NATIONAL BANK
OF GREECE

Group and Bank
Six-Month Financial Report
for the period ended 30 June 2019

August 2019

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The Q2.19 results build on the positive trend of Q1.19, rewarding the National Bank of Greece S.A. ("NBG" or the "Bank") persistent efforts to return to normalcy; to be a bank with strong profitability and a healthy balance sheet. Indeed in H1.19, core operating profitability increased by c21% year-over-year ("y-o-y") (+51% q-o-q in Q2.19), supported by an expansion of Net Interest Income ("NII") and Net fee and commission income (5% y-o-y), including through the continued recovery of loan disbursements, but also reflecting cuts in operating expenses (7% y-o-y). Strong trading gains supported total income for a 2nd quarter in a row, resulting in operating profit of c€260 million in H1.19 (> 100% y-o-y).

In addition, major steps were taken to strengthen the Balance Sheet. First, the second major Non-Performing Exposures ("NPEs") sale in 2019 has helped reduce NPEs by €2.5 billion year-to-date ("y-t-d"). Moreover, it is very encouraging that restructurings have accelerated markedly, boding well for an acceleration in the organic reduction of NPEs. Second, the total capital ratio has been enhanced further, well above regulatory thresholds, following the Tier II bond issuance in July, to 17.0%. This will facilitate a faster than planned reduction in NPEs.

With the new management team already creating a strong performance track record, a Business Plan validated by the investor community and Greek macroeconomic conditions rapidly improving, all the pieces are in place for its efficient execution. Activity, as well as loan demand, will be provided a further boost from the envisaged acceleration of reforms by the new Government, thus facilitating the implementation of the Business Plan.

Athens, 29 August 2019

Pavlos Mylonas

Chief Executive Officer

Certification of the Board of Directors
on the six-month financial report as at 30 June 2019

Certification of Chairman, Chief Executive Officer and a member of the Board of Directors pursuant to Article 5 of Law 3556/07, as in force.

We, the members of the Board of Directors of National Bank of Greece S.A. certify that to the best of our knowledge:

(1) The interim financial report for the six-month period ended 30 June 2019 has been prepared in accordance with the current accounting standards and present a true and fair view of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement of the Bank and of the companies included in the consolidation.

(2) The Board of Directors report for the six-month period ended 30 June 2019 truly and fairly presents all information required by Article 5, Para 6 of Law 3556/2007, as in force.

Athens, 29 August 2019

THE CHAIRMAN OF THE BOARD OF DIRECTORS	THE CHIEF EXECUTIVE OFFICER	THE BOARD OF DIRECTORSMEMBER
COSTAS P. MICHAELIDES	PAVLOS K. MYLONAS	ANDREW J. MCINTYRE

Board of Directors' Report

on the interim financial report as at 30 June 2019

The NBG's Transformation Program

In September 2018, NBG launched a rigorous Transformation Program, committing to the delivery of aspiring financial and operational targets.

Following a clear mandate from NBG's Board of Directors, the Bank embarked in the second half of 2018 into a transformation journey, aiming to clean up its balance sheet and generate healthy and sustainable profit margins.

NBG's Transformation Program has been designed and is being delivered across six (6) key Workstreams, each led by a senior executive of the Bank. These Workstreams (and their respective aims) are the following:

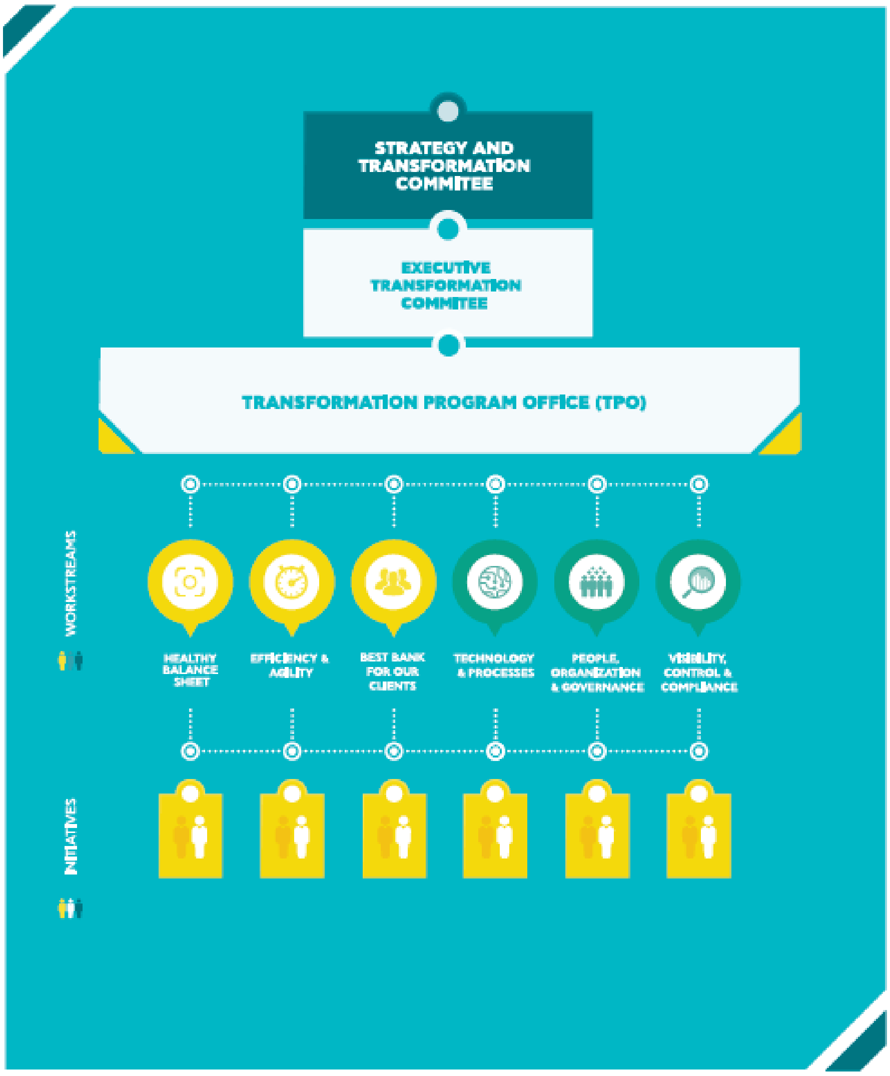
1.| Healthy Balance Sheet ("HBS")	2.| Efficiency & Agility ("ENA")	3.| Best Bank for our Clients ("BBC")
Aims at maintaining and further strengthening NBG's strong Balance Sheet, through a series of initiatives relating to the acceleration of Non-Performing Exposures ("NPEs") reduction, optimization of capital allocation and deployment of excess liquidity.	Aims at eliminating operational inefficiencies in a sustainable manner through optimizing the Bank's geographical footprint, headcount allocation, overhead spending, and procurement spend.	Aims at further enhancing customer service through capitalizing on the relationship of trust that NBG has with its Corporate and Retail Customers, leveraging advanced analytics, and pursuing digitization in sales and servicing.
4.| Technology & Processes ("TEP")	**5.|People, Organization & Governance ("POG")**	**6.| Visibility, Controls & Compliance ("VCC")**
Aims at improving all aspects of the Bank's underlying technological infrastructure and platforms, as well as pursuing efficient end-to-end processes both for our Customers and for our People, across all major touchpoints.	Aims at further strengthening NBG's governance and HR framework and process (including recruitment, development, performance management, compensation, etc.) so as to develop a flexible and efficient organization.	Aims at delivering a robust and comprehensive Value-Based Management ("VBM") framework, which will enhance the transparency as well as the quality of decision-making in the organization. Moreover, this Workstream promotes improvements in managing non-financial risks, reinforces the organization's risk culture and enhances our system of internal controls.

Delivering the Transformation: introducing the role of the Transformation Program office and emphasizing seasonal achievements

Each Workstream will be delivering tangible outcomes over six-month periods, termed Seasons. This setup maintains the pace and ensures that the organization remains focused yet agile, as new Initiatives may enter or be removed from the Program and existing ones may be appropriately adjusted. Each Season begins and ends with a Ceremony, aimed at reviewing progress made, acknowledging achievements and ensuring that lessons to be learned from each Season are embedded in our future planning. In parallel, a strong Transformation Program Office ("TPO") has been established so as to:

- Ensure coherent and consistent planning of Workstream, Initiative and Sub-Initiative activities, including prioritization of activities and programme-level dependencies tracking.
- Provide project and Program management discipline and best practices to Workstream, Initiative and Sub-Initiative Leaders.
- Deploy a thorough, timely and effective progress (and risk) reporting mechanism.

The TPO is a fundamental factor in executing the transformation in a coordinated, timely and disciplined fashion.



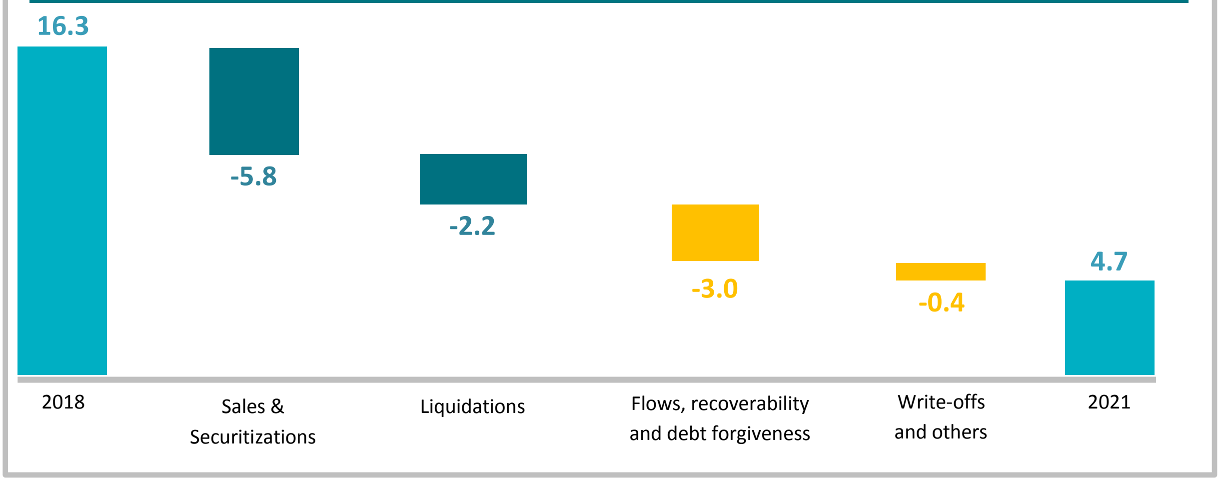
Significant developments and key achievements of NBG Group during 1H.2019

NPE reduction targets

From December 2015 to December 2018 the Bank has achieved a decrease of €6.1 billion through a combination of write offs, sales and liquidations, amounting to €4.3 billion and negative NPE formation of €1.8 billion. NPE reduction continued in the first half of 2019, with the stock of NPEs down by €2.5 billion, mainly driven by the nearly completed NPE disposals (Projects Symbol and Mirror, see below).

Finally, new operational targets have been submitted to the SSM in March 2019 for the period 2019-2021 (see below Chart 1). The new plan is ambitious and frontloaded, calling for an NPE reduction by 2021 of €11.5 billion and €11.0 billion for the Group and the Bank, respectively, from the end of December 2018 (€16.3 billion and €15.4 billion for the Group and the Bank, respectively), of which €4.5 billion in 2019. Half of the envisaged reduction comprises organic actions consisting of more aggressive restructurings, including debt forgiveness, and liquidations. The other half derives from portfolio sales and securitizations, facilitated by NBG's high NPE coverage ratio of 56%. Upon achieving these targets, the NPE ratio will have been reduced to a low-teens level by 2021, and to c5% in 2022, without utilizing any additional dilutive capital.

CHART 1
NPE REDUCTION TARGET FOR 2018-2021 (GROUP, € billion)



Exchange of interest rate swap ("IRS") contract with the Hellenic Republic with Greek government bonds

On 15 February 2019 the Bank announced that the Hellenic Republic and NBG have agreed to cancel the IRS contract of 31 December 2008, whose initial nominal value was €5,500,000,000. This instrument was replaced with Greek Government bonds maturing 2023, 2025 and 2026 of a total nominal value of €3,314,250,000, which was the value of the IRS on NBG's Statement of Financial Position at the transaction date (excluding credit risk adjustments). The Greek Government bonds received by NBG have the following terms:

ISIN	Maturity	Coupon	Nominal Value
GR0112009718	20/3/2023	2.90%	€250,250,000
GR0116007924	20/3/2025	3.25%	€964,000,000
GR0118018663	20/3/2026	3.55%	€2,100,000,000

NBG recognised a gain of €46 million from the transaction in the 1Q.2019, which includes the release of the Credit Valuation Adjustment ("CVA") on the Swap with the Hellenic Republic and the allowance for expected credit losses on the Greek government bonds acquired. Furthermore, the Greek government bonds earn annual interest income of €113 million, while eliminating the need to hedge the IRS (together with the substantial associated cost). It also simplifies the Bank's asset structure, securing a reduction in funding costs, and further enhancing the Liquidity Coverage Ratio ("LCR").

This transaction is part of NBG's strategic plan that aims at the effective leverage of the Bank's strong liquidity, and significant strengthening of the Group's net interest income and profitability.

Disposal of NPE portfolios

As part of the implementation of the Bank's Transformation Program (see above) the Bank has entered into definitive agreements for the disposal of two non-performing portfolios.

In particular, on 29 July 2019, the Bank announced that it has entered into a definite agreement with a consortium of funds (the "Consortium") advised by affiliates of Centerbridge Partners, LLP and funds advised by Elliott Advisors (UK) Limited for the disposal of a portfolio of circa 12,800 secured non-performing Small Business Lending and Small & Medium Enterprises loans (circa 8,300 properties distributed across Greece) with total principal amount of €0.9 billion (Project Symbol). After closing of the transaction, the Consortium is expected to assign the servicing of the portfolio to Cepal Hellas Financial Services S.A., which has been licensed by the Bank of Greece under Law 4354/2015. The consideration of the transaction is equivalent to c. 28% of the principal amount of the portfolio and is capital accretive to NBG.

Furthermore, on 1 August 2019, the Bank announced that it has entered into a definitive agreement with CarVal Investors, for the disposal of a portfolio of unsecured non-performing portfolio of credit cards, consumer loans, small business loans ("SBL") and small & medium enterprises loans ("SME") with total principal amount of €1.2 billion (Project Mirror). The servicing of the portfolio will be assigned, by the Investor, to QQuant Master Servicer which has been licensed and is regulated by the Bank of Greece under Law 4354/2015. The consideration of the transaction amounts to more than 9% of the principal portfolio amount and is capital accretive to NBG.

Both transactions are being implemented in the context of NBG's NPE Strategy and Operational Targets, as submitted to the Single Supervisory Mechanism ("SSM") (see below "*NPE reduction targets*").

Completed disposals of subsidiaries

Sale of Grand Hotel Summer Palace S.A.

On 18 October 2018 the Bank announced the opening of the sale process of its total shareholding in its 100% subsidiary Grand Hotel Summer Pallas S.A. ("Grand Hotel") through an open auction with seal bids on 10 December 2018. Upon completion of the aforementioned process the Bank on 14 January 2019 entered into a sale agreement with the highest bidder, Mitsis Company S.A., to dispose of its 100% stake in Grand Hotel. The agreed consideration for the sale amounted to €50 million.

The disposal was completed on 5 April 2019 and control of Grand Hotel passed to Mitsis Company S.A.

Sale of NBG Pangaea REIC

On 29 March 2019 the Bank received from Invel Real Estate (Netherlands) II B.V. ("Invel") a call Option Exercise Notice to acquire NBG's shareholding to NBG Pangaea REIC ("Pangaea"), pursuant to the Shareholders Agreement entered into between NBG, Invel, Invel Real Estate Partners Greece L.P, Invel Real Estate Partners Greece SAS, Invel Real Estate Partners Two Limited and Pangaea. According to the relevant terms of Shareholders Agreement, the entities nominated by Invel, namely "Invel Real Estate B.V." and CL Hermes Opportunities L.P., shall acquire NBG's Shareholding by 30 May 2019 at call option price (€4.684 per share). This transaction was concluded on 23 May 2019 and the total amount received for NBG's Shareholding (comprising 83,438,113 shares of Pangaea) amounted to €391 million.

It is also noted that despite the Shareholders Agreement term expiration on 31 March 2019, NBG retained control of Pangaea (according to applicable legal and contractual provisions) until the date of the consummation of the acquisition of NBG's shareholding and relevant competent Pangaea's corporate bodies resolutions. Therefore, on 31 March 2019, Pangaea was consolidated, but classified as held for sale and discontinued operations.

The impact from the completion of the transaction on the Group's Common Equity Tier 1 ("CET1") ratio was 43bps, which was offset by the impact of the application of IFRS 16 Leases on the lease contracts between NBG and Pangaea, resulting in net impact of -8bps.

Adoption of International Financial Reporting Standard ("IFRS) 16 Leases as of 1 January 2019

The Group analysed the impact of IFRS 16 in a Group-wide project, including existing processes, controls, systems, data and contracts and established an IFRS 16 Implementation Program ("the IFRS 16 Program") to ensure a timely and high-quality implementation, in accordance with the requirements of IFRS 16. The IFRS 16 Program involved Finance, Real Estate Management, Procurement, Digital Channels, Global Markets and IT Divisions of the Bank and was overseen by a Project Steering Committee. The Committee comprised of the Chief Financial Officer ("CFO") (Chair), the Chief Information Officer ("CIO") and the General Managers of Real Estate Management and International Activities Divisions of the Bank. A full- time Project Management Office ("PMO") was setup and a Project Manager assigned. The Group Audit Committee was updated by the Executive Management on the status of the IFRS 16 Program, as well as the accounting estimates and policies applied.

Impact upon transition to IFRS 16

The adoption of IFRS 16 on 1 January 2019, increased the assets, liabilities and retained earnings of the Group by €136 million, €132 million and €4 million, respectively, and of the Bank by €1,142 million, €1,138 million and €4 million, respectively. The reported impact on the Group's assets and liabilities includes an amount of €29 million attributable to entities classified as held for sale and discontinued operations, which has been recognized within line items 'non-current assets held for sale' and 'liabilities associated with non-current assets held for sale'. In relation to the impact on regulatory capital, the Group's and the Bank's CET1 ratio decreased by 5 bps and 56 bps, respectively.

Following the disposal of NBG Pangaea REIC in Q2.19, the Group recognised additional Right of Use assets and lease liabilities, as described above "*Sale of NBG Pangaea REIC*".

Voluntary exit scheme

As part of the implementation of the Bank's Transformation Program (see above "*The NBG Transformation Program*") during the first six-month period of 2019 and in the context of the on-going voluntary exit scheme ("VES") initiated in May 2019, 632 and 536 employees for the Group and the Bank, respectively, participated in the scheme.

Issuance of debt securities

On 18 July 2019, the Bank completed a public issuance of a Tier II note, totaling €400 million. The note has a 10-year maturity with right to early redemption by the issuer on the completion of 5 years. The annual interest rate for the first 5 years is set at 8.25%. If the right to early redemption is not exercised, the annual interest rate for the remaining 5-year period will be reset to a fixed rate equal to the 5-year mid-swap rate prevailing at the time plus 846.4 basis points.

This issuance is an integral part of NBG's strategy, as presented in London on 16 May 2019 Investor Day. It optimizes the capital structure through the introduction of supplementary non-dilutive capital and provides room for capital accretive allocation of NBG's large liquidity pool. It is also a first step in the Bank's Minimum Requirement for Own Funds and Eligible Liabilities ("MREL") strategy, opening the door to eventual senior bond issuance.

National Bank of Greece Auxiliary Pension Plan ("LEPETE")

On 10 June 2019 a legislative amendment (Law 4618/2019 art.24) effectively transferring Bank employees and pensioners from LEPETE to Unified Fund for Auxiliary Insurance and Lump Sum Benefits ("ETEAEP"), the state auxiliary pension plan, was enacted, stipulating, inter alia, that the Bank should cover the following costs:

(a) the normal employer's contributions for the employees transferred to ETEAEP, from 1 January 2019 and onwards. The applicable rates are 3.50% from 1 January to 31 May 2019, 3.25% from 1 June 2019 to 31 May 2022 and 3.00% from 1 June 2022 and onwards;
(b) a retrospective payment in relation to the 2018 pensions to be calculated on the basis provided by Law 4618/2019. This amount has been estimated by the Bank to €50 million. The law 4618/2019 provides that the 1/5 of the total amount is payable by 31 August 2019 whereas the remaining amount is due in instalments and at the latest by 31 December 2020.
(c) supplementary social security contributions of €40 million per annum from 2019 to 2023;
(d) supplementary employer's contributions from 1 January 2024 onwards to be defined following a study to be prepared by the Greek National Actuarial Authority. The Bank cannot provide a reasonable estimate of the related costs, as Law 4618/2019 does not provide the basis under which the relevant study would be carried out, nor the required clarity as to the extent that any shortfalls would be covered by the Bank; and
(e) the normal employees' contributions for the period from 1 January to 31 May 2019, only.

Further to this legislative amendment and related Ministerial Decision 28153/276/21.6.2019, on 5 July 2019, the Bank addressed a statement to ETEAEP informing it that it will continue to pay to ETEAEP, as from 1 June 2019 onwards, the corresponding, in accordance with the applicable provisions, auxiliary pension employer's and employee's contributions with regard to the persons (employees) who had been insured by LEPETE up to the enactment of the aforementioned legislative amendment. The Bank in the same statement pointed out that any private relationship between the Bank and LEPETE has been terminated and thus no payment of any kind will be carried out in the future.

The Bank considers that the above legislative amendment opposes fundamental constitutional provisions and, in this context, filed to the Council of State an application for the annulment of the relevant administrative decisions issued on the basis of Law 4618/19, which is planned for hearing before the Council on 2 December 2019 and an application for the suspension of enforcement of the above.

On 5 August 2019, NBG received the decision of the Council of State that rejected the application for the suspension of enforcement of the ministerial decision, but purely due to formal and procedural reasons as, according to the court ruling, the request for suspension related in substance to the suspension of provisions of the actual law, which is not compatible with procedural rules and court jurisprudence. On the other hand the Council of State through the reasoning of its decision connects its final judgment as concerns the application for the annulment to the outcome of the proceedings before the Civil Courts (especially before the Supreme Court). Furthermore, it considers that the aforementioned law does not impose on the Bank the burden of covering deficits nor of paying the retirement amounts to the retirees itself and consequently, that the law does not establish any liability for NBG from 1 January 2024 onwards.

On 2 July 2019, the Bank paid an amount of €36 million with respect to the supplementary contribution for 2019 as required by the ministerial decision (see (c) above) and recorded it as an advance to ETEAEP. In addition, on 31 July 2019, the Bank had to pay €1 million corresponding to the employer's and employees contributions for January 2019 (see (a) and (e) above) but due to technical issues of ETEAEP systems, the payment has not yet been made.

The Bank has not recorded any expense and provisions in relation to items (b) to (e) above, as Management estimates that the said legislative amendment, stipulating that the Bank should assume costs relating to existing pensioners to which the Bank considers that it had no liability under the previous regime (LEPETE scheme), will be deemed unconstitutional by the Council of State, taking also into account that the likelihood of the final outcome of the outstanding legal claims before the Civil Courts being negative is remote. In this context, the Bank expects that any amounts paid or to be paid for items (b) to (e), prior to the decision of the Council of State in relation to the petition for annulment, will be either reimbursed or off-set against future contributions to ETEAEP (item (a) above).

Depending on the outcome of the petition for annulment before the Council of State, the appeal to the Supreme Court and any further legal actions the Bank may proceed with, the assessment of management as to the probability of outflows may change, in which case the Bank may need to record significant provisions in future periods with respect to the above issue.

Single Supervisory Mechanism ("SSM") On-site inspection – Mortgage Portfolio

Since September 2018 and until May 2019, the SSM performed an On-site inspection with the purpose of assessing NBG's Mortgage Portfolio through a Credit Quality Review. The On-site inspection was carried out according to the supervisory examination program adopted by the ECB and the final impact is yet to be determined.

Receivables from withholding taxes on bonds and treasury bills

On 29 March 2019, an amendment was passed through Law 4605/2019 (article 93, para. 1 & 2) regarding Corporate Income Tax legislation, clarifying the status of these withholding tax receivables of banks. Specifically, (a) taxes of €41 million, withheld in accordance with the provisions of para. 8 of article 12 of Law 2238/1994, are offset as a priority when income tax is incurred and to the extent that income tax is sufficient for the purposes of the above set-off, (b) withholding taxes of €162 million, which are subject to the provisions of para. 6 of article 3 of Law 4046/2012 and not offset within five years, are offset in equal installments within 10 years with any tax liabilities of banks, starting from 1 January 2020.

NBG filed Form 15F to terminate U.S. Securities and Exchange Commission (the "SEC") registration and reporting obligations

On 15 November 2017, NBG announced that its Board of Directors has resolved to voluntarily terminate the amended and restated deposit agreement dated 28 May 1998 (the "Agreement"), between NBG and The Bank of New York Mellon, as depositary (the "Depositary") relating to its American Depositary Receipts ("ADRs") each representing one ordinary share. This resolution was adopted following the suspension of trading in the ADRs by the New York Stock Exchange (the "NYSE") and, pursuant to a Form 25 filed by the NYSE with the SEC on 12 December 2015, the delisting of the ADRs from the NYSE. Following the termination of NBG's ADR program on 15 March 2018, the underlying ordinary shares of NBG continued to trade on the Athens Exchange.

The Board of Directors of NBG weighed the benefits of maintaining the ADR program against the associated costs and risks and determined that terminating the ADR program is in the best interest of NBG due to the limited size of the ADR program, the costs associated with such program and NBG's reporting, filing and compliance obligations under the Exchange Act.

On 18 March 2019, NBG announced that it has filed a Form 15F with the SEC in order to terminate its registration and reporting obligations under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). As a result of this filing, NBG's reporting obligations with the SEC, including its obligations to file annual reports on Form 20-F and reports on Form 6-K, were suspended immediately.

The filing of a Form 15F immediately and automatically suspended NBG's reporting obligations. The SEC had after 90 days to object on the suspension. As of 18 June 2019, no objection was received by the SEC and hence the suspension became a permanent termination of the SEC reporting obligations.

Planned disposals of subsidiaries

Sale of Banca Romaneasca S.A.

On 20 June 2019, the Bank entered into a sale and purchase agreement for the sale of 99.28% of Banca Romaneasca S.A. ("Romaneasca") to Export-Import Bank of Romania ("EximBank"). Closing of the transaction is subject to approval from the National Bank of Romania and the Romanian Competition Council.

National Bank of Greece – Egyptian Branch Network

The divestment of NBG's Branch Network in Egypt ("NBG Egypt") is an obligation of the Bank under its 2019 Revised Restructuring Plan. On 31 January 2018, the Board of Directors of the Bank resolved to apply to the Central Bank of Egypt in order to commence the sales process, as per the local regulatory requirement. The application was finally submitted in March 2018, the approval to commence the sales process was granted in July 2018 and the sales process was launched in October 2018.

On 3 May 2019, NBG announced the signing of a definitive agreement with Bank Audi S.A.E. ("Bank Audi Egypt") for the sale of the banking operations of its branch network in Egypt, comprising mostly of Egyptian-risk loans, deposits and securities (total assets of c. €110 million), a branch network of 17 branches and c. 250 employees (together the "Egypt transaction").

Closing of the Egypt transaction is subject to the approvals of the Central Bank of Egypt and the Central Bank of Lebanon.

National Bank of Greece (Cyprus) Ltd

The divestment of NBG (Cyprus) Ltd ("NBG Cyprus") is an obligation of the Bank under its 2019 Revised Restructuring Plan (see below "Revised Restructuring Plan as approved by the Directorate General for Competition on 10 May 2019 (the 2019 Revised Restructuring Plan)"). The sale process for NBG Cyprus commenced in April 2018. Given that the process is at an advanced stage and negotiations with the preferred bidder are on-going, the Bank is expecting to conclude the sale of NBG Cyprus within the next 12 months.

Sale of a majority equity holding in Ethniki Hellenic General Insurance S.A. ("Ethniki Insurance" or "NIC")

NBG remains committed to implementing alternative options of compliance with its Commitments under the 2019 Revised Restructuring Plan as agreed with the Directorate General for the Competition of the European Commission (the "DG Competition").

NBG considers that the sale is highly probable, given that it is preparing towards relaunching the sales process in the third quarter of 2019, hence it is expected that the sale being concluded within 12 months.

Revised Restructuring Plan as approved by the Directorate General for Competition on 10 May 2019 (the "2019 Revised Restructuring Plan")

The Group is subject to European Commission rules on European Union ("EU") State aid in light of the aid received from the HFSF and the Hellenic Republic. These rules are administered by the DG Competition. Under these rules, the Bank's operations are monitored and limited to the operations included in the 2019 Revised Restructuring Plan, which aims to ensure the Bank's return to long term viability. The 2019 Revised Restructuring Plan was approved on 10 May 2019, by the European Commission.

The 2019 Revised Restructuring Plan includes a number of commitments to implement certain measures and actions that have to be completed during the period 2019-2020 (the "2019 Revised Restructuring Plan Commitments"). The 2019 Revised Restructuring Plan Commitments relate both to domestic and foreign operations of the Group. Differentiations to the 2015 Restructuring Plan which expired on 31 December 2018 relate to the deepening of the Bank's operational restructuring, some amendments on Commitments and deadlines, as well as a commitment to sell the remaining stake (32.66%) in Pangaea in substitution for the commitment to dispose of Stopanska Banka A.D.-Skopje.

For domestic operations, the 2019 Revised Restructuring Plan Commitments relate to constraining operating expenses, including the number of personnel and branches. In particular, the Commitments include the following:

I. A further reduction of the number of branches in Greece to 420 (at the end of 2019) and 390 (at the end of 2020). As at 30 June 2019, the Bank had reduced its branches to 401.

II. A further reduction of the number of employees in Greece to 8,600 (at the end of 2019) and 8,000 (at the end of 2020). As at 30 June 2019, the Bank had reduced the number of employees at domestic level to 8,719[1].

III. A further reduction of total operating costs in Greece to €845 million (at the end of 2019) and €800 million (at the end of 2020). For the six-month period ended 30 June 2019 such costs amounted to €388[1] million.

IV. Divestment of domestic non banking activities: The Bank will divest from certain domestic non banking activities. More specifically under the 2019 Revised Restructuring Plan, the Bank must dispose at least 80% of NIC. See above *" Sale of a majority equity holding in Ethniki Hellenic General Insurance S.A."* for a description of the status of this Commitment. Furthermore, in line with the 2019 Revised Restructuring Plan, in May 2019 the Bank completed the sale of its remaining stake in Pangaea (see above *"Sale of NBG Pangaea REIC"*).

V. Divestment from international operations: The Bank will reduce its international activities, by disposing of certain subsidiaries and branches. More specifically,:

   a) in June and September 2016, respectively, the Bank completed the sale of its shareholdings in Finansbank A.S. and in Private Equity Funds,

   b) in June 2017, the Bank completed the sale of its shareholding in United Bulgarian Bank A.D. (Bulgaria) and its shareholding in Interlease E.A.D. (Bulgaria) to KBC Bank (Belgium),

   c) in December 2017, the Bank completed the sale of its Serbian subsidiaries Vojvodjanska Banka a.d. Novi Sad, NBG Leasing d.o.o. Belgrade and NBG Services d.o.o. Belgrade to OTP Banka Srbija a.d.,

   d) in July 2018, the Bank completed the sale its subsidiary Banka NBG Albania Sh.A.to American Bank of Investments S.A. ("ABI"),

   e) in October 2018, the Bank completed the sale of its subsidiary South African Bank of Athens Ltd ("S.A.B.A.") to AFGRI Holdings Proprietary Limited ("AFGRI"),

   f) on 3 May 2019, NBG announced the signing of a definitive agreement with Bank Audi Egypt for the sale of the banking operations of its branch network in Egypt, comprising mostly of Egyptian-risk loans, deposits and securities (total assets of c. €110 million), a branch network of 17 branches and c. 250 employees. Closing of the Egypt transaction is subject to the approvals of the Central Bank of Egypt and the Central Bank of Lebanon,

   g) on 20 June 2019, the Bank entered into a sale and purchase agreement for the sale of 99.28% of Romaneasca to EximBank. Closing of the transaction is subject to approval from the National Bank of Romania and the Romanian Competition Council, and

   h) the Bank is in the process of divesting from the remaining foreign operations included in the 2019 Revised Restructuring Plan Commitments, namely NBG Cyprus.

Lastly, the 2019 Revised Restructuring Plan provides for prolongation of the 2015 Restructuring Plan's Commitments on corporate governance, commercial operations, acquisitions and advertising.

The implementation of the 2019 Revised Restructuring Plan Commitments set out in the 2019 Revised Restructuring Plan is monitored by the Monitoring Trustee.

[1] Excluding NIC.

Recent developments in the Board of Directors and Executive Team

Change in the Board of Directors composition based on the Annual General Meeting of the Bank on 31 July 2019 and Election of regular and substitute members of the Audit Committee.

Increase of the number of Board members from 11 to 13 and election of four new independent non-executive members in the Board of Directors for the replacement of four members who have resigned

According to Art. 18 of the Bank's Articles of Association, the Bank is managed by a Board of Directors, consisting of seven to 15 members. Additionally, according to Par.2 of the same Article, the exact number of members is each time determined by the Annual General Meeting of Shareholders, which also determines independent non-executive Board members.

Within this context, on 31 July 2019 the Annual General Meeting approved the increase of the total number of Board members from 11 to 13, with the election of the two new Directors as Independent Non-Executive Board members of Professor Gikas Hardouvelis and Mr. Avraam Gounaris, with a term equal to the remaining Board members, i.e. up to the Annual General Meeting of 2021.

Furthermore, four new members in the Board of Directors were elected, Mrs. Aikaterini Beritsi, Mr. Wietze Reehoorn, Mrs. Elena Ana Cernat and Mrs. Christina Theofilidi, in replacement of four members, Mr. Haris Makkas, Mr. Yiannis Zographakis, Mrs. Eva Cederbalk and Mr. Panos Dasmanoglou who resigned on 10 July 2019.

The above Board members fulfill the criteria for non-executive Board members of Par. 7 of Art. 10 of Law 3864/2010, as currently in force, and the independence criteria of Law 3016/2002 and the Bank's Corporate Governance Code, as in force.

On 29 August 2019, at the Board of Directors meeting, the resignation of John P.J. McCormick from his position as independent non-executive member of the Board of Directors was announced.

It is noted that the election of members of the Board of Directors is subject to constant review and approval by the SSM.

Election of regular and substitute members of the Audit Committee.

Pursuant to Law 4449/2017, the Audit Committee members are elected by the Annual General Meeting of Shareholders. According to the Charter of the Audit Committee, its members are appointed by the Annual General Meeting following a proposal by the Corporate Governance & Nominations Committee. Furthermore, in accordance with the provisions of the revised Relationship Framework Agreement ("RFA") between the Bank and the Hellenic Financial Stability Fund ("HFSF"), the members of the Committee shall not exceed 40% (rounded to the nearest whole number) of total Board members (excluding the HFSF Representative on the Board) and cannot be fewer than three. All members of the Committee shall be non-executive members of the Board, while 75% (rounded to the nearest whole number) of the members (excluding the HFSF Representative on the Board) are independent non-executive members of the Board.

In this context, and taking into account: (a) the provisions of Law 3016/2002, as in force, (b) the existing corporate governance framework and the Bank's Articles of Association, and (c) the current legal and regulatory framework, including Law 4449/2017, Regulation (EU) No 537/2014, Law 3864/2010, the RFA with the HFSF and the Audit Committee Charter, the following Board members were elected as regular members of the Audit Committee, with a term of office until the Annual General Meeting of year 2020:

Chairman	Mr. Andrew McIntyre
Vice-Chairman	Mr. Claude Piret
Member	Mrs. Aikaterini Beritsi
Member	Mr. Avraam Gounaris
Member – HFSF Representative	Mr. Periklis Drougkas

Appointment of a new Chief Financial Officer of the Bank and the Group

On 17 July 2019, the Bank announced that Mr. Christos Christodoulou, who so far served as Chief Executive Officer of NBG Cyprus, is appointed as General Manager - Chief Financial Officer ("CFO") of the Bank and the Group.

Financial Results during the first half of 2019

1H.19 Group profit after tax ("PAT") from continuing operations at €253 million (>5 times y-o-y), reflecting the following key Income Statement movements:

- **1H.19 NII up by 6% y-o-y to €598 million**, driven by securities interest income reflecting the swap arrangement with the Greek State; 2Q NII bears the full impact, pushing NII up by +6% q-o-q.
- **Net Fees and Commissions are up by 3% y-o-y**, as retail banking fees expand by 9% on strong card, digital channels and bancassurance fees.
- **Trading & other income benefits from one off gains** relating mainly to the swap arrangement and a disposal**; the underlying trading & other income line is firmly in positive territory.**
- **Operating expenses down by 7% y-o-y** on the back of successful VES completion concerning a total of c1,150 employees, the reduction of the physical network by 83 branches and tighter general, administrative and other operating cost control; **1H.19 Cost : Core Income drops to 57%** vs 64% a year ago.
- **Cost of Risk at 136bps** in 1H.19 relative to 132bps in 1H.18.

At a core level, **1H.19 Core Operating Profit is up 19% y-o-y**, with **2Q.19 Core Operating Profit up 59% q-o-q.**

1H.19 PAT from discontinued operations adds €103 million to the bottom line, aided by the capital gain from the sale of Pangaea.

€ million	1H.19	1H.18	YoY	2Q.19	1Q.19	QoQ
NII	598	566	*+6%*	308	290	*+6%*
Net Fees & Commissions	120	117	*+3%*	61	59	*+3%*
Core Income	**718**	**683**	***+5%***	**369**	**349**	***+6%***
Trading & other income	151[1]	(19)	-	50	101	*-50%*
Income	**869**	**664**	***+31%***	**419**	**450**	***-7%***
Operating Expenses	(408)	(437)	*-7%*	(203)	(205)	*-1%*
Core PPI	**310**	**246**	***+26%***	**166**	**144**	***+15%***
PPI	**461**	**227**	***>100%***	**216**	**245**	***-12%***
Loan Impairments	(204)	(157)[2]	*+30%*	(101)	(103)	*-2%*
Operating Profit	**257**	**70**	***>100%***	**115**	**142**	***-19%***
Core Operating Profit	**106**	**89**	***+19%***	**65**	**41**	***+59%***
Other impairments	4	(11)	-	11	(7)	-
PBT	261	59	*>100%*	126	135	*-7%*
Taxes	(8)	(12)	*-33%*	(4)	(4)	-
PAT (cont. ops)	**253**	**47**	***>100%***	**122**	**131**	***-7%***
PAT (discont. ops)	103	32	*>100%*	82	21	*>100%*
VES & other restructuring costs[3]	(105)	(40)	*>100%*	(4)	(101)	*-96%*
Non-controlling interest	(18)	(20)	*-10%*	(8)	(10)	*-20%*
PAT	**233**	**19**	***>100%***	**192**	**41**	***>100%***

(1) Includes among others €59 million trading gain from the Greek government bond swap arrangement with the Greek state excluding the allowance for expected credit losses and €30 million capital gain from Grand hotel disposal, (2) Includes recoveries of €42 million from NPL sales, (3) Restructuring charges, mainly comprising of VES costs of €94 million in 1Q.19 & €4 million in 2Q.19.

Domestic NPE stock reduction picks up in 2Q.19 (-€1.4 billion q-o-q)

- **NPE reduction accelerates in 2Q**, reflecting the agreed sale of unsecured consumer, SB and SME loans (-€1.0 billion), as well as negative NPE formation, before write offs, of €0.4 billion.
- As Bank **NPEs were reduced by €2.5b y-t-d**, the remaining effort to the FY19 NPE reduction target of €4.3 billion, stands at €1.8 billion; this will be achieved through a sale of a secured corporate portfolio, a shipping portfolio, Cypriot and Romanian loans, restructurings involving debt forgiveness and liquidations.
- High **NPE coverage** levels of 56% facilitate the ongoing shift towards sales & liquidations on a contained loss budget.

Domestic deposits up 6% y-o-y

- **Domestic deposit** recovery continues in 2Q (+5.9% y-o-y), as we edge closer to a full lifting capital controls with c60% of the pre-capital control outflows already recovered; LCR & NSFR ratios are kept at levels well above 100%, exceeding regulatory thresholds.
- 2Q NBG **credit disbursements towards Greek corporates** reach €0.8 billion, up from €0.6 billion in 1Q.19, despite 2Q being a pre-election period.

CET1 ratio at 16.0%[3]

- **2Q.19 CET1 of 16.0%[3] absorbs the switch to Standardized Approach**, on the back of strong 1H.19 PAT and valuation gains on investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI"). Excluding the impact of agreed divestments CET1 stood at 15.5% comfortably above the 2019 and 2020 Supervisory Review and Evaluation process ("SREP") levels. NIC sale will push capital ratios further.
- **Issuance of €400 million in non-dilutive Tier II bond in July at 8.25%**, enhances our capital structure and facilitates credit RWA expansion, pushing Total Capital ratio to 17.0%.

	2Q.19	1Q.19	FY18	2Q.18
Liquidity				
Loans-to-Deposits ratio	70%	71%	70%	74%
LCR	171%	151%	144%	86%
NSFR	113%	113%	108%	n/a
Profitability				
NIM (bps)	276	263	273	275
Cost to core income	55%	58%	65%	67%
Cost of Risk (bps)[1]	135	136	113	106
Risk Adjusted NIM[2]	141	127	160	169
Asset quality				
NPE ratio	36.5%	38.9%	40.9%	42.4%
NPE coverage ratio	56.0%	58.6%	59.1%	60.2%
Capital				
CET1 ratio	16.0%[3]	15.7%	16.1%	16.2%
RWAs (€ billion)	37.4	35.1	35.0	36.1

(1) 2Q/FY.18 CoR excludes one-offs related to the NPL sales; reported CoR at 104bps in H1.18, and 99bps in FY.18, (2) Risk Adjusted NIM=NIM-Cost of Risk, (3) pro forma for 1H.19 Group profit, and the impact of agreed divestments.

Going concern

Liquidity

As at 30 June 2019, the funding from ECB amounted to €2.25 billion (31 December 2018: €2.25 billion). Furthermore, as of 30 June 2019 the Bank had entered into secure interbank transactions with foreign financial institutions of €1.8 billion, while the Bank's Eurosystem liquidity buffer stood at €10.7 billion (cash value), with LCR and NSFR ratios well above 100%.

Capital adequacy

The Group's Common Equity Tier 1 ("CET1") ratio at 30 June 2019 was 14.8% exceeding the Overall Capital Requirement ("OCR") ratio of 13.75% for 2019 (see Note 19).

Going concern conclusion

The Board of Directors concluded that the Bank is a going concern after considering (a) the current level of ECB funding solely from Targeted Longer-term Refinancing Operations ("TLTRO") and the current access to the Eurosystem facilities with significant collateral buffer, with LCR and NSFR ratios well above 100%, (b) the Group's CET1 ratio of 30 June 2019 which exceeded OCR requirements and (c) the recent developments regarding the Greek economy and the latest estimates regarding macroeconomic indicators, as discussed below (see "*Economic activity in Greece remains on an upward trend and country risk dissipates despite increased headwinds from abroad*" and "*Anticipated developments (risk and uncertainties)*").

Trend information

2019 is a pivotal year, as NBG capitalizes on balance sheet strengths and makes significant progress on improving operating profitability and reducing NPEs aggressively. Economic recovery is expected to continue, supported by fiscal policy and monetary conditions. This is a significant enabler for the Bank to achieve profitability and start growing its capital internally, to outweigh the impact on regulatory capital from the phased-in application of IFRS 9.

Operating results trends are expected to improve markedly, driving the 2019 Group operating profit significantly higher y-o-y. Furthermore, the exchange of the interest rate swap with the Hellenic Republic with Greek government bonds (see above) has a positive impact for NBG as the Greek government bonds will earn annual interest income of €113 million, while eliminating the need to hedge the IRS (together with the substantial associated cost). It also simplifies the Bank's asset structure, securing a reduction in funding costs, and further enhancing the LCR.

With LCR and NSFR ratios well above 100%, and a substantial cash buffer, NBG is well placed to facilitate the demand for new corporate disbursements. Finally, the decline in staff costs will accelerate, reflecting the VES launched in May 2019.

Turning to NPEs, they declined by €2.5 billion in the first half of 2019, driven by Project Symbol and Project Mirror negative formation; another €1 billion reduction is expected very soon from a sale process for unsecured consumer loans. Our NPE provision coverage bodes well for the continuation of a series of sales and other closure actions, in rapid succession. Based on the updated NPE strategy with even more aggressive targets that the Bank submitted on 31 March 2019 to the SSM (see above), aims to accelerate further the NPE reduction to c.5% in 2022, without utilizing any additional dilutive capital.

Events after the reporting period

- On 18 July 2019, the Bank completed a public issuance of a Tier II note, totalling €400 million (see above "*Issuance of debt securities*") and on 13 August 2019, NBG proceeded with an additional partial cancellation of €100 million of Series 9 covered bond Program II.
- On 26 August 2019 the Greek Parliament passed a law amendment regarding the complete lifting of capital controls, which will be entered into force as of 1 September 2019.

Developments regarding the Financial and Macroeconomic environment

The global economy posted signs of stabilization in the first half of 2019, albeit risks are tilted to the downside as long as trade tensions persist

Global economic growth revealed signs of stabilization in the first half of 2019, following the substantial deceleration in the second half of 2018 mainly due to weakness in the manufacturing sector on account of the global trade slowdown and, to a lesser extent, idiosyncratic factors such as disruptions in car manufacturing in Germany and natural disasters in Japan. Pillars of support were central banks' pivot, which signalled their willingness to undertake renewed policy easing measures in order to sustain the expansion, leading to more favourable financial conditions in the course of the first half of the year, as well as the normalization of the aforementioned risk factors.

The euro area economy remains in a soft patch, as real Gross Domestic Product ("GDP") is expected to have increased by 1.2% six-month annualized rate in the first half of 2019 from 0.9% in the second half of 2018. Political-related uncertainty (Brexit), weaker-than-expected Chinese economic growth and the continuing upheaval of international trade relationships are exerting downward pressures on external demand, albeit with limited, so far, spill-overs to the domestic front. Indeed, sustained employment gains alongside increasing real wages are supporting domestic demand, which also finds support by the positive pace of commercial banks' credit expansion.

The prospect of easier monetary policy alongside weaker expectations for global growth and inflation, led nominal government bond yields in major advanced economies significantly lower (US Treasury 10-Year Yield: -68 bps to 2.01%, the lowest since November 2016, German 10-Year Bund Yield: -57 bps to -0.33%, an all-time low). Finally, volatility in foreign exchange markets was contained in the first half of 2019 with the exception of the British Pound that recorded strong losses (-6% in nominal effective exchange terms since early May as of mid-July) due to low visibility regarding Brexit (new planned Brexit deadline is the 31 October 2019) and domestic political uncertainty following the resignation of Prime Minister Mrs. May.

Monetary policy remains accommodative, with increasing likelihood of further action in the second half of 2019. The Federal Reserve ("Fed") signalled the termination of its hiking cycle, opening at the same time the door for lower interest rates going forward. According to the Summary of Economic Projections ("SEP", June 2019), close to half of the participants in the Federal Open Market Committee expect a reduction of 50 bps in the Federal Funds rate (current range: 2.25%-2.50%) cumulatively by end-2019. In addition, the normalization of the Fed's balance sheet is expected to end in September 2019 at USD 3.7 trillion (18% of US GDP) versus USD 4.45 trillion in October 2017. On the other side of the Atlantic, the ECB extended its forward guidance for interest rates to remain at their present levels (Main Refinancing: 0.0% | Deposit Facility Rate: -0.4%) in June, at least, through "the first half of 2020", compared with end-2019 previously. Furthermore, the ECB has signalled increased readiness to ease further its monetary policy stance assuming the euro area economic outlook does not improve. Moreover in March 2019, the ECB announced a new series of seven quarterly TLTRO with a maturity of two years, starting in September 2019 and ending in March 2021, albeit with slightly less favourable terms compared with TLTROs II. The Bank of England ("BoE") maintained its benchmark policy rate at 0.75%, communicating its intent to continue the "ongoing tightening of monetary policy" at a gradual pace and to a limited extent, conditioned on an orderly "Brexit" transition. The BoE will continue to preserve some degree of monetary policy accommodation in the short term, through maintaining unchanged the amount of UK government bonds (GBP 435 billion) and sterling non-financial investment grade corporate bonds (GBP 10 billion) it currently holds on its balance sheet. Finally, the Bank of Japan ("BoJ") continues the aggressive expansion of its balance sheet mainly through purchases of Government bonds and equity exchange-traded funds' ("ETFs"). At the same time, the BoJ targets 10 year Japanese government bond yields to remain around zero percent under its "yield curve control" framework, in order to foster growth and achieve its inflation target of 2%.

Economic activity in Greece remains on an upward trend and country risk dissipates despite increased headwinds from abroad

Greece's economy remains on a recovery path in the first months of 2019, with Gross Domestic Product ("GDP") increasing by 1.3% y-o-y in the first quarter of 2019 (0.2% s.a. q-o-q), for an 8th consecutive quarter, albeit decelerating from 1.5% y-o-y in the fourth quarter of 2018 and 1.9% y-o-y in FY:2018. The main driver of economic activity in the first quarter of 2019 was a solid expansion in domestic demand, which contributed more than 3.0 pps in annual GDP growth, on the back of annual increases in gross fixed capital formation ("GFCF") and private consumption (7.9% y-o-y and 0.8% y-o-y, respectively), that outweighed a sizeable 1.8 pp drag from net exports (as imports grew at a rate more than double that of exports). However, despite the positive performance in the first quarter of 2019, investment spending remains less buoyant than would be otherwise expected at this point of the economic cycle, since the improving performance and investments of larger, more competitive, corporates continued to be counteracted by an ongoing divestment from weaker firms (Sources: EL.STAT., Quarterly National Accounts Press Release, 1st Quarter 2019, June 2019 and EL.STAT., Quarterly Gross fixed capital formation by Asset, Chain-linked volumes, reference year 2010, 1st Quarter 2019, June 2019).

A joint improvement in a significant number of coincident and forward looking indicators – especially in consumer confidence – in the seven months of 2019 bodes well for a further acceleration in GDP growth in the second quarter of 2019 and the third quarter of 2019. Consumer spending is expected to strengthen further over the course of the year, reaching 1.3% y-o-y in FY:2019, according to the European Commission estimates (Source: European Commission, Spring 2019 Economic Forecast, May 2019). This trend is expected to be buoyed by healthy employment growth (2.5% y-o-y in the five months of 2019 and an estimated 2.2% y-o-y in FY:2019 according to the European Commission, Sources: EL.STAT., Labor Force Survey, Monthly Data, May 2019 and European Commission, Spring 2019 Economic Forecast, May 2019), a steady decline in the unemployment rate (unemployment declined to a 8-year low of 17.2% in May 2019, Source: EL.STAT., Labor Force Survey, Monthly Data, April 2019) and a mild increase in the average wage of about 1.8% y-o-y in the first quarter of 2019 (Source: EL.STAT., Index of Wages Cost, Press Release, 1st Quarter of 2019, June 2019).

The Greek real estate market showed consistent signs of revival with house prices increasing by 4.0% y-o-y (1.7% q-o-q) in the first quarter of 2019 – the strongest annual pace in 11½ years – from 2.6% y-o-y in the fourth quarter of 2018 and 1.6% y-o-y in FY:2018, responding gradually to improving macroeconomic conditions, with non-resident demand acting as a catalyst for the recovery. Positive annual growth is recorded in all market segments (new and old apartments) and regions, with the Athens area outperforming the market average (5.8% y-o-y in the first quarter of 2019), supported by a pick-up in demand for premium properties and tourism-related demand. In this vein, prices of prime commercial spaces (average of retail and office prices) increased by a solid 5.9%, y-o-y, on average, in the second half of 2018 (5.7% y-o-y, on average, in FY:2018, Source: Bank of Greece, Bulletin of Conjunctural Indicators, May-June 2019).

As regards tourism activity, there are some signs of slowing momentum in the second quarter of 2019 after a very strong start to the year (increase in revenue of 37.7% y-o-y in the first quarter of 2019). In fact, in the five months of 2019 tourism revenue growth slowed down to 14.4% y-o-y (9.3% y-o-y in May), while international tourist arrivals decreased by 0.9% y-o-y (-2.6% y-o-y in May), with tourism revenue and tourist arrivals from Germany – Greece's most important market – declining by 10.3% y-o-y and 14.3% y-o-y, respectively

(Source: Bank of Greece, Press Release, Developments in the balance of travel services, April 2019). Deteriorating economic conditions in the euro area and increased competition from large neighboring markets that faced difficulties in the past (namely Turkey and Egypt) underpin consensus estimates for a stabilization in tourism revenue in FY:2019.

Credit to corporations increased by 2.5% y-o-y in June 2019 – remaining on an upward trend for a seventh consecutive month – mainly to the sectors of transportation and storage, tourism, and real estate (49.4%, 4.9% and 4.8%, y-o-y, respectively). Total credit to the private sector stabilized in June (-0.2% y-o-y), since credit to households continued to contract (-2.6% y-o-y) at a broadly stable pace in the same period. Private sector deposits increased by €1.8 billion in June – the highest monthly increase in the first half of 2019 – with households contributing €1.1 billion and corporations another €0.7 billion (Source: Bank of Greece, Monetary and Banking statistics database). Accordingly, the Greek banking system's liquidity balance has been restored, with banks' dependence on the Eurosystem returning at a pre-crisis level, at €8.7 billion in July 2019, declining by €117.9 billion cumulatively since its peak in June 2015 and with ELA dependence effectively eliminated since March 2019 (from €86.8 billion in June 2015), mainly due to improving market access, further deleveraging and a pick-up in deposits (Source: Bank of Greece, Monthly Balance Sheets, June 2015 and July 2019).

On the fiscal front, the primary surplus in General Government increased to a historical high of 4.3% of GDP in 2018 (from 4.1% in 2017), surpassing for a 3rd consecutive year the Enhanced Surveillance Framework's maximum target for a surplus of 3.5% of GDP (Sources: EL.STAT., Press Release, Fiscal data for the years 2015-2018, 1st Notification, April 2019, Ministry of Finance, Budget 2019, November 2018 and NBG Economic Analysis estimates). In terms of State budget, implementation trends in 7M:2019 suggest that performance is on track, supported by extraordinary revenue (from the extension of the concession rights of Athens International Airport and non-budgeted Agreement on Net Financial Assets ("ANFA") and Securities Markets Programme ("SMP") revenue, Source: Ministry of Finance, State Budget Execution Monthly Bulletin, July 2019, preliminary data).

About 1.4% of GDP of fiscal expansion measures have started to be implemented in 2019, corresponding to the first loosening in fiscal policy since 2009. These measures comprise: a) an increased and recalibrated housing allowance; b) a reduction in social security contributions of the independent professionals, self-employed and farmers by about one third; c) a reduction in VAT rates from 24% to 13% for a part of processed food, non-alcoholic beverages and restaurant and catering services and from 13% to 6% for electricity and natural gas; d) a permanent reinstatement of the "13th pension", which is progressively reduced for higher pensions and e) a reduction in single property tax ("ENFIA") by a weighted average of 22% for all the property-owners in 2019 and by another 10% in 2020 (Sources: Ministry of Finance, Budget 2019, November 2018, Law 4611/2019, FEK No. 73A, 17 May 2019, in Greek and Hellenic Parliament, Order of the Day, in Greek).

The General government debt increased to 181.1% of GDP in 2018 from 176.2% in 2017 (Source: EL.STAT., Press Release, Fiscal data for the years 2015-2018, 1st Notification, April 2019). According to the European Commission's Debt Sustainability Analysis ("DSA") of 5 June 2019 the General government debt is estimated to remain on a declining trend from 2019 onwards, whereas Gross Financing Needs ("GFNs") are set to hover around 10% of GDP until 2032. Thereafter, the GFNs start to increase slowly, but are "projected to remain below 20% of GDP at the end of the forecast horizon" (Source: European Commission, Enhanced Surveillance Report - Greece, June 2019). The above improvements reflect, inter alia, the implementation of several sets of debt-relief measures in 2012-2017, with the latest set that was decided in the Eurogroup of 21 June 2018 quoted as "medium-term-measures".

Against the above described supportive macroeconomic and fiscal environment and a very accommodative stance by the ECB, the Hellenic Republic proceeded to the issuance of a 5-year bond on 29 January 2019, a 10-year benchmark bond issuance on 5 March 2019 and a 7-year bond on 16 July 2019, raising €7.5 billion cumulatively – with the yield of the latter corresponding to the lowest yield the Hellenic Republic has ever achieved for a Euro-denominated benchmark syndication (Sources: Public Debt Management Agency, Announcement on the issuance of 5-year bond, 1 February 2019, Announcement on the issuance of 10-year bond, 5 March 2019 and Announcement on the issuance of 7-year bond, 16 July 2019). In this regard, GBB yields followed a declining trend since early 2019, which accelerated in May-August 2019, bringing the whole Greek government bond yield curve to historical lows –the yield of the 5-year Greek government bond declined to an unprecedented 1.04%, on 24 July 2019 and the yield of the 10-year Greek government bond decreased to an all-time lows of 1.97% on 16 August 2019 (Source: Bloomberg). The above trends reflected declining country risk and extremely supportive monetary and financial environment in the euro area which led euro area government bond yields also to all-time lows and a part of them in negative yielding territory.

The Greek stock market rallied in the seven months of 2019, against a backdrop of improving macroeconomic conditions and declining country risk. The Athens Stock Exchange ("ASE") general index increased by 30.8% y-t-d, posting, however, a decline of 7.5% between mid-July and mid-August 2019 affected by a worsened international environment. The banking sector overperformed the market average increasing by 44.2% y-t-d, despite a 16.8% decline in bank stock valuations between mid-July and mid-August 2019 (Source: Bloomberg).

The steady improvement in the country's macroeconomic conditions, increasing confidence, the strong fiscal performance, the enhanced public debt sustainability and a steep decline in country risk, led major rating agencies to upgrade the Hellenic Republic's sovereign rating. Specifically, Fitch Global Ratings upgraded Greece's sovereign bond rating by three notches in FY:2018, to "BB-" from "B-", bringing the country's long-term sovereign rating three notches away from an investment grade rating, with a stable outlook. S&P Ratings upgraded Greece's sovereign bond rating by one notch in FY:2018, to "B+" from "B", with a positive outlook and Moody's by two notches, to "B1" from "B3" on 1 March 2019, changing, however, the outlook to stable from positive, balancing the relatively low risk of policy or fiscal reversal against the limited upside to Greece's credit profile. On 2 August 2019, Fitch Global Ratings affirmed Greece's long-term sovereign rating at "BB-", with a stable outlook, considering that the positive impact of high fiscal credibility, improving macros and favorable properties of the Greek public debt are "set against weak medium-term growth potential, extremely high level of non-performing loans in the banking sector", along with a high stock of net external debt (Source: S&P Ratings, Fitch Global Ratings and Moody's press releases on Greek Sovereign outlook).

In the political front, it should be mentioned that Greece's parliamentary elections took place on 7 July 2019 – about three months earlier than the constitutional time limit of September 2019. The conservative party New Democracy won the elections, with an absolute majority of 158 members in the 300-member parliament. This is the first single-party government since the eruption of the Greek crisis in 2009.

The Macroeconomic Environment and the Banking Services Sector in North Macedonia and Romania[2]

The economies and banking sectors of North Macedonia and Romania operations performed relatively well in the first half of 2019.

GDP growth operations is estimated to have reached 4.6% year-over-year in the first half of 2019 against 3.9% year-over-year in the same period a year earlier, driven by domestic demand. Indeed, private consumption strengthened further, on the back of a generous incomes policy and improving labour market conditions, and fixed investment gained steam, supported, inter alia, by strengthening corporate lending activity. On the other hand, net exports of goods and services weakened in the first half of 2019, reflecting not only stronger domestic demand, but also a deceleration in economic activity the euro area.

Not surprisingly, the current account deficit is estimated to have widened to a multi-year high, though manageable, of 4.8% of GDP, on a fourth quarter rolling basis, in the second quarter of 2019 from 3.0% in the same period a year earlier, due to buoyant domestic demand and, to a lesser extent, unfavourable global oil prices. On a negative note, the quality of external financing continued to deteriorate, with non-debt generating foreign direct investments covering an estimated 56.0% of the current account deficit, on a fourth quarter rolling basis, in the second quarter of 2019 against 86.0% in the same period a year earlier.

Amid a favourable operating environment, the fundamentals and the performance of the banking sector remained strong, despite unfavourable base effects. Released figures show that banking sector bottom line weakened to an estimated €1,645 million (annualised) in the first quarter of 2019 from €1,756 million (annualised) in the same period a year earlier, still well above the full-year 2017 outcome of €1,268 million. Note that the performance of the banking sector in the first quarter of 2019 was affected by the levy of a tax on banks' financial assets in Romania -- the tax has been significantly watered down since then -- and a negative base effect from a sharp reversal in loan loss provisions following the sale of a large non-performing corporate loan in the first quarter of 2018 in North Macedonia. Adjusted for these one-off-factors, the performance of the banking sector is estimated to have strengthened in the first quarter of 2019. Importantly, the ratio of problematic loans to total gross loans remained subdued (at 5.2% and 4.9% in North Macedonia and Romania, respectively, at end-March 2019 against 5.1% and 6.2% a year earlier), reflecting strong economic activity and, to a large extent, significant write-offs and sales of problematic loans encouraged by Central Banks. Moreover, the capital adequacy ratio remained sound (ranging between 17.0% in North Macedonia and 20.0% in Romania in March 2019). The improved asset quality and solvency bode well for a strong rebound in lending activity in the near future, in view of low penetration rate (total loans-to-GDP ratios ranged between 25.6% in Romania and 48.3% in North Macedonia in June 2019), especially in the retail segment (retail lending-to-GDP ratios ranged between 13.9% in Romania and 24.2% in North Macedonia in June 2019) and ample liquidity (the loan-to-deposit ratio ranged between 79.1% in Romania and 91.8% in North Macedonia in June 2019).

The positive macroeconomic and banking sector performance in North Macedonia and Romania is expected to continue during the rest of the year.

We see economic expansion firming to 4.2% in 2019 from 4.0% in 2018 – above its long-term potential of 3.5%. Specifically, in North Macedonia, GDP growth is expected to rebound to 3.8% this year from 2.7% in 2018, on the back of strengthening confidence in the domestic economy following the finalisation of the name change agreement with Greece in January, which will open the door for the country to start EU accession talks and join NATO. In Romania, after an exceptional start to the year, economic growth is expected to ease gradually, due to weak external demand and a normalization in private consumption growth, bringing full year GDP growth to a solid 4.2% in 2019, broadly unchanged compared with 2018.

There are, however, downside risks to the outlook, stemming mainly from a significant escalation of world trade tensions and a no-deal Brexit, which could lead to weaker-than-currently-expected economic activity in the euro area. In Romania, concerns over fiscal instability ahead of a long pre-election period (presidential and legislative elections are scheduled for end-2019 and mid-2020, respectively) could also cloud the outlook.

Anticipated developments (risks, uncertainties and prospects)

Looking forward in 2019, the growth rate of the global economy is expected to slow down to a subpar +3.3% in full-year 2019 from +3.6% in 2018 (according to International Monetary Fund ("IMF") World Economic Outlook, June 2019). Risks are tilted to the downside, including mainly an escalation of trade tensions between the US and China or/and a broadening of these tensions between the US and the European Union, coinciding with a sharper-than-expected slowdown in China. Consequently, the protracted weakness in manufacturing sector could spill over to services as well, hurting firms' hiring intentions and eventually private consumption. At the same time, less aggressive-than-expected monetary policy support measures could lead to tighter financial conditions and higher risk premia across financial assets.

[2] Source: Published data from the Central Banks and the National Statistical Agencies of the related countries and processed by NBG. The SEE operations weighted averages are based on NBG estimates of nominal EUR GDP in each country.

In addition, noticeable stress in European banks (e.g. non-performing exposures, weak profitability) could reignite the euro area banking/sovereign crisis and prolong the subdued economic momentum, in a period when political challenges prevail. Indeed, as the October 2019 deadline approaches, any political strains in the UK will likely focus investors' attention in 2019, in case of a Brexit without a deal.

At the same time, the particularly loose financial conditions that have prevailed since the global financial crisis in 2008, have contributed to the accumulation of high levels of debt from private non-financial corporations. Alongside deteriorating quality, as sub-investment grade assets enjoy the front seat in the newly issued debt, that development could pose risks to financial stability, especially in a weakening economic environment. On the other hand, upside risks to the outlook mainly include a potential unwinding of policy-related or/and international trade-related uncertainties, which could substantially improve the pace of growth of the global economy.

Regarding Greece, the economic recovery is expected to continue in 2019 and 2020, with official sector projections estimating a GDP growth of 2.3% y-o-y and 2.1% y-o-y, respectively (according to the average estimates of the European Commission and the IMF, Sources: IMF, World Economic Outlook, April 2019 and European Commission, Summer 2019 Forecasts (Interim), July 2019), supported by: i) higher private consumption; ii) a prospective increase in investment; iii) a fiscal boost to domestic demand from the implementation of expansionary measures; iv) continuing inflows of portfolio and foreign direct investments, attracted by still low domestic asset valuations; and v) a potential elimination of capital controls. Upside risks to this scenario are related to a further improvement in business and consumer sentiment in the coming months, compounded by an additional sustainable compression in country risk, a pick-up in economic activity in the euro area, on the back of more supportive monetary conditions and a positive impulse on business confidence, in the event of the legislation of new market-friendly measures by the newly elected Greek government. On the other hand, the main downside risks to the economic recovery, are related, *inter alia*, to the slow and heterogeneous pace of improvement in the financial position of Greece's private sector entities (businesses and households), uncertainties related to the impact of the US trade measures and the potential retaliation on global economic growth, along with euro area specific risks, related to developments in Italy and Brexit in the following months, which could increase financial and economic volatility and adversely affect Greek asset prices, external trade and tourism demand.

ENHANCEMENT OF THE INTERNAL CONTROL SYSTEM AND MANAGEMENT OF RISK

Objectives of the Internal Control System

Aiming to safeguard the reputation and credibility of the Bank and the Group towards its shareholders, customers, investors and the supervisory and other independent authorities, the Bank provides for the continuous enhancement, at Group level, of its Internal Control System ("ICS"). The ICS refers to the set of controls and processes that mitigate risks and cover all activities on an ongoing basis and is designed to ensure that the Bank and the Group operate effectively.

The ICS aims to achieve, among others, the following key objectives:

- Consistent implementation of the Group business strategy through the efficient use of available resources;
- Identification and management of all undertaken risks, including the operational risk;
- Completeness and reliability of data and information that are necessary for the accurate and timely preparation of the Bank and the Group's financial statements and the presentation of reliable financial information regarding the Bank and the Group's financial performance;
- Compliance with the local, European and international legal and regulatory framework that governs the operation of the Bank and the Group, including internal regulations, IT systems and code of ethics;
- Adoption of international Corporate Governance best practices; and
- Prevention and detection of any errors and irregularities that may put at risk the reputation and the interests of the Bank and the Group, their shareholders and customers.

In the context of developing the business strategy and identifying the main business risks, the Board of Directors, with the support of its Committees, adopts appropriate policies aiming to ensure an adequate and effective ICS for the Bank and the Group. Management is responsible for the design and implementation of effective internal controls and adequate and efficient procedures, relevant to the range, risks and nature of the activities undertaken by the Bank and the Group, for identifying and assessing any ICS's deficiencies and for undertaking the necessary corrective actions. Specifically, the Risk Management and ICS related activities are performed on three different levels, in order to create three lines of defense, as follows:

- **First Line of Defense (1LoD):** Includes the Units at the first level which are responsible for identifying, assessing and minimizing the risks they undertake, by establishing and implementing internal rules and controls to their on-going business.
- **Second Line of Defense (2LoD):** Includes the Units that oversee the effectiveness of the risk management activities, through monitoring of the 1LoD Units activities.
- **Third Line of Defense (3LoD):** The Internal Audit function of the Bank and the Group, which reports directly to the Board of Directors through the Audit Committee, acting as an independent reviewer, focusing on the effectiveness of the risk management framework and control environment.

The Board of Directors and Management aims at the continuous enhancement of the ICS in order to reduce losses and operate effectively. In this context, Senior Management has made the following enhancements to the ICS during H1.19 with the aim to further improve the coordination between the three lines of defence by:

- **Establishment of the Internal Control Coordination Committee (ICCC)** in February 2019, with the aim to support the Board, its Committees and Senior Management fostering coordination and cooperation among the various control functions, (i.e 2LoD; Group Operational Risk Management, Internal Control Function, Group Compliance & Regulatory Affairs, Group Corporate Governance & Corporate Social Responsibility, Group Cyber Security & Data Governance, Regulatory Affairs and HFSF Relations as well as 3LoD; Group Internal Audit).

- **Establishment of the Internal Control Function (ICF)** in May 2019 with the purpose of addressing the ExCo and the Board's need for a holistic view on the Bank's internal controls. The ICF is responsible for:

  (a) Establishing an integrated internal control framework, in close cooperation with the other 2LoD functions
  (b) enhancing Bank-wide internal controls
  (c) monitoring remediation actions
  (d) monitoring and reporting on the effectiveness and efficiency of internal controls
  (e) promoting Bank-wide internal control culture.

- **Strengthening the Operational Risk Management Function** by establishing in January 2019, a separate Group Operational Risk Management Division under the CRO, with the purpose to:

  (a) Design, propose, support and periodically validate the Operational Risk Management Governance Framework (ORMGF), ensuring that it is aligned with the best practices, the regulatory requirements and the directions set by the Board of Directors.
  (b) Ensure the development of policies, methods and systems for the identification, measurement and monitoring of operational risks and their periodic assessment and validation.
  (c) Address all operational risk related issues as per the directions and decisions of the Board Risk Committee.
  (d) Continuous monitor and review the Group operational risk profile and report to Senior Management and the Supervisory Authorities.

Risk management

The Group, as an international organisation operating in a rapidly growing and changing environment, acknowledges its exposure to banking risks and the need for these risks to be managed effectively. Risk management and control forms an integral part of the Group's commitment to pursue sound returns to its shareholders.

Credit risk

Credit risk is the risk of financial loss relating to the failure of a borrower to honor its contractual obligations. It arises in lending activities as well as in various other activities where the Group is exposed to the risk of counterparty default, such as trading, capital markets and settlement activities. Credit risk is the largest single risk the Group faces. Credit risk control processes are conducted separately by the Bank and each of its subsidiaries. The credit risk procedures established by the subsidiaries are coordinated by the Group Risk Control & Architecture Division ("GRCAD") that reports to the Group Chief Risk Officer ("CRO").

The Group's credit granting processes include:

- Credit-granting criteria based on the particular target market, the borrower or counterparty, as well as the purpose and structure of the credit and its source of repayment.
- Credit limits that aggregate in comparable and meaningful manner different types of exposures, at various levels.
- Clearly established procedures for approving new credits as well as the amendment, renewal and re-financing of existing credits.

The Group maintains on-going credit administration, measurement and monitoring processes, including in particular:

- Documented credit risk policies.
- Internal risk rating systems.
- Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities.

The Group's internal controls that are implemented for the credit risk related processes include:

- Proper management of the credit-granting functions.
- Periodical and timely remedial actions on deteriorating credits.
- Independent, on-going assessment of the credit risk management processes by Internal Audit, covering in particular the credit risk systems/models employed by the Group.

Active credit risk management is achieved through:

- The application of appropriate limits for exposures to a particular obligor, a group of associated obligors, obligors that belong in the same economic sector, etc.
- The use of credit risk mitigation techniques (such as collaterals and guarantees).
- The estimation of risk adjusted pricing for most products and services.
- A formalized validation process, encompassing all risk rating models, conducted by the Bank's independent Model Validation Unit.

In 2018, the Bank applied to the SSM for permission to revert to the use of the Standardized Approach for the calculation of capital requirements for credit risk for its credit portfolio. In May 2019, the Governing Council of the ECB gave its permission to the Bank to use the Standardized Approach. The transition from the Internal Ratings Based approach to the Standardized Approach is expected to remove Risk Weighted Assets unpredictability stemming from internal models, give the Bank room to implement its ambitious NPE reduction strategy, and help prioritise its resources and investments towards addressing the most critical challenges (Transformation, NPEs). The internal rating systems' infrastructure and level of sophistication are maintained, supporting the management of credit risk.

Market risk

Market risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates, equity and commodity prices and exchange rates, and their levels of volatility. The Group engages in moderate trading activities in order to enhance profitability and service its clientele. These trading activities create market risk, which the Group seeks to identify, estimate, monitor and manage effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of the Group's transactions. The most significant types of market risk for the Group are interest rate, equity and foreign exchange risk.

Interest rate risk is the risk related to the potential loss on the Group's portfolio due to adverse movements in interest rates.

A principal source of interest rate risk exposure arises from the interest rate, over-the-counter ("OTC") and exchange traded derivative transactions, as well as from the trading and the held to collect and sell ("HTCS") bond portfolios.

The most significant contributor to market risk in the Group is the Bank. More specifically, the Bank is active in the interest rate and cross currency swap market and engages in vanilla and more sophisticated transactions for hedging and proprietary purposes and it maintains positions in bond and interest rate futures, mainly as a means of hedging and to a lesser extent for speculative purposes. Additionally, the Bank retains a portfolio of, Greek T-Bills and government bonds and other EU sovereign debt, EFSF bonds, as well as moderate positions in Greek and international corporate bonds.

Equity risk is the risk related to the potential loss due to adverse movements in the prices of stocks and equity indices. The Group holds a limited portfolio of stocks, the majority of which are traded on the Athens Exchange (the "ATHEX") and retains positions in stock and equity index derivatives traded on the ATHEX, as well as, on international exchanges. The cash portfolio comprises of trading (i.e. short-term) and held to collect and sell (i.e. long-term) positions. The portfolio of equity derivatives is used for proprietary trading, as well as for the hedging of equity risk arising from the Group's cash positions and equity-linked products offered to its clientele. In the same context and to a lesser extent, the Group enters into OTC equity derivative transactions for trading and hedging purposes.

Foreign exchange risk is the risk related to the potential loss due to adverse movements in foreign exchange rates. The Open Currency Position ("OCP") of the Bank primarily arises from foreign exchange spot and forward transactions. The OCP is distinguished between Trading and Structural. The Structural OCP contains all of the Bank's assets and liabilities in foreign currency (for example loans, deposits, etc.), along with the foreign exchange transactions performed by the Treasury Division. Apart from the Bank, the foreign exchange risk undertaken by the rest of the Group's subsidiaries is insignificant.

Value at Risk ("VaR"). The Bank, in order to ensure the efficient management of market risk, calculates the VaR of its Trading and HTCS portfolios on a daily basis, along with the VaR per risk type. This has been implemented through RiskWatch by Algorithmics (currently IBM). In particular, the Bank has adopted the variance-covariance ("VCV") methodology, with a 99% confidence interval and a 1-day holding period. The most significant types of market risk to which the Bank is exposed are interest rate, equity and foreign exchange risk.

Additionally, the Bank calculates the stressed VaR ("sVaR") of the trading portfolio, which is defined as the VaR, where model inputs are calibrated to historical data from a continuous 1-year period of significant financial stress, relevant to the Bank's portfolio. Similarly to VaR, NBG calculates sVaR on a daily basis, using a 1-day holding period and 99% confidence level. Finally, the Bank calculates the VaR of the portfolios by applying the Historical Simulation approach, for comparative purposes.

The Bank has established a framework of VaR limits in order to control and manage more efficiently the risks to which it is exposed. These limits are based on the Bank's Risk Appetite, as outlined in the Risk Appetite Framework ("RAF"), the anticipated profitability of the Treasury, as well as on the level of the Bank's own funds (capital budgeting), in the context of the Group strategy. The VaR limits refer not only to specific types of market risk, such as interest rate, foreign exchange and equity, but also to the overall market risk of the Bank's trading and HTCS portfolios, taking into account the respective diversification between portfolios. Moreover, the same set of limits are used to monitor and manage risk levels on the regulatory trading book, on an overall basis and per risk type, since this is the aggregation level relevant for the calculation of the own funds requirements for Market Risk, under the Internal Model Approach (IMA).

In order to verify the predictive power of the VaR model, which is used for the estimation of market risk, the Bank conducts back-testing on a daily basis. In accordance with the guidelines set out in the Capital Requirements Regulation 575/2013, the calculations only refer to the Bank's trading portfolio and involve the comparison of the hypothetical and actual daily gains/losses of the portfolio with the respective estimates of the VaR model. Any excess of the hypothetical / actual losses over the VaR estimate is reported to the authorities within five business days.

The daily VaR estimations refer to "normal" market conditions. However, supplementary analysis is necessary for capturing the potential loss that might arise under extreme and unusual circumstances in the financial markets. Thus, the Bank conducts stress testing on a weekly basis, on both the Trading and HTCS portfolios, based on specific scenarios, depending on the risk factor category (interest rates, stock index prices, exchange rates).

Interest rate risk in the banking book

The Group systematically measures and manages the interest rate risk arising from its banking book items through:

- The analysis of re-pricing and liquidity gaps arising from its balance sheet structure.
- The measurement of economic value of equity and net interest income sensitivity under normal and exceptional changes in interest rates.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the institution's inability to meet its liabilities when they come due without incurring unacceptable losses.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high outflows (withdrawal/call risk). Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner and on reasonable terms.

The Bank's executive and senior management has the responsibility to implement the liquidity risk strategy approved by the Board Risk Committee ("BRC") and to develop the policies, methodologies and procedures for identifying, measuring, monitoring and controlling liquidity risk, consistent with the nature and complexity of the relevant activities. The Bank's executive and senior management is informed about current liquidity risk exposures, on a daily basis, ensuring that the Group's liquidity risk profile stays within the approved levels.

In addition, top management receives, on a daily basis, a liquidity report which presents a detailed analysis of the Group's funding sources, counterbalancing capacity, cost of funding and other liquidity metrics related to the Risk Appetite Framework ("RAF"), Recovery Plan ("RP") and Contingency Funding Plan ("CFP"). Moreover, the Asset Liability Committee ("ALCO") monitors the gap in maturities between assets and liabilities, as well as the Bank's funding requirements based on various assumptions, including conditions that might have an adverse impact on the Bank's ability to liquidate investments and trading positions and its ability to access the capital markets. On a long term perspective, the Loans-to-Deposits ratio is monitored. This ratio stood at 68.7% and 69.7% as of 30 June 2019, on a domestic (Greece) and on a Group level, respectively.

Since liquidity risk management seeks to ensure that the respective risk of the Group is measured properly and is maintained within acceptable levels then, even under adverse conditions, the Group must have access to funds necessary to cover customer needs, maturing liabilities and other capital needs, while simultaneously maintaining the appropriate counterbalancing capacity to ensure the above. In addition to the Bank's liquidity buffer, the rest of the Group's subsidiaries maintain an adequate liquidity buffer, well above 10% of their total deposits, which ensures their funding self-sufficiency in case of a local crisis.

The Bank's principal sources of liquidity are its deposit base, Eurosystem funding currently via the TLTRO with ECB and repurchase agreements (repos) with major foreign Financial Institutions ("FIs"). ECB funding and repos with FIs are collateralized mainly by high quality liquid assets, such as, EU sovereign bonds, Greek government bonds and T-Bills, as well as by other assets, such as highly rated corporate loans and covered bonds issued by the Bank.

Following a milestone year for the Bank's liquidity, where NBG was the first Greek systemic Bank to fully restore both Basel III liquidity metrics (LCR and NSFR) within the regulatory limits, NBG's liquidity profile was further enhanced during the first half of 2019, marking its leading position in the liquidity front and ensuring its ability to fund the recovering Greek economy and contributing to a healthy balance sheet.

More specifically, on 30 June 2019, the Bank's customer deposit balance stood at €41.9 billion, a slight decrease of €0.3 billion compared to the respective figure as of 31 December 2018. Notably, this is a technical decrease affected by NBG's decision not to renew the PDMA deposits that stood at €0.5 billion as of 30 June 2019, decreased by €1.3 billion, during this period. Ignoring the effect of PDMA deposits, NBG's customer deposit base increased by €1 billion, due to a commensurate increase of retail deposits that are considered the most stable type of customer deposits. Moreover, during the same period, the Bank's total exposure to Eurosystem funding, through the TLTRO, remained unchanged to €2.25 billion, the lowest level since the beginning of the crisis.

Additionally, the international net secured financing markets continued to be open for NBG, which the Bank tapped for €1.9 billion, a significant decrease when compared to the respective level as of 2018 year-end. This decrease reflects the decision of NBG to reduce its exposure to this source of funding, in order to decrease the cost of funding and to further increase the stock of unencumbered liquid assets. As a result, the Bank's funding cost decreased by 4bps and stood at 42bps as of 30 June 2019. Finally, the divestment of NBG Pangaea further contributed to NBG's liquidity position by €0.4 billion.

Moreover, both the LCR and the NSFR were significantly improved during the first half of 2019, further broadening their distance from their respective minimum regulatory thresholds. Following its restoration in July 2018, the Bank's LCR further increased thereafter, reaching the highest level of 164% in June 2019. Moreover, NSFR exceeded the minimum regulatory threshold of 100% for the first time in September 2018 and further increased in the first half of 2019, mainly driven by the exchange of the 30 Year IRS with the Hellenic Republic, in February 2019. The Bank's NSFR stood at 110% on 30 June 2019.

Finally, the Bank's liquidity buffer stood at €10.7 billion on 30 June 2019, of which €2.3 billion was collateral eligible for funding with the ECB, €5.9 billion pertained to the unencumbered Greek Government bonds, T-Bills and other tradable collateral that could be used for secured funding with FIs, and the remaining €1.4 billion was either in the form of Cash, or deposited with the Bank of Greece, as well as in the form of short term unsecured interbank placements and deposited in Nostro accounts, further showing NBG's strong liquidity position.

Counterparty Credit Risk

Counterparty credit risk for the Group stems from Over the Counter ("OTC") derivative and other interbank secured and unsecured funding transactions, as well as commercial transactions, and is due to the potential failure of a counterparty to meet its contractual obligations.

For the efficient management of counterparty credit risk, the Bank has established a framework of counterparty limits. The Group Financial and Liquidity Risk Management ("GFLRMD") is responsible for setting these limits and monitoring the respective exposures.

Counterparty limits are based on the credit rating of the financial institutions as well as the product type. The credit ratings are provided by internationally recognized rating agencies, in particular by Moody's and Standard & Poor's. According to the Bank's policy, if the agencies diverge on the creditworthiness of a financial institution, the lowest credit rating is considered.

Counterparty limits apply to all financial instruments in which the Treasury is active in the interbank market. NBG is also active in international trade finance, therefore a limit framework is in place for the efficient management of counterparty credit risk arising from funded commercial transactions. The limits framework is revised according to the business needs of the Bank and the prevailing conditions in international and domestic financial markets. A similar limit structure for the management of counterparty credit risk applies across all of the Group's subsidiaries.

The estimation of the exposure to each counterparty depends on the type of the financial product. In the case of money market placements and commercial transactions, exposure is equal to the face amount of the transaction. In OTC transactions, exposure is calculated based on Credit Equivalent Factors, according to the type of the transaction, its maturity, netting and collateralization.

The Group seeks to reduce counterparty credit risk by standardizing its transactions with counterparties through International Swaps and Derivatives Association ("ISDA") and Global Master Repurchase Agreement ("GMRA") contracts, which encompass all necessary netting and margining clauses. Additionally, for almost all active counterparties, Credit Support Annexes ("CSAs") have been signed, so that net current exposures are managed through margin accounts on a daily basis, by exchanging cash or debt securities as collateral, thus minimizing counterparty credit risk.

The Group avoids taking positions on derivative contracts where the values of the underlying assets are highly correlated with the credit quality of the counterparty (wrong way risk).

Operational risk

Operational risk is defined as the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events.

The Group, acknowledging the importance of operational risk, has established and maintains a firm wide and effective framework for its management since 2006. Starting in 2009, the operational risk management on a Group level was supported by Algorithmics (currently IBM) OpVar system, whereas in 2018 NBG migrated to a new more advanced software (OpenPages, also developed by IBM). This specific software supports the overall operational risk management framework, which consists of the Loss Event Data Collection, the Risk and Controls Self-Assessment annual process, the definition and monitoring of Key Risk Indicators, the Structured Scenario Analysis process and the determination and monitoring of Action Items.

During 2018 the Operational Risk Committee convened two times, where amongst other issues:

- Stress Test results for Operational Risk were presented to the members of the Committee.
- A back testing performed for Legal Risk was also presented to the members of the Committee.
- The revised process for the calculation of Operational Risk capital charges was also presented to the members of the Committee, whereas the revised Operational Risk Policy and Methodologies document was approved.
- The new Key Risk Indicators Framework was also presented and approved.

In addition, the development of synergies with other Bank Units (CISO, Legal) has been strengthened, whereas the Operational Risk loss events internal database was enhanced by appropriately flagging the new emerging subcategories of Conduct, Model and ICT Risk.

Finally, during 2018, the activities performed by Operational Risk were included in the Business Continuity Plan of the Bank.

The Bank has adopted the Standardized Approach for the calculation of operational risk regulatory capital requirements, both on a separate and consolidated basis, as of the adoption of the Standardized Approach.

Risk related to the recognition of the main part of deferred tax assets as regulatory capital or as an asset

The Group currently includes deferred tax assets ("DTAs") in calculating the Group's capital and capital adequacy ratios. As at 30 June 2019, the Group's DTAs, excluding the amount of the DTA that was classified as non-current assets held for sale, amounted to €4.9 billion (31 December 2018: €4.9 billion).

The Bank reviews the carrying amount of its DTAs at each reporting date, and such review may lead to a reduction in the value of the DTAs on the Bank's statement of financial position, and therefore reduce the value of the DTAs as included in the Group's regulatory capital.

EU Regulation 575/2013 provides that DTAs recognized for IFRS purposes that rely on future profitability and arise from temporary differences of a credit institution and exceed certain thresholds must be deducted from its CET1 capital. This deduction is implemented gradually until 2019.

The deduction would have a significant impact on Greek credit institutions, including the Bank. However, as a measure to mitigate the effects of the deduction, article 27A of Law 4172/2013, ("DTC Law"), as currently in force, allows credit institutions, under certain conditions, and from 2017 onwards to convert DTAs arising from (a) private sector initiative ("PSI") losses, (b) accumulated provisions for credit losses recognized as at 30 June 2015, (c) losses from final write off or the disposal of loans and (d) accounting write offs, which will ultimately lead to final write offs and losses from disposals, to a receivable ("Tax Credit") from the Greek State. Items (c) and (d) above were added with Law 4465/2017 enacted on 29 March 2017. The same Law 4465/2017 provided that Tax Credit cannot exceed the tax corresponding to accumulated provisions recorded up to 30 June 2015 less (a) any definitive and cleared Tax Credit, which arose in the case of accounting loss for a year according to the provisions of par.2 of article 27A, which relate to the above accumulated provisions, (b) the amount of tax corresponding to any subsequent specific tax provisions, which relate to the above accumulated provisions and (c) the amount of the tax corresponding to the annual amortization of the debit difference that corresponds to the above provisions and other losses in general arising due to credit risk.

Furthermore, Law 4465/2017 amended article 27 "Carry forward losses" by introducing an amortization period of 20 years for losses due to loan write offs as part of a settlement or restructuring and losses that crystallize as a result of a disposal of loans.

As at 30 June 2019, Group's eligible DTAs amounted to €4.5 billion (31 December 2018: €4.6 billion). The main condition for the conversion of DTAs to a Tax Credit is the existence of an accounting loss on a solo basis of a respective year, starting from accounting year 2016 and onwards. The Tax Credits will be calculated as a ratio of IFRS accounting losses to net equity (excluding the year's losses) on a solo basis and such ratio will be applied to the remaining Eligible DTAs in a given year to calculate the Tax Credit that will be converted in that year, in respect of the prior tax year. The Tax Credit may be offset against income taxes payable. The non-offset part of the Tax Credit is immediately recognized as a receivable from the Greek State. The Bank is obliged to issue conversion rights to the Greek State for an amount of 100% of the Tax Credit in favour of the Greek State and will create a specific reserve for an equal amount. Common shareholders have pre-emption rights on these conversion rights. The reserve will be capitalized with the issuance of common shares in favour of the Greek State. This legislation allows credit institutions to treat such DTAs as not "relying on future profitability" according to CRD IV, and as a result such DTAs are not deducted from CET1, hence improving a credit institution's capital position.

On 7 November 2014, the Bank convened an extraordinary General Shareholders Meeting which resolved to include the Bank in the DTC Law. An exit by the Bank from the provisions of the DTC Law requires regulatory approval and a General Shareholders meeting resolution.

If the regulations governing the use of DTCs as part of the Group's regulatory capital change, this may affect the Group's capital base and consequently its capital ratios. As at 30 June 2019, 80% of the Group's CET1 capital was comprised of DTC. Additionally, there can be no assurance that any final interpretation of the amendments described above will not change or that the European Commission will not rule the treatment of the DTCs under Greek law illegal and as a result Greek credit institutions will ultimately not be allowed to maintain certain DTCs as regulatory capital. If any of these risks materialize, this could have a material adverse effect on the Group's ability to maintain sufficient regulatory capital, which may in turn require the Group to issue additional instruments qualifying as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the Group's operating results and financial condition and prospects.

Related party transactions

Based on the existing regulatory framework, the Group must disclose any transaction between the Bank and all its related parties as defined in IAS 24 "Related Parties", which took place during the six-month period ended 30 June 2019. Management's total compensation, receivables and payables must be also disclosed separately. For further details, see Note 18. The following table presents the transactions between the Bank and its subsidiaries, while there are no significant transactions with its associates.

Subsidiaries

(€ million)	Assets	Liabilities	Income	Expenses	Off Balance Sheet (net)
National Securities S.A.	-	44	1	-	23
NBG Asset Management Mutual Funds S.A.	1	21	1	-	-
Ethniki Leasing S.A.	574	10	6	-	433
NBG Property Services S.A.	-	1	-	-	-
Pronomiouhos S.A. Genikon Apothikon Hellados	1	21	-	1	-
NBG Greek Fund Ltd	-	8	-	-	-
National Bank of Greece (Cyprus) Ltd*	5	171	-	1	2
NBG Management Services Ltd	2	-	-	-	-
Stopanska Banka A.D.-Skopje	4	-	1	-	-
NBG International Ltd	-	18	-	-	-
NBG Finance Plc	-	55	-	-	-
NBG Asset Management Luxembourg S.A.	-	-	-	-	-
Innovative Ventures S.A. (I-Ven)	-	-	-	-	-
Banca Romaneasca S.A.*	231	79	1	1	562
Ethniki Hellenic General Insurance S.A.(Group)*	50	352	10	4	3
KADMOS S.A.	-	-	-	-	-
DIONYSOS S.A.	-	-	-	-	-
EKTENEPOL Construction Company S.A.	-	-	-	-	-
Mortgage, Touristic PROTYPOS S.A.	-	-	-	-	-
Hellenic Touristic Constructions S.A.	-	-	-	-	-
Ethniki Ktimatikis Ekmetalefsis S.A.	-	-	-	-	-
NBG International Holdings B.V.	-	1	-	-	-
NBG Leasing IFN S.A.	5	-	-	-	-
NBG Finance (Dollar) Plc	-	279	-	-	-
NBG Finance (Sterling) Plc	-	114	-	-	-
NBG Bank Malta Ltd	47	111	1	1	46
Ethniki Factors S.A.	378	14	5	-	400
NBG Pangaea REIC**	-	-	-	27	-
ARC Management One SRL (Special Purpose Entity)	-	-	-	-	-
ARC Management Two EAD (Special Purpose Entity)	-	-	-	-	-
Probank M.F.M.C.	-	2	-	-	-
I-BANK DIRECT S.A.	-	1	-	-	-
Probank Leasing S.A.	49	7	-	-	-
Probank Insurance Brokers S.A.	-	1	-	-	-
Bankteco EOOD	-	-	-	-	-
CAC Coral Limited	99	-	1	-	28
Total	**1,446**	**1,310**	**27**	**35**	**1,497**

* *Held for sale subsidiaries.*
***Disposed on 23 May 2019.*

Athens, 29 August 2019

THE CHAIRMAN OF THE BOARD OF DIRECTORS — THE CHIEF EXECUTIVE OFFICER

COSTAS P. MICHAELIDES — PAVLOS K. MYLONAS

Appendix for alternative performance measures

The definitions of NBG's Group selected figures (ratios/measures) are presented in the table below:

Balance Sheet	Refers to the Statement of Financial Position
Common Equity Tier 1 ("CET1") ratio	CET1 capital as defined by Regulation No 575/2013, with the application of the regulatory transitional arrangements for IFRS 9 impact over RWAs.
CET1 ratio fully loaded	CET1 capital as defined by Regulation No 575/2013, without the application of the regulatory transitional arrangements for IFRS 9 impact over RWAs.
Core Income	Net Interest Income ("NII") + Net fee and commission income.
Core Operating Profit	Core income less operating expenses and loan impairments
Core Pre-Provision Income ("core PPI")	Core Income less operating expenses.
Cost of Risk ("CoR")	Loan impairments of the period annualized over average loans and advances to customers
Cost-to-Core Income ratio	Operating expenses over core income.
Cost-to- Income ratio	Operating expenses over total income.
Deposits	Refers to due to customers.
Funding cost	The weighted average cost of deposits, ECB refinancing, repo transactions, covered bonds and securitization transactions.
Interest earning assets	Interest earning assets include all assets with interest earning potentials and includes cash and balances with central banks, due from banks, financial assets at fair value through profit or loss (excluding Equity securities and mutual funds units), loans and advances to customers and investment securities (excluding equity securities and mutual funds units).
Liquidity Coverage Ratio ("LCR")	The LCR refers to the liquidity buffer of High Quality Liquid Assets ("HQLAs") that a Financial Institution holds, in order to withstand net liquidity outflows over a 30 calendar-day stressed period as per Regulation (EU) 2015/61.
Loan Impairments	Impairment charge for Expected Credit Loss ("ECL")
Loans-to-Deposits Ratio	Loans and advances to customers over due to customers, at period end.
Net Interest Margin	Net interest income over average interest earning assets. Net Interest Margin equals net interest income divided by the average of interest earning assets (the average of interest earning assets at the end of the current year and the end of the previous year and all quarter ends in between (5 periods) for the year end).
Net Stable Funding Ratio ("NSFR")	The NSFR refers to the portion of liabilities and capital expected to be sustainable over the time horizon considered by the NSFR over the amount of stable funding that must be allocated to the various assets, based on their liquidity characteristics and residual maturities.
Non-Performing Exposures ("NPE")	Non-performing exposures are defined according to EBA ITS technical standards on Forbearance and Non-Performing Exposures as exposures that satisfy either or both of the following criteria: a) Material exposures which are more than 90 days past due. b) The debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past due amount or of the number of days past due.
NPE Coverage Ratio	ECL allowance for impairment for loans and advances to customers divided by NPE, excluding loans and advances to customers mandatorily classified as FVTPL, at period end.
NPE formation	Net increase / (decrease) of NPEs, before write-offs.
NPE Organic Formation	NPE balance change, excluding sales and write-offs
NPE ratio	NPEs divided by loans and advances to customers before ECL allowance for impairment at the end of the period.

Non-Performing Loans ("NPLs")	Loans and advances to customers at amortised cost that are in arrears for 90 days or more.
Operating Expenses	Personnel expenses + General, administrative and other operating expenses ("G&As") + Depreciation and amortisation on investment property, property & equipment and software and other intangible assets, excluding restructuring and VES cost. For 2018, operating expenses exclude the VES cost of €66 million and restructuring cost of €12 million. For H1.19, operating expenses exclude the VES cost of €94 million and restructuring cost of €11 million.
Operating Profit / (Loss)	Total income less operating expenses and loan impairments.
Profit after Tax ("PAT")	Refers to the profit for the period from continuing operations
Profit / Loss) for the Period ("PAT") from Continuing Operations	Profit for the period from continuing operations, excluding restructuring and VES cost. For 2018, operating expenses exclude the VES cost of €66 million and restructuring cost of €12 million. For H1.19, operating expenses exclude the VES cost of €94 million and restructuring cost of €11 million.
Pre-Provision Income ("PPI")	Total income less operating expenses, before loan impairments.
Risk Weighted Assets ("RWAs")	Assets and off-balance-sheet exposures, weighted according to risk factors based on Regulation (EU) No 575/2013.
Risk Adjusted NIM	NIM minus CoR
Staff Costs	Refer to personnel expenses
Total Capital Ratio	Total capital as defined by Regulation No 575/2013, with the application of the regulatory transitional arrangements for IFRS 9 impact over RWAs.
Trading and Other Income / Non-Core Income	Net trading income / (loss) and results from investment securities ("trading income/(loss)")+ Net other income / (expense) ("other income / (expense)")

The Board of Directors' report contains financial information and measures as derived from the Group's and the Bank's financial statements for the period ended 30 June 2019 and for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the EU. Additionally, it contains financial data which is compiled as a normal part of our financial reporting and management information systems. For instance, financial items are categorized as foreign or domestic on the basis of the jurisdiction of organization of the individual Group entity whose separate financial statements record such items.

Moreover, it contains references to certain measures which are not defined under IFRS, including "pre-provision income" ("PPI"), "net interest margin" and others, as defined above. These measures are non-IFRS financial measures. A non-IFRS financial measure is a measure that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. The Group believes that the non-IFRS financial measures it presents allow a more meaningful analysis of the Group's financial condition and results of operations. However, the non-IFRS financial measures presented are not a substitute for IFRS measures.

Report on Review of Interim Financial Statements

To the Board of Directors of National Bank of Greece S.A.

Introduction

We have reviewed the accompanying condensed company and consolidated statement of financial position of the Bank and the Group of National Bank of Greece S.A., as of 30 June 2019 and the related condensed company and consolidated statements of income, comprehensive income, changes in equity and cash flow statements for the six-month period then ended, and the selected explanatory notes that comprise the interim condensed financial statements and which form an integral part of the six-month financial report as required by L.3556/2007.

Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with International Financial Reporting Standards as they have been adopted by the European Union and applied to interim financial reporting (International Accounting Standard "IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as they have been transposed into Greek Law and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

Without qualifying our conclusion, we draw your attention to the disclosures made in note 15 to the condensed interim financial statements, which refer to: (a) Law 4618/2019 effectively transferring the employees and pensioners that were covered by the Bank's auxiliary pension plan (LEPETE) to the State's auxiliary pension fund (ETEAEP), (b) the Bank's petition to the Council of State for the annulment of the relevant administrative decisions, and (c) the risk that the Bank may need to record significant provisions in future periods depending on the decision by the Council of State.

Report on other legal and regulatory requirements

Our review has not revealed any material inconsistency or misstatement in the statements of the members of the Board of Directors and the information of the six-month Board of Directors Report, as defined in articles 5 and 5a of Law 3556/2007, in relation to the accompanying condensed interim financial statements.

Athens, 30 August 2019

The Certified Auditor

PricewaterhouseCoopers S.A.
Certified Auditors
268 Kifissias Avenue
152 32 Halandri
Soel Reg. No 113

Marios Psaltis
Soel Reg. No 38081

Group and Bank

Condensed Interim Financial Statements

as at and for the period ended 30 June 2019

Statement of Financial Position
as at 30 June 2019

€ million	Note	Group 30.06.2019	Group 31.12.2018	Bank 30.06.2019	Bank 31.12.2018
ASSETS					
Cash and balances with central banks		1,839	5,138	1,588	4,904
Due from banks		3,054	2,587	2,988	2,507
Financial assets at fair value through profit or loss	8	473	4,519	451	4,508
Derivative financial instruments		5,003	3,791	5,003	3,791
Loans and advances to customers	9	29,938	30,134	28,794	29,103
Investment securities		9,681	4,440	9,417	4,239
Investment property		128	1,016	6	6
Investments in subsidiaries		-	-	1,209	1,467
Equity method investments		8	8	6	7
Goodwill, software and other intangible assets		160	150	157	147
Property and equipment	10	1,774	1,046	1,321	262
Deferred tax assets		4,909	4,909	4,906	4,906
Current income tax advance		376	359	366	351
Other assets		1,891	1,777	1,792	1,637
Non-current assets held for sale	11	5,897	5,221	1,656	1,452
Total assets		**65,131**	**65,095**	**59,660**	**59,287**
LIABILITIES					
Due to banks	12	5,642	7,667	6,071	8,143
Derivative financial instruments		2,965	2,131	2,964	2,131
Due to customers	13	42,943	43,027	41,982	42,249
Debt securities in issue	14	954	1,146	955	848
Other borrowed funds	14	5	268	-	-
Deferred tax liabilities		11	14	-	-
Retirement benefit obligations		237	239	235	237
Current income tax liabilities		6	9	-	-
Other liabilities		2,468	864	2,272	930
Liabilities associated with non-current assets held for sale	11	4,331	4,092	122	111
Total liabilities		**59,562**	**59,457**	**54,601**	**54,649**
SHAREHOLDERS' EQUITY					
Share capital	16	2,744	2,744	2,744	2,744
Share premium account	16	13,866	13,866	13,863	13,863
Less: treasury shares	16	(1)	-	-	-
Reserves and retained earnings		(11,159)	(11,570)	(11,548)	(11,969)
Amounts recognised directly in equity relating to non-current assets held for sale		100	(78)	-	-
Equity attributable to NBG shareholders		**5,550**	**4,962**	**5,059**	**4,638**
Non-controlling interests		19	676	-	-
Total equity		**5,569**	**5,638**	**5,059**	**4,638**
Total equity and liabilities		**65,131**	**65,095**	**59,660**	**59,287**

Athens, 29 August 2019

THE CHAIRMAN OF THE BOARD OF DIRECTORS	THE CHIEF EXECUTIVE OFFICER	THE CHIEF FINANCIAL OFFICER
COSTAS P. MICHAELIDES	PAVLOS K. MYLONAS	CHRISTOS D. CHRISTODOULOU

The notes on pages 38 to 67 form an integral part of these interim financial statements

Income Statement
for the period ended 30 June 2019

€ million	Note	Group 6-month period ended 30.06.2019	Group 6-month period ended 30.06.2018	Bank 6-month period ended 30.06.2019	Bank 6-month period ended 30.06.2018
Continuing Operations					
Interest and similar income		714	674	666	628
Interest expense and similar charges		(116)	(108)	(130)	(104)
Net interest income		**598**	**566**	**536**	**524**
Fee and commission income		164	158	145	139
Fee and commission expense		(44)	(41)	(39)	(38)
Net fee and commission income		**120**	**117**	**106**	**101**
Net trading income / (loss) and results from investment securities		148	27	148	24
Net other income / (expense)		3	(46)	-	(1)
Total income		**869**	**664**	**790**	**648**
Personnel expenses		(262)	(280)	(247)	(266)
General, administrative and other operating expenses		(97)	(121)	(82)	(140)
Depreciation and amortisation on investment property, property & equipment and software & other intangible assets		(49)	(36)	(66)	(33)
Credit provisions and other impairment charges	4	(200)	(168)	(204)	(157)
Restructuring costs	5	(105)	(40)	(105)	(40)
Profit before tax		**156**	**19**	**86**	**12**
Tax benefit / (expense)	6	(8)	(12)	-	(1)
Profit for the period from continuing operations		**148**	**7**	**86**	**11**
Discontinued Operations					
Profit / (loss) for the period from discontinued operations	11	**103**	**32**	**154**	**(4)**
Profit for the period		**251**	**39**	**240**	**7**
Attributable to:					
Non-controlling interests		18	20	-	-
NBG equity shareholders		**233**	**19**	**240**	**7**
Earnings / (losses) per share - Basic and diluted from continuing operations	7	**€0.16**	**€0.01**	**€0.09**	**€0.01**
Earnings / (losses) per share - Basic and diluted from continuing and discontinued operations	7	**€0.25**	**€0.02**	**€0.26**	**€0.01**

Athens, 29 August 2019

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Statement of Comprehensive Income
for the period ended 30 June 2019

		Group		Bank	
		6-month period ended		6-month period ended	
€ million	Note	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit for the period		**251**	**39**	**240**	**7**
Other comprehensive income / (expense):					
Items that may be reclassified subsequently to profit or loss:					
Investments in debt instruments measured at fair value through other comprehensive income (“FVTOCI”), net of tax		352	(79)	178	(58)
Currency translation differences, net of tax		(1)	(7)	1	(1)
Cash flow hedge, net of tax		(21)	-	(21)	1
Net investment hedge, net of tax		-	1	-	-
Total of items that may be reclassified subsequently to profit or loss		**330**	**(85)**	**158**	**(58)**
Items that will not be reclassified subsequently to profit or loss:					
Investments in equity instruments measured at FVTOCI, net of tax		18	(2)	17	(5)
Other comprehensive income / (expense) for the period, net of tax	17	**348**	**(87)**	**175**	**(63)**
Total comprehensive income / (expense) for the period		**599**	**(48)**	**415**	**(56)**
Attributable to:					
Non-controlling interests		18	20	-	-
NBG equity shareholders		**581**	**(68)**	**415**	**(56)**

Athens, 29 August 2019

THE CHAIRMAN OF THE BOARD OF DIRECTORS	THE CHIEF EXECUTIVE OFFICER	THE CHIEF FINANCIAL OFFICER
COSTAS P. MICHAELIDES	PAVLOS K. MYLONAS	CHRISTOS D. CHRISTODOULOU

Income Statement
for the period ended 30 June 2019

€ million	Group 3-month period ended 30.06.2019	30.06.2018
Interest and similar income	367	331
Interest expense and similar charges	(59)	(55)
Net interest income	**308**	**276**
Fee and commission income	84	81
Fee and commission expense	(23)	(24)
Net fee and commission income	**61**	**57**
Net trading income / (loss) and results from investment securities	26	(9)
Net other income / (expense)	24	(21)
Total income	**419**	**303**
Personnel expenses	(130)	(141)
General, administrative and other operating expenses	(47)	(63)
Depreciation and amortisation on investment property, property & equipment and software & other intangible assets	(26)	(18)
Credit provisions and other impairment charges	(90)	(50)
Restructuring costs	(4)	(40)
Profit / (loss) before tax	**122**	**(9)**
Tax benefit / (expense)	(4)	(9)
Profit / (loss) for the period from continuing operations	**118**	**(18)**
Discontinued operations		
Profit / (loss) for the period from discontinued operations	82	13
Profit / (loss) for the period	**200**	**(5)**
Attributable to:		
Non-controlling interests	8	10
NBG equity shareholders	**192**	**(15)**
Earnings / (losses) per share - Basic and diluted from continuing operations	**€0.13**	**€(0.02)**
Earnings / (losses) per share - Basic and diluted from continuing and discontinued operations	**€0.21**	**€(0.02)**

Athens, 29 August 2019

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The notes on pages 38 to 67 form an integral part of these interim financial statements

Statement of Comprehensive Income
for the period ended 30 June 2019

€ million	Note	Group 3 month period ended 30.06.2019	 30.06.2018
Profit/(loss) for the period		**200**	**(5)**
Other comprehensive income / (expense):			
Items that may be reclassified subsequently to profit or loss:			
Investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI"), net of tax		300	(59)
Currency translation differences, net of tax		(6)	-
Cash flow hedge, net of tax		(21)	-
Net investment hedge, net of tax		-	2
Total of items that may be reclassified subsequent to profit or loss		**273**	**(57)**
Items that will not be reclassified subsequent to profit or loss:			
Investment in equity instruments at FVTOCI, net of tax		5	(4)
Other comprehensive income/(expense) for the period, net of tax		**278**	**(61)**
Total comprehensive income/(expense) for the period		**478**	**(66)**
Attributable to:			
Non-controlling interests		8	10
NBG equity shareholders		**470**	**(76)**

Athens, 29 August 2019

THE CHAIRMAN OF THE BOARD OF DIRECTORS	THE CHIEF EXECUTIVE OFFICER	THE CHIEF FINANCIAL OFFICER
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The notes on pages 38 to 67 form an integral part of these interim financial statements

Statement of Changes in Equity – Group
for the period ended 30 June 2019

€ million	Attributable to equity holders of the parent company											
	Share capital Ordinary shares	Share premium Ordinary shares	Treasury shares	Securities at FVTOCI	Currency translation reserve	Net investment hedge	Cash flow hedge	Defined benefit plans	Other reserves & Retained earnings	Total	Non-controlling Interests	Total
Balance at 1 January 2018	**2,744**	**13,866**	**-**	**160**	**13**	**(119)**	**-**	**(165)**	**(9,803)**	6,696	683	**7,379**
Impact of IFRS 9	-	-	-	42	-	-	-	-	(1,582)	**(1,540)**	-	**(1,540)**
Balance at 1 January 2018 adjusted for impact of IFRS 9	**2,744**	**13,866**	**-**	**202**	**13**	**(119)**	**-**	**(165)**	**(11,385)**	**5,156**	**683**	**5,839**
Other Comprehensive Income/ (expense) for the period	-	-	-	(81)	(7)	1	-	-	-	**(87)**	-	**(87)**
Profit for the period	-	-	-	-	-	-	-	-	19	**19**	20	**39**
Total Comprehensive Income / (expense) for the period	**-**	**-**	**-**	**(81)**	**(7)**	**1**	**-**	**-**	**19**	**(68)**	**20**	**(48)**
Acquisitions, disposals & share capital increases of subsidiaries/equity method investments	-	-	-	-	-	-	-	-	1	**1**	-	**1**
Dividend distribution	-	-	-	-	-	-	-	-	-	**-**	(40)	**(40)**
(Purchases)/ disposals of treasury shares	-	-	(1)	-	-	-	-	-	-	**(1)**	-	**(1)**
Balance at 30 June 2018	**2,744**	**13,866**	**(1)**	**121**	**6**	**(118)**	**-**	**(165)**	**(11,365)**	**5,088**	**663**	**5,751**
Movements to 31 December 2018	-	-	1	(31)	6	(1)	-	3	(104)	**(126)**	13	**(113)**
Balance at 31 December 2018	**2,744**	**13,866**	**-**	**90**	**12**	**(119)**	**-**	**(162)**	**(11,469)**	**4,962**	**676**	**5,638**
Impact of IFRS 16	-	-	-	-	-	-	-	-	4	**4**	-	**4**
Balance at 1 January 2019 adjusted for impact of IFRS 16	**2,744**	**13,866**	**-**	**90**	**12**	**(119)**	**-**	**(162)**	**(11,465)**	**4,966**	**676**	**5,642**
Other Comprehensive Income/ (expense) for the period	-	-	-	370	(1)	-	(21)	-	2	**350**	-	**350**
Profit for the period	-	-	-	-	-	-	-	-	233	**233**	18	**251**
Total Comprehensive Income / (expense) for the period	**-**	**-**	**-**	**370**	**(1)**	**-**	**(21)**	**-**	**235**	**583**	**18**	**601**
Acquisitions, disposals & share capital increases of subsidiaries/equity method investments	-	-	-	-	-	-	-	-	2	**2**	(660)	**(658)**
Dividend distribution	-	-	-	-	-	-	-	-	-	**-**	(15)	**(15)**
(Purchases)/ disposals of treasury shares	-	-	(1)	-	-	-	-	-	-	**(1)**	-	**(1)**
Balance at 30 June 2019	**2,744**	**13,866**	**(1)**	**460**	**11**	**(119)**	**(21)**	**(162)**	**(11,228)**	**5,550**	**19**	**5,569**

The notes on pages 38 to 67 form an integral part of these financial statements

Statement of Changes in Equity – Bank
for the period ended 30 June 2019

€ million	Share capital Ordinary shares	Share premium Ordinary shares	Securities at FVTOCI reserve	Currency translation reserve	Cash flow hedge reserve	Defined benefit plans	Other reserves & retained earnings	Total
Balance at 1 January 2018	**2,744**	**13,863**	**92**	**(56)**	**-**	**(161)**	**(10,268)**	**6,214**
Impact of IFRS 9 adoption	-	-	41	-	-	-	(1,546)	**(1,505)**
Balance at 1 January 2018 adjusted for IFRS 9 impact	**2,744**	**13,863**	**133**	**(56)**	**-**	**(161)**	**(11,814)**	**4,709**
Other Comprehensive Income/ (expense) for the period	-	-	(63)	(1)	1	-	-	**(63)**
Profit for the period	-	-	-	-	-	-	7	**7**
Total Comprehensive Income / (expense) for the period	**-**	**-**	**(63)**	**(1)**	**1**	**-**	**7**	**(56)**
Balance at 30 June 2018	**2,744**	**13,863**	**70**	**(57)**	**1**	**(161)**	**(11,807)**	**4,653**
Movements to 31 December 2018	-	-	(18)	1	(1)	3	-	**(15)**
Balance at 31 December 2018	**2,744**	**13,863**	**52**	**(56)**	**-**	**(158)**	**(11,807)**	**4,638**
Impact of IFRS 16 adoption	-	-	-	-	-	-	4	**4**
Balance at 1 January 2019 adjusted for IFRS 16 impact	**2,744**	**13,863**	**52**	**(56)**	**-**	**(158)**	**(11,803)**	**4,642**
Other Comprehensive Income/ (expense) for the period	-	-	195	1	(21)	-	2	**177**
Profit for the period	-	-	-	-	-	-	240	**240**
Total Comprehensive Income / (expense) for the period	**-**	**-**	**195**	**1**	**(21)**	**-**	**242**	**417**
Balance at 30 June 2019	**2,744**	**13,863**	**247**	**(55)**	**(21)**	**(158)**	**(11,561)**	**5,059**

The notes on pages 38 to 67 form an integral part of these financial statements

Cash Flow Statement
for the period ended 30 June 2019

	Group		Bank	
	6-month period ended		6-month period ended	
€ million	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Cash flows from operating activities				
Profit