognition, and changes in credit impairment losses from assets classified as 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 credit impairment 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, financial assets held for trading and derivative financial instruments.

Furthermore, a financial asset that meets the above conditions to be classified at AC or FVOCI, may be 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.

Financial Liabilities designated at FVTPL

Financial liabilities are designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

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 Bank'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 this treatment of the effects of changes in a liability's credit risk would create or enlarge an accounting mismatch in the income statement, all gains or losses of this financial liability designated at FVTPL, including the effects of changes in the credit risk, are recognized 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.

The Bank performs the business model assessment consistently with its operating model, considering the objectives and performance of each portfolio, and the information provided to key management personnel.

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.

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. Such reasons may relate to an increase in credit risk regardless of the frequency and volume, to liquidity needs in any stress case scenario, or to sales made close to the maturity and to sales made to manage high concentration level of credit risk. Debt instruments classified within this business model 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 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.

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, extension and equity conversion options, terms that introduce leverage, non-recourse asset arrangements that limit the Bank's claim to cash flows from specified assets and modified time value of money element.

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 the assessment is performed on an individual basis.

The respective accounting policies regarding classification and measurement of financial assets and liabilities applicable under IAS 39 are set out in notes 2.2.9 and 2.2.10 of the Bank's financial statements for the year ended 31 December 2017.

(ii) Reclassifications of financial assets and liabilities

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.

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.

Financial liabilities are not reclassified according to IFRS 9.

The respective accounting policy regarding reclassification of financial assets applicable under IAS 39 is set out in note 2.2.25 of the Bank's financial statements for the year ended 31 December 2017.

(iii) Impairment of financial assets

The Bank recognizes 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.

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.
- 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. ECL are only recognized or released to the extent that there is a subsequent change in the assets' lifetime expected credit losses.

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) definitions. In particular, the Bank will determine that financial instruments are in Stage 3 by applying consistent measures of default across all of its portfolios:

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

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

Purchased or originated credit impaired financial assets (POCI)

The Bank defines a financial asset as POCI when one or more events that have a detrimental impact on the estimated future cash flows of that exposure have occurred (at time of purchase or origination). The Bank considers the following as indicative detrimental events:

- 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 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.
- The Bank purchases a financial asset at a deep discount that reflects incurred credit losses.

The Bank assesses the deep discount criterion following a principles-based approach with the aim to incorporate all reasonable and supportable information which reflects market conditions that exist at the time of the assessment.

POCI exposures are not subject to stage allocation as these exposures are credit impaired at the date of initial recognition by the Bank and are always measured on the basis of lifetime expected credit losses.

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 been 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.

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), which incorporates borrower specific information, 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.

Forbearance measures as monitored by the Bank are considered as a SICR indicator and thus the exposures are allocated into Stage 2 upon forbearance. 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 Bank uses a probation period provided that the borrower has made payments for more than an insignificant aggregate amount of payments during the aforementioned probation period in order to fulfill the requirements for a transfer to 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 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 ECLs 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. 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 exposures and some exposures to small and medium-sized enterprises, 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 a probability-weighted average estimate of credit losses that reflects the time value of money. A credit loss is the difference between the cash flows that are due to the Bank in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets (POCI). In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions should be considered.

The 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 of the collateral 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.

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

The 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 ECLs for Stage 2 and POCI exposures.

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 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.

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 sets 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.

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 original financial asset is then derecognized. The Bank records the modified asset as a 'new' financial asset and the difference with the net carrying amount of the existing one is recorded in the income statement as derecognition gain or loss. Consequently, 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.

Following derecognition, the 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 modification of the contractual cash flows is not considered substantial, the modification does not result in derecognition. The Bank recalculates the gross carrying amount of the financial asset and recognizes the difference as a modification gain or loss, which is reflected in the income statement. In addition, the Bank 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 allowance for credit loss

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

The respective accounting policy applicable up to 31 December 2017 under IAS 39 regarding impairment of financial assets is included in note 2.2.12 of the Bank's financial statements for the year ended 31 December 2017.

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 is 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 comprises senior staff from all the main functions of the Group, is 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 informs the Executive Board, the Board Risk Committee, the Audit Committee and the Board of Directors on the Program's implementation progress. The Technical Committee is composed of Subject Matter Experts responsible for evaluating key technical issues and analyzing proposed changes in accounting policies and risk management methodologies for the Steering Committee before they are submitted and approved by the competent bodies of the Bank.

Reflecting the scale and complexity of the implementation plan, the Program 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 is managed locally with the establishment of local PMOs and Steering Committees. Progress is 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.

The Group has 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 are 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 performed further actions in order to ensure accuracy and robustness of ECL measurement, which involve the enhancement of the validation framework.

In addition, the Group is participating 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 Bank has formed the IFRS 9 accounting policies, key processes and process flows and the ECL methodologies, while further refinements will continue during 2018. Educational workshops to the involved stakeholders are conducted on an ongoing basis on the impact of IFRS 9 to the Bank's lending practices and day-to-day operational activities in order to ensure that the new requirements are well understood and will be applied consistently across the Bank.

The Bank is currently considering the impacts of IFRS 9 to its day to day operations and overall business strategy in order to adapt successfully to the changes driven by the shift to the ECL model.

2.3.2 Transition to IFRS 9 – Estimated impact

The estimated 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 *s*hareholders' equity. The above impact, as depicted in the table below, is mainly attributed to the estimated impact on the Greek lending portfolio, which amounts to € 918 million.

Impact attributed to :	**IFRS 9 impact € million**
Impairment	
- Loans and advances to customers	(918)
- Other financial assets	(62)
Total impairment	(980)
Classification & Measurement	(2)
Hedging	-
Total IFRS 9 impact	**(982)**

Following Management's assessment on current conditions, the Bank has not recognized a deferred tax asset (DTA) of € 285 million approximately on the IFRS 9 transition impact as at 1 January 2018.

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

Further analysis of the IFRS 9 impact is presented below.

***(i)** Re-classification and re-measurement of carrying amounts upon IFRS 9 transition*

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			Remeasurement		IFRS 9	
Financial Assets	**Category**	**Amount € million**	**Reclassification € million**	**ECL € million**	**Other € million**	**Amount € million**	**Category**
Cash and balances with	*Loans and*						
central banks	*receivables*						*Amortised cost*
Closing balance 31.12.2017		372					
Remeasurement							
Opening balance 1.1.2018		**372**				**372**	
Due from	*Loans and*						
credit institutions	*receivables*						*Amortised cost*
Closing balance 31.12.2017		2,867					
Reclassifications to			209				*Other Liabilities*
Remeasurement				(1)			
Opening balance 1.1.2018		**2,867**	**209**	**(1)**		**3,075**	
Loans and advances to							
customers measured at	*Loans and*						
amortised cost	*receivables*						*Amortised cost*
Closing balance 31.12.2017		30,866					
Reclassifications to			(55)				*FVTPL (mandatory)*
Remeasurement				(918)			
Opening balance 1.1.2018		**30,866**	**(55)**	**(918)**		**29,893**	
Loans and advances to							
customers measured at							
FVTPL							*FVTPL (mandatory)*
Reclassifications	*Loans and*						
from	*receivables*		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	*Loans and*						
portfolio	*receivables*						
Closing balance 31.12.2017		1,624					
Reclassifications to			(1,043)				Amortised cost
			(481)				*FVOCI*
			(100)				*FVTPL (mandatory)*
Opening balance 1.1.2018		**1,624**	**(1,624)**			-	
Held-to-maturity portfolio	*Held-to-maturity*						
Closing balance 31.12.2017		108					
Reclassifications to			(108)				*FVOCI*
Opening balance 1.1.2018		**108**	**(108)**			-	
Debt securities measured							
at amortised cost							*Amortised cost*
Reclassifications from/	*Loans and*						
Remeasurements	*receivables*		1,043	(55)	5		
Opening balance 1.1.2018			**1,043**	**(55)**	**5**	**993**	

	IAS 39			Remeasurement		IFRS 9	
Financial Assets	**Category**	**Amount € million**	**Reclassification € million**	**ECL € million**	**Other € million**	**Amount € million**	**Category**
AFS portfolio	*Available for sale*						
Closing balance 31.12.2017		4,884					
Reclassifications to			(4,822)				*FVOCI - Debt*
			(62)				*FVTPL - Equity*
Opening balance 1.1.2018		**4,884**	**(4,884)**			-	
Debt securities measured at FVOCI							*FVOCI*
Reclassifications from/ Remeasurements	*AFS*		4,822				
	Loans and receivables		481		2		
	Held-to-maturity		108		(5)		
Opening balance 1.1.2018			**5,411**		**(3)**	**5,408**	
Investment securities mandatorily at FVTPL							*FVTPL (mandatory)*
Reclassifications from/ Remeasurements	*Loans and receivables*		100		(1)		
	AFS - Equity		62				
Opening balance 1.1.2018			**162**		**(1)**	**161**	
Investment in equity securities at FVOCI							
Reclassifications from	*AFS*		-			-	FVOCI
Opening balance 1.1.2018			-			-	
Total investment securities		**6,616**	**-**	**(55)**	**1**	**6,562**	
Securities held for trading	*FVTPL*						*FVTPL*
Closing balance 31.12.2017		13					
Opening balance 1.1.2018		**13**				**13**	
Derivative financial instruments (assets)	*FVTPL*						*FVTPL*
Closing balance 31.12.2017		1,884					
Remeasurement							
Opening balance 1.1.2018		**1,884**				**1,884**	
Other Assets	*Loans and receivables*						*Amortized cost*
Closing balance 31.12.2017		1,608					
Remeasurement				(6)			
Opening balance 1.1.2018		**1,608**		**(6)**		**1,602**	

Financial Liabilities	IAS 39 Category	IAS 39 Amount € million	Reclassification € million	Remeasurement ECL € million	Remeasurement Other € million	IFRS 9 Amount € million	IFRS 9 Category
Due to central banks	*Amortised cost*						*Amortised cost*
Closing balance 31.12.2017		9,994					
Opening balance 1.1.2018		**9,994**				**9,994**	
Due to credit institutions	*Amortised cost*						*Amortised cost*
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)				*Amortised cost*
Opening balance 1.1.2018		**4**	**(4)**			-	
Due to customers measured at amortised cost	*Amortised cost*						*Amortised cost*
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			-				*Amortised cost*
Opening balance 1.1.2018		**-**	**-**			-	
Debt securities in issue measured at amortised cost	*Amortised cost*						*Amortised cost*
Closing balance 31.12.2017		503					
Reclassifications from							
Remeasurement	FVTPL						
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	*Loans and receivables*		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%) of 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.

• 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**
of which AFS reserve	*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			
		Remeasurement			
	Provision for impairment [1] € million	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	Loss Allowance under IFRS 9 € 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.

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 estimated capital impact from the initial application of IFRS 9 as shown in the table below:

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

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

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

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

3. Significant accounting estimates and judgments in applying accounting policies

In preparing these condensed interim financial statements, the significant estimates, judgments and assumptions made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Bank' s annual financial statements for the year ended 31 December 2017, except for the significant accounting judgments that relate to the changes in accounting policies described in note 2, as a result of IFRS 9 transition and arise primarily from the new ECL requirements.

3.1 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 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.

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. 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.

The Bank updates and reviews the reasonability and performs backtesting 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.

Modeling and Management overlays / adjustments

A number of complex 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).

Independent Validation Unit

The Bank, acknowledging the need in the context of the implementation of IFRS 9 to independently validate all models and underlying methodologies used in the ECL measurement including the application of expert judgment, has decided to delegate the validation of all models developed to competent resources, who are independent of the model development process. The results of the validation are reported directly to the Group Credit Risk Officer (GCRO) and communicated to Senior Management (Management Risk Committee and Board Risk Committee).

The ECL model involves the exercise of expert judgment and use of assumption – based estimates with regards to the derivation of credit risk parameters (EAD, PD, LGD), macroeconomic scenarios, SICR thresholds, and the application of expert judgment (individual assessment).

In that respect independent validation process of ECL model estimates and IFRS 9 methodologies is key in order to ensure that the credit risk assessment, measurement models and underlying methodologies are capable of generating accurate, consistent across the Bank and IFRS 9 compliant classification & measurement and impairment results.

ECL model validation involves the application of policies and procedures which set out the accountability and reporting structure of ECL model validation process, internal standards for assessing and approving changes to models, and reporting of the outcome of the model validation.

The purpose of the independent validation unit is the establishment of quality and reliability standards on ECL model inputs including historical, current and forward looking data, ECL model design, the assessment of model output and performance, which identifies and proposes remedial actions such as model re – calibration or re - development.

Further information about the key assumptions and sources of estimation uncertainty are set out in notes 4, 11, 20, 23 and 25.

4. Credit exposure to Greek sovereign debt

As at 30 June 2018, the carrying value of Greek sovereign major exposures is as follows:

	30 June 2018 € million	31 December 2017 € million
Treasury bills	**78**	1,044
Greek government bonds	**3,177**	2,530
Derivatives with the Greek state	**1,083**	1,181
Exposure relating with Greek sovereign risk financial guarantee	**196**	196
Loans guaranteed by the Greek state	**111**	117
Loans to Greek local authorities and public organizations	**59**	53
Other receivables	**2**	4
Total	**4,706**	5,125

For the period ended 30 June 2018, the credit risk valuation adjustment (CVA) on derivatives with the Hellenic Republic has decreased by € 10 million, with a positive effect on the Bank's net trading income, mainly as a result of the market movements observed in the Hellenic Republic credit default swaps. In the first half of 2017, the Bank had recognised an amount of € 35 million gain related to CVA on derivatives with the Hellenic Republic.

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 23.

5. Capital Management

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

	30 June 2018 € million	31 December 2017 € million
Total equity attributable to shareholders of the Bank	**4,381**	6,399
Add: Adjustment due to IFRS 9 transitional arrangements	**801**	-
Less: Other regulatory adjustments	**(555)**	(226)
Common Equity Tier 1 capital	**4,627**	6,173
Add: Preferred Securities	**17**	21
Less: Other regulatory adjustments	**-**	(21)
Total Tier 1 capital	**4,644**	6,173
Tier 2 capital-subordinated debt	**950**	-
Add: Other regulatory adjustments	**-**	5
Total Regulatory Capital	**5,594**	6,178
Risk Weighted Assets	**33,977**	32,689
Ratios:	**%**	**%**
Common Equity Tier 1	**13.6**	**18.9**
Tier 1	**13.7**	**18.9**
Total Capital Adequacy Ratio	**16.5**	**18.9**

Note: The Bank's CET1 as at 30 June 2018, based on the full implementation of the Basel III rules in 2024 (fully loaded CET1), would be 11.2 % (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) and adopted by the European Union and the Bank of Greece in supervising the Bank. The capital adequacy framework, as in force, was incorporated in the European Union (EU) legislation through the Directive 2013/36/EU (known as CRD IV), along with the Regulation No 575/2013/EU (known as CRR). Directive 2013/36/EU was transposed into Greek legislation by Law 4261/2014. Supplementary to that, in the context of Internal Capital Adequacy Assessment Process (ICAAP), the Bank considers a broader range of risk types and the Bank's risk management capabilities. ICAAP aims ultimately to ensure that the Bank has sufficient capital to cover all material risks that it is exposed to, over a three-year horizon.

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

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 coordinates 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 is conducted according to the EBA's methodology, which was published in November 2017, templates and scenarios. The exercise is carried out on the basis of year-end 2017 figures as restated with the impact of the IFRS 9 adoption and assesses the resilience of EU banks under a common macroeconomic baseline scenario and a common macroeconomic adverse scenario, covering the period 2018-2020. The baseline scenario is in line with the December 2017 forecast published by the ECB, while the adverse scenario, which has been developed by the European Systemic Risk Board (ESRB) and the ECB in close cooperation with the EBA and the competent authorities, is designed to ensure an adequate level of severity across all EU countries.

No pass-fail threshold has been included, as the results of the exercise are designed to serve as an input to the Supervisory Review and Evaluation Process (SREP).

Eurobank, along with the other three Greek systemic banks directly supervised by the ECB, 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

On 29 April 2014, the European Commission (EC) approved the Bank's restructuring plan, as it was submitted through the Greek Ministry of Finance on 16 April 2014. In addition, on 26 November 2015, the EC approved the Bank's revised restructuring plan in the context of the recapitalization process in 2015. Further information in respect of the restructuring plan and the relating principal commitments included therein, is provided in the note 6 of the Bank's financial statements for the year ended 31 December 2017.

In the period ended 30 June 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 14) 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 113% on 30 June 2018 (31 December 2017: 128%).

Monitoring Trustee

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

Grant Thornton S.A. was appointed as the Bank's Monitoring Trustee (MT) on 22 February 2013, with the mandate of the MT been subsequently amended and extended on 29 May 2014. The MT monitors the compliance with the commitments on corporate governance and commercial operational practices that have expired on 30 June 2018 and the implementation of the restructuring plan and reports to the European Commission.

6. Dividend income

During the period ended 30 June 2018, the Bank recognized dividend income amounting to € 17 million of which € 16 million resulting from its associate Eurolife ERB Insurance Group Holding S.A. (30 June 2017: € 12 million of which € 8 million resulting from Eurolife ERB Insurance Group Holding S.A.).

7. Other income/ (expenses)

In the first half of 2018, other income/(expenses) mainly include: (a) € 5.7 million de-recognition gain on loans measured at amortised cost, the terms of which were substantially modified, (b) € 4 million gain from the disposal of Bancpost S.A. and ERB Leasing IFN S.A. (note 14), (c) € 2 million gain from the disposal of ERB Property Services Sofia E.A.D. (note 14) and (d) € 3.4 million fee expense related to the deferred tax credits according to article 82 of Law 4472/2017 (note 11).

8. Operating expenses

	30 June 2018 € million	30 June 2017 € million
Staff costs	**(195)**	(201)
Administrative expenses	**(71)**	(68)
Contributions to resolution and deposit guarantee funds	**(25)**	(25)
Depreciation of property, plant and equipment	**(12)**	(11)
Amortisation of intangible assets	**(10)**	(8)
Operating lease rentals	**(20)**	(21)
Total	**(333)**	(334)

The average number of employees of the Bank during the period was 8,214 (June 2017: 8,693). As at 30 June 2018, the number of branches and business/private banking centers of the Bank amounted to 376.

9. Impairment allowance for loans and advances to customers

The table below presents the movement of the impairment allowance on loans and advances to customers (expected credit loss-ECL) for the period ended 30 June 2018:

	30 June 2018			
	12-month ECL € million	Lifetime ECL not credit-impaired loans € million	Lifetime ECL credit-impaired loans € million	Total € million
Impairment allowance as at 1 January (note 2.3.2)	132	763	9,009	9,904
Transfer of ECL allowance [(1)]	(14)	(6)	(102)	(122)
Transfers between stages	46	59	(105)	-
Impairment loss for the period	(56)	(81)	383	246
Recoveries from written - off loans	-	-	1	1
Amounts written off	-	-	(377)	(377)
Unwinding of Discount	-	-	(131)	(131)
Foreign exchange and other movements	2	2	(4)	0
Impairment allowance as at 30 June	**110**	**737**	**8,674**	**9,521**

[(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 20).

The impairment losses relating to loans and advances to customers recognized in the Bank's income statement for the period ended 30 June 2018 amounted to € 289 million and are analyzed as follows:

	30 June 2018 € million
Impairment loss on loans and advances to customers	**(246)**
Modification loss on loans and advances to customers	**(34)**
Impairment loss for credit related commitments	**(9)**
Total	**(289)**

10. Other impairments, restructuring costs and provisions

	30 June 2018 € million	30 June 2017 € million
Impairment losses and valuation losses on investment and repossessed properties	**(6)**	(5)
Impairment losses/reversal on bonds and placements (note 13)	**2**	-
Other impairment losses and provisions [1]	**2**	(1)
Other impairment losses and provisions	**(2)**	(6)
Voluntary Exit Schemes' costs (note 20)	**(36)**	-
Other restructuring costs	**(4)**	(1)
Restructuring costs	**(40)**	(1)
Total	**(42)**	(7)

[1] *Includes impairment losses on equity securities (under IAS 39 for the year 2017) and provisions on litigations and other operational risk events.*

In the first half of 2018, the Bank recognized restructuring costs amounting to € 4 million related with the optimization of its lending operations.

11. Income tax

	30 June 2018 € million	30 June 2017 € million
Current tax	**(2)**	(9)
Deferred tax	**(2)**	(1)
Tax adjustments	**(13)**	-
Total tax (charge)/income	**(17)**	(10)

According to Law 4172/2013 currently in force, the nominal Greek corporate tax rate is 29%. In addition, dividends distributed, other than intragroup dividends which under certain preconditions are relieved from both income and withholding tax, are subject to 15% withholding tax. According to article 14 of Law 4472/2017, which amended Law 4172/2013, the Greek corporate tax rate for entities other than credit institutions, will decrease from 29% to 26% for the tax years starting from 1 January 2019 and onwards, subject to certain preconditions in the context of the Third Economic Adjustment Program of Greece.

For the period ended 30 June 2018, a provision of € 13 million has been recognized in the income statement against income tax receivables, which are further pursued in courts.

Tax certificate and open tax years

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

The Bank has been audited by tax authorities up to 2010 (included). Furthermore, the Bank has obtained by external auditors unqualified tax certificates for years 2011-2016, while the tax audit from external auditors is in progress for 2017. In addition, New TT Hellenic Postbank and New Proton Bank, which were merged with the Bank in 2013, have obtained by external auditors unqualified tax certificates with a matter of emphasis for their unaudited by tax authorities periods/tax years 18/1-30/6/2013 and

9/10/2011- 31/12/2012, respectively, with regards to potential tax obligations resulting from their carve out. For both cases the Bank has formed adequate provisions.

In accordance with the Greek tax legislation and the respective Ministerial Decisions issued, additional taxes and penalties may be imposed by the Greek tax authorities following a tax audit within the applicable statute of limitations (i.e. in principle five years as from the end of the fiscal year within which the relevant tax return should have been submitted), irrespective of whether an unqualified tax certificate has been obtained from the tax paying company. In light of the above, as a general rule, the right of the Greek State to impose taxes up to tax year 2011 (included) has been time-barred for the Bank.

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:

	30 June 2018 € million
Balance at 1 January	**4,846**
Income statement credit/(charge)	(2)
Investment securities at FVOCI	32
Cash flow hedges	(1)
Other	0
Balance at 30 June	**4,875**

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

	30 June 2018 € million	31 December 2017 € million
PSI+ tax related losses	**1,176**	1,201
Impairment relating to loans and accounting write-offs	**3,013**	3,005
Losses from disposals and crystallized write-offs of loans	**255**	239
Valuations through the income statement	**264**	312
Unused tax losses	**82**	21
Costs directly attributable to equity transactions	**27**	31
Cash flow hedges	**15**	17
Defined benefit obligations	**13**	13
Own used, investment and repossessed properties	**(15)**	(13)
Investment securities at FVOCI	**(56)**	-
Valuations directly to available-for-sale revaluation reserve	**-**	(84)
Other	**101**	104
Net deferred income tax	**4,875**	4,846

Following the completion of the sale of the Romanian disposal group (note 14), 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 period ended 30 June 2018.

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

	30 June 2018 € million	30 June 2017 € million
Loan impairment, disposals and write-offs	**24**	37
Unused tax losses	**61**	9
Tax deductible PSI+ losses	**(25)**	(25)
Change in fair value and other temporary differences	**(62)**	(22)
Deferred income tax (charge)/credit	**(2)**	(1)

As at 30 June 2018, the Bank recognized net deferred tax assets amounting to € 4.9 bn as follows:

(a) € 1,176 million refer to losses resulted from the Bank's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;

(b) € 3,013 million refer to deductible temporary differences arising from impairment relating to loans that can be utilized in future periods with no specified time limit and according to current tax legislation and to accounting debt write-offs according to Law 4172/2013 as amended by Law 4465/2017 in March 2017;

(c) € 255 million refer to the unamortized part of the crystallized tax loss arising from NPLs write-offs and disposals, which are subject to amortization (i.e. 1/20 of losses per year starting from year 2016 and onwards), according to Law 4172/2013 as amended by Law 4465/2017 in March 2017;

(d) € 82 million refer to unused tax losses, including ca € 48 million tax losses, which resulted from the sale of the Romanian disposal group in April 2018 (note 14). The ability to utilize tax losses carried forward expires in five tax years after the year of their recognition;

(e) € 27 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) € 322 million refer to other deductible temporary differences (i.e. valuation losses, provisions for pensions and other post-retirement benefits, etc.) the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation.

Assessment of the recoverability of deferred tax assets

The recognition of the above presented deferred tax assets is based on management's assessment, as at 30 June 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, the actual tax results for the year ended 31 December 2017 and the extrapolated tax results for the year ended 31 December 2018 using the actual tax results for the period ended 30 June 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 the Bank's performance in combination with the previous years' tax losses caused by one off or non-recurring events.

For the period ended 30 June 2018 the Bank has conducted a deferred tax asset (DTA) recoverability assessment based on its three-year Business Plan that was approved by the Board of Directors in January 2018 and provides outlook of its profitability and capital position for the period up to the end of 2020. The Business Plan has also been submitted to the Hellenic Financial Stability Fund (HFSF) and to the Single Supervisory Mechanism (SSM).

For the years beyond 2020, the forecast of operating results was based on the management projections considering the growth opportunities of the Greek economy, the banking sector and the Bank itself.

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

The implementation of the abovementioned Business Plan largely depends on the risks and uncertainties that stem from the macroeconomic environment in Greece (note 2.1).

Deferred tax credit against the Greek State and tax regime for loan losses

As at 30 June 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 € 3,956 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 (i.e. 29%) and the tax rate applicable on 30 June 2015 (i.e. 26%). For the period ended 30 June 2018, an amount of € 3.4 million has been recognized in "Other income/(expenses)".

12. Loans and advances to customers

	As at		
	30 June 2018	**1 January 2018**	31 December 2017
	€ million	**€ million**	€ million
Loans and advances to customers at amortised cost			
- Gross carrying amount	39,372	39,797	39,883
- Impairment allowance	(9,521)	(9,904)	(9,017)
Net Carrying Amount	**29,851**	**29,893**	30,866
Loans and advances to customers at FVTPL	**49**	**52**	-
Total	**29,900**	**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 30 June 2018:

	30 June 2018				1 January 2018	31 December 2017
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	Total carrying amount € million	Total carrying amount € million	Total carrying amount € million
Loans and advances to customers at amortised cost						
Mortgage lending:						
- Gross carrying amount	5,714	3,396	5,987	15,097	15,299	15,298
- Impairment allowance	(26)	(289)	(2,188)	(2,503)	(2,518)	(2,211)
Net Carrying Amount	5,688	3,107	3,799	12,594	12,781	13,087
Consumer lending:						
- Gross carrying amount	1,395	272	2,307	3,974	4,212	4,212
- Impairment allowance	(31)	(103)	(1,893)	(2,027)	(2,112)	(1,920)
Net Carrying Amount	1,364	169	414	1,947	2,100	2,292
Small Business lending:						
- Gross carrying amount	1,261	1,154	3,896	6,311	6,320	6,320
- Impairment allowance	(10)	(220)	(1,948)	(2,178)	(2,168)	(1,876)
Net Carrying Amount	1,251	934	1,948	4,133	4,152	4,444
Wholesale lending:						
- Gross carrying amount	7,055	1,868	5,067	13,990	13,966	14,053
- Impairment allowance	(43)	(125)	(2,645)	(2,813)	(3,106)	(3,010)
Net Carrying Amount	7,012	1,743	2,422	11,177	10,860	11,043
Total loans and advances to customers at AC						
- Gross carrying amount	15,425	6,690	17,257	39,372	39,797	39,883
- Impairment allowance	(110)	(737)	(8,674)	(9,521)	(9,904)	(9,017)
Net Carrying Amount	**15,315**	**5,953**	**8,583**	**29,851**	**29,893**	30,866
Loans and advances to customers at FVTPL						
Net Carrying Amount				**49**	**52**	-
Total				**29,900**	**29,945**	30,866

As at 30 June 2018, the Bank's non performing exposures included in loans and advances to customers at amortised cost amounted to € 17,257 million (1 January 2018: € 18,037 million).

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 were formed on the basis of key macroeconomic assumptions. In September 2017, the Greek banks submitted an updated set of NPEs operational targets, together with an updated NPEs management strategy, for the years 2017-2019.

In accordance with the latest relevant BoG report issued in June 2018, in the first quarter of 2018 the Greek banks managed in total to meet the targets for the reduction in the stock of NPEs. More specifically, at the end of March 2018, the stock of NPEs (excluding off-balance sheet items) amounted to € 92.4 bn or € 1.3 bn lower than the targeted amount. With respect to the target for the stock of NPLs (90 days past due loans), their balances stood at € 63.9 bn, an amount equal to the respective target. As at 30 June 2018, the Bank has reduced the stock of NPEs by € 0.8 bn since 31 December 2017 to € 17.3 bn (including loans to customers accounted for at fair value through profit or loss) outperforming the respective target submitted to SSM by € 0.5 bn.

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.

Post balance sheet event

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 € 1.8 bn, 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.

13. Investment securities

	As at		
	30 June 2018	**1 January 2018**	31 December 2017
	€ million	**€ million**	€ million
Investment securities at FVOCI	**4,859**	**5,408**	-
Investment securities at amortized cost	**920**	**993**	-
Investment securities at FVTPL	**68**	**161**	-
Available-for-sale investment securities	**-**	**-**	4,884
Debt securities lending portfolio	**-**	**-**	1,624
Held-to-maturity investment securities	**-**	**-**	108
Total	**5,847**	**6,562**	6,616

The table below discloses the carrying amount and the exposure to credit risk of investment securities:

	30 June 2018			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total carrying amount**
	€ million	**€ million**	**€ million**	**€ million**
Debt securities at amortised cost				
- Gross carrying amount	404	564	-	968
- Impairment allowance	(1)	(47)	-	(48)
Net Carrying Amount	403	517	-	920
Debt securities at FVOCI				
Net Carrying Amount	4,842	17	-	4,859
Total	**5,245**	**534**	**-**	**5,779**
Other investment securities (equity/debt) at FVTPL				
Net carrying amount				68
Total Investment securities				**5,847**

In the first half of 2018, the impairment allowance of the investment securities of the Bank decreased by € 6 million, mainly due to the improvement of the credit quality of the Hellenic Republic as depicted in the markets during the period relative to the second half of 2017.

The investment securities per category are analyzed as follows:

	30 June 2018			
	Financial instruments at FVOCI € million	Investment securities at amortised cost € million	Financial instruments at FVTPL € million	Total € million
Debt securities				
- Greek government bonds	**2,236**	**920**	**-**	**3,156**
- Greek government treasury bills	**78**	**-**	**-**	**78**
- Other government bonds [(1)]	**2,043**	**-**	**-**	**2,043**
- Other issuers	**502**	**0**	**4**	**506**
	4,859	**920**	**4**	**5,783**
Equity securities	**-**	**-**	**64**	**64**
Total	**4,859**	**920**	**68**	**5,847**

[(1)] *As at 30 June 2018, other government bonds include € 201 million notes issued by the EFSF.*

	31 December 2017			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Debt securities				
- EFSF bonds	203	362	-	565
- Greek government bonds	1,557	964	-	2,521
- Greek government treasury bills	1,044	-	-	1,044
- Other government bonds	1,694	298	-	1,992
- Other issuers	324	0	108	432
	4,822	1,624	108	6,554
Equity securities	62	-	-	62
Total	4,884	1,624	108	6,616

During the period ended 30 June 2018, the Bank recognized € 42 million gains presented in line 'Gains less losses from investment securities', which mainly resulted from debt securities at FVOCI sale transactions.

In the comparative period, the gain of € 33 million includes € 24 million from equities' sale transactions.

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 EFSF notes, as the remaining fixed rate said bonds of face value of € 0.36 bn were sold back to the EFSF, with no effect in the Bank's income statement.

14. Shares in subsidiary undertakings

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.

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 of the Bank's financial statements for the year ended 31 December 2017).

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.

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.

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.

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.

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 abovementioned transaction, net of selling costs, reached € 151 million, in addition to the € 48 million capital return received by the Bank in the first quarter 2018. The consideration is subject to adjustments following the finalization of the completion statements of Romanian disposal group and the fulfillment of certain conditionalities as per the aforementioned agreement with BT. Based on the above, an amount of € 4 million gain has been recognized in "Other income/(expenses)" for the period ended 30 June 2018. The transaction has been capital accretive and liquidity positive for the Group.

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 19).

Chamia Enterprises Company Ltd, Cyprus

In June 2018, the extraordinary General Meeting of the Shareholders of the company decided its liquidation.

Post balance sheet events

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 the disallowance for tax deduction of certain expenses, and the recognition of deemed taxable income.

The Group is in communication with Bancpost S.A. and BT, which are in the process of challenging the tax audit assessment.

According to the Sale Purchase Agreement (SPA) executed between Eurobank Group (the Seller) and Banca Transilvania (BT) (the Purchaser), 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, Eurobank has already placed in an escrow account the amount of € 9.4 million.

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 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.

15. Other assets

	30 June 2018 € million	31 December 2017 € million
Receivable from Deposit Guarantee and Investment Fund	**707**	704
Repossessed properties and relative prepayments	**373**	272
Pledged amount for a Greek sovereign risk financial guarantee	**240**	241
Income tax receivable (1)	**137**	140
Prepaid expenses and accrued income	**88**	70
Other guarantees	**43**	35
Balances under settlement (2)	**30**	1
Investments in associates and joint ventures	**34**	34
Other assets	**60**	111
Total	**1,712**	1,608

(1) Includes withholding taxes.
(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 repossessed properties and relative prepayments by € 102 million for the period ended 30 June 2018.

As at 30 June 2018, other assets net of provisions, amounting to € 60 million (2017: € 111 million) include, among others, receivables related to (a) prepayments to suppliers, (b) public entities and (c) legal cases.

16. Due to central banks

	30 June 2018 € million	31 December 2017 € million
Secured borrowing from ECB and BoG	**5,050**	9,994

As at 30 June 2018, the Bank's dependency on Eurosystem financing facilities decreased to € 5.1 bn (of which € 3.8 bn funding from ELA), mainly due to deposits inflows, assets deleveraging, increased market repos on Greek Government bonds and an asset backed securities issue, € 813.5 million of which were sold via a private placement to an international institutional investor (note 19) (31 December 2017: € 10 bn, of which € 7.9 bn from ELA). The Eurosystem funding further declined to € 3.7 bn on 31 July 2018, of which € 2.5 bn from ELA.

17. Due to credit institutions

	30 June 2018 € million	31 December 2017 € million
Secured borrowing from credit institutions	**7,179**	5,903
Borrowings from international financial and similar institutions	**442**	353
Interbank takings	**704**	825
Current accounts and settlement balances with banks	**54**	87
Total	**8,379**	7,168

As at 30 June 2018, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals Greek treasury bills, Greek government bonds and covered bonds issued by the Bank (notes 13 and 19). As at 30 June 2018, borrowings from international financial and similar institutions include borrowings from European Investment Bank and other similar institutions.

18. Due to customers

	30 June 2018 € million	31 December 2017 € million
Savings and current accounts	**14,980**	14,250
Term deposits	**12,149**	10,712
Repurchase agreements	**53**	53
Total	**27,182**	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. As at 30 June 2018, the carrying amount of these deposits was € 4 million.

19. Debt securities in issue

	30 June 2018 € million	31 December 2017 € million
Subordinated notes (Tier 2)	**974**	-
Securitisations	**813**	-
Covered bonds	**504**	497
Medium-term notes (EMTN)	**7**	6
Total	**2,298**	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.

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 30 June 2018, the said instruments amounted to € 974 million, including € 4 million issuance costs and € 28 million accrued interest.

Further information, in respect of the Tier 2 capital instruments and the relevant legal framework is provided in the note 33 of the financial statements for the year ended 31 December 2017.

Covered bonds

During the period ended 30 June 2018, the Bank proceeded with the issue of covered bonds of face value of € 200 million, fully retained by the Bank.

Post balance sheet event

In July 2018, the Bank proceeded with the issue of covered bonds face value of € 350 million, fully 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).

20. Other liabilities

	30 June 2018 € million	31 December 2017 € million
Balances under settlement [(1)]	**123**	138
Other provisions	**436**	114
Deferred income and accrued expenses	**90**	56
Standard legal staff retirement indemnity obligations	**44**	44
Other liabilities	**93**	124
Total	**786**	476

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

As at 30 June 2018, other liabilities amounting to € 93 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 30 June 2018, other provisions amounting to € 436 million (31 December 2017: € 114 million) mainly include: € 51 million for outstanding litigations and claims in dispute (note 25), (b) € 326 million for credit related commitments, which as of 1 January 2018 are monitored separately from the impairment allowance on loans and advances to customers and due from other banks, (c) € 44 million for sovereign risk financial guarantee, (d) € 6 million for restructuring costs, related to the Voluntary Exit Scheme (VES) and (e) € 8 million for other operational risk events.

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 30 June 2018, the cost for the VES amounted to € 142 million, net of provision for retirement benefits, out of which € 36 million has been recognized in the Bank's income statement for the period ended 30 June 2018. The estimated annual saving, as a result of the additional VES cost recognised in the first half of 2018, amounts to € 10 million.

21. Ordinary share capital and share premium

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

	Ordinary Share capital € million	Share premium € million	Number of issued ordinary shares
Balance at 30 June	**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.

22. Hybrid capital

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 period ended 30 June 2018 is analyzed as follows:

	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 30 June	**2**	**4**	**17**	**19**	**42**

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. Following the redemption of the Greek State – owned preference shares (note 19) 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 € 1.1 million in total on the Series A, B, C and D. As at 30 June 2018, the dividend attributable to preferred securities holders amounted to € 1.4 million (€ 1 million, after tax).

Post balance sheet event

ERB Hellas Funding proceeded with the payment of non-cumulative dividends of € 0.7 million on series C, D and B on 9 July, 30 July and 2 August 2018, respectively.

23. Fair value of financial assets and liabilities

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

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

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

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

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

Financial instruments carried at fair value

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

	30 June 2018			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Securities held for trading	39	2	1	42
Investment securities at FVTPL	26	5	37	68
Derivative financial instruments	0	1,788	1	1,789
Investment securities at fair value through OCI	4,766	93	-	4,859
Loans and advances to customers at FVTPL	-	-	49	49
Financial assets measured at fair value	**4,831**	**1,888**	**88**	**6,807**
Derivative financial instruments	0	1,840	-	1,840
Trading liabilities	17	-	-	17
Financial liabilities measured at fair value	**17**	**1,840**	**-**	**1,857**

	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 period ended 30 June 2018, the Bank transferred OTC derivative instruments of € 1 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.

Reconciliation of Level 3 fair value measurements

	30 June 2018 € million
Balance at 1 January	**39**
Transition to IFRS 9	**52**
Transfers into Level 3	**0**
Transfers out of Level 3	**(1)**
Additions, net of disposals and redemptions	**(1)**
Total gain/(loss) for the period included in profit or loss	**(0)**
Foreign exchange differences and other	**(1)**
Balance at 30 June	**88**

Bank's valuation processes and techniques

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

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

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

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

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

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

Unquoted 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 for which contractual cash flows do not represent solely payments of principal and interest are measured 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. Estimates of expected credit loss rates that are incorporated in the fair value calculation represent significant unobservable input and as such the entire fair value measurement is categorized as Level 3 in the fair value hierarchy. A reasonably possible change in the main unobservable input (i.e. expected credit loss rate), would not have a significant effect on their fair value measurement.

Financial instruments not carried at fair value

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

	30 June 2018	
	Carrying amount € million	Fair value € million
Loans and advances to customers	**29,851**	**29,903**
Investment securities at amortized cost	**920**	**424**
Financial assets not carried at fair value	**30,771**	**30,327**
Debt securities in issue held by third party investors	**2,291**	**2,003**
Financial liabilities not carried at fair value	**2,291**	**2,003**

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

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

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

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

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

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

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

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

	30 June 2018 € million	31 December 2017 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**314**	359
Due from credit institutions	**289**	147
Total	**603**	506

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

	30 June 2018 € million	30 June 2017 € million
Amortisation of premiums/discounts and accrued interest	**(25)**	(14)
(Gains)/losses from investment securities	**(42)**	(33)
Dividends	**(1)**	(0)
Total	**(68)**	(47)

25. Contingent liabilities and other commitments

Credit related commitments are analyzed as follows:

	30 June 2018 € million	31 December 2017 € million
Guarantees [1] and standby letters of credit	**795**	884
Guarantees to Bank's SPV's issuing EMTNs	**88**	115
Other guarantees (medium risk) and documentary credits	**242**	368
Commitments to extend credit	**78**	118
Total	**1,203**	1,485

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

As at 30 June 2018, the impairment allowance for expected credit losses on all credit related commitments within the scope of IFRS 9 impairment requirements amounted to € 326 million (1 January 2018: € 331 million).

Legal Proceedings

As at 30 June 2018, a provision of € 51 million has been recorded for a number of legal proceedings outstanding against the Bank (31 December 2017: € 58 million), as set out in note 20. The said amount includes € 34 million for the outstanding litigations with DEMCO S.A., which is related to the acquisition of New TT Hellenic Postbank S.A. in 2013 (31 December 2017: € 40 million).

Furthermore, the Bank is involved in a number of legal proceedings, in the normal course of business, which may be in early stages, their settlement may take years before they are resolved or their final outcome may be considered uncertain. For such cases, after considering the opinion of Legal Services General Division, Management does not expect that there will be an outflow of resources and therefore no provision is recognized.

Against the Bank various remedies have been filed in the form of lawsuits, applications for injunction measures and motions to vacate payment orders in relation to the contractual clauses of mortgage loans granted by the Bank in Swiss Francs (CHF) and the conditions under which the loans were granted. A class action has also been filed. From a Courts view point it may be sustained that the issue is still at a premature stage, considering that a substantial number of first instance Courts judgments has been issued, the majority of which are in favor of the Bank. Furthermore, there are twelve appellate Courts judgments in cases concerning the Bank in favor of the validity of the loans and one against. To date no judgment of the Areios Pagos, being the supreme civil Court, has been passed. On the class action a judgment was issued which accepted it, the Bank, though, has filed an appeal against the first instance judgment the decision of which was issued in February 2018, in favour of the Bank. This decision is subject to a cassation before the Supreme Court. In relation to the individual lawsuits the majority of the judgments issued are in favor of the Bank.

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

26. Post balance sheet events

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

Note 2.1-Basis of preparation
Note 12-Loans and advances to customers
Note 14-Shares in subsidiary undertakings
Note 16-Due to central banks
Note 19-Debt securities in issue
Note 22-Hybrid Capital
Note 28-Board of Directors

27. 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 on 4 December 2015 replacing the previous one, signed on 26 August 2014. Further information in respect of the HFSF rights based on the aforementioned framework is provided in the note 45 of the Bank's financial statements for the year ended 31 December 2017.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Bank at times may hold positions in debt and equity instruments of related parties.

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

	30 June 2018			31 December 2017		
	Subsidiaries [(2)]	**KMP [(1)] and entities controlled or jointly controlled by KMP**	**Associates and joint ventures**	Subsidiaries [(2)]	KMP [(1)] and entities controlled or jointly controlled by KMP	Associates and joint ventures [(3)]
	€ million	**€ million**	**€ million**	€ million	€ million	€ million
Due from credit institutions [(4)]	**1,341.28**	**-**	**-**	1,200.06	-	-
Securities held for trading	**2.02**	**-**	**-**	1.53	-	-
Derivative financial instruments assets	**3.17**	**-**		9.07	-	0.01
Investment securities	**0.45**	**-**	**-**	0.12	-	-
Loans and advances to customers [(4)]	**1,454.04**	**7.39**	**6.66**	1,486.35	6.74	9.38
Other assets	**4.99**	**-**	**3.50**	45.16	-	4.37
Due to credit institutions	**3,145.63**	**-**	**-**	3,388.37	-	-
Derivative financial instruments liabilities	**16.42**	**-**	**-**	0.88	-	-
Due to customers	**432.97**	**2.34**	**38.02**	479.34	2.09	45.08
Debt securities in issue	**6.65**	**-**	**-**	6.64	-	-
Other liabilities [(4)]	**282.96**	**-**	**3.38**	15.94	-	2.98
Guarantees issued	**323.31**	**-**	**14.20**	660.78	-	4.60
Guarantees received	**-**	**0.04**	**-**	-	0.04	-

	Six months ended 30 June 2018			Six months ended 30 June 2017		
Net interest income	**(3.58)**	**0.02**	**(3.61)**	1.29	0.02	(4.28)
Net banking fee and commission income	**2.24**	**-**	**5.40**	2.14	-	2.59
Dividend income	**0.64**	**-**	**16.08**	3.77	-	7.83
Net trading income	**(0.15)**	**-**	**0.01**	(1.34)	-	0.02
Gains less losses from investment securities	**-**	**-**	**0.55**	-	-	-
Other operating income/(expenses)	**0.99**	**-**	**(11.36)**	(6.28)	-	(11.05)
Impairment losses relating to loans and advances and collectors' fees	**(31.72)**	**-**	**(7.82)**	(6.27)	-	(3.39)

[(1)] *Includes the key management personnel of the Group and their close family members; as at 30 June 2018, the KMP has three more members compared to 31 December 2017.*
[(2)] *Equity contributions and other transactions with subsidiaries are presented in note 14.*
[(3)] *As of 4 August 2016, Eurolife insurance group has been accounted for as an associate. The Bank's income and expenses from transactions with Eurolife Insurance group including loan insurance premiums, fees from bancassurance and employee benefits (pension and medical insurance) are presented in the above table. Comparative information has been adjusted accordingly.*
[(4)] *As of 1 January 2018, the impairment allowance for credit related commitments is presented within Other liabilities/Provisions.*

For the period ended 30 June 2018, there were no material transactions with the HFSF. In addition, as at 30 June 2018 the loans, net of provisions, granted to entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements amounted to € 3.9 million (31 December 2017: € 4.7 million).

For the period ended 30 June 2018, an impairment loss of € 20 million has been recognised 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 loans' portfolios. As at 30 June 2018, the respective impairment allowance amounted to € 329 million (as at 1 January 2018, including the IFRS 9 transition impact: € 323 million).

In relation to the guarantees issued to the Bank's special purpose financing vehicles, the Bank has received cash collateral of € 38 million as at 30 June 2018 (2017: € 62 million), which is included in Due to customers.

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

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 3.02 million (30 June 2017: € 2.60 million) and long-term employee benefits of € 0.44 million (30 June 2017: € 0.35 million). In addition, the Bank has formed a defined benefit obligation for the KMP amounting to € 1.6 million as at 30 June 2018 (31 December 2017: € 0.88 million), while the respective cost for the period amounts to € 0.05 million (30 June 2017: € 0.03 million).

28. Board of Directors

The Board of Directors (BoD) was elected by the Annual General Meeting of the Shareholders of the Bank held on 10 July 2018 for a three years term of office. Its term of office, following the resolution of the Bank's Annual General Meeting held on 10 July 2018, expires on 10 July 2021, and in any case until the date the Bank's Annual General Meeting for the year 2021 will take place.

Following the above, at the BoD meeting of 10 July 2018, the Board was reconstituted as body 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 August 2018

Nikolaos V. Karamouzis	**Fokion C. Karavias**	**Harris V. Kokologiannis**
I.D. No AB - 336562	I.D. No AI - 677962	I.D. No AN - 582334
CHAIRMAN	CHIEF EXECUTIVE OFFICER	GENERAL MANAGER OF GROUP FINANCE
OF THE BOARD OF DIRECTORS		GROUP CHIEF FINANCIAL OFFICER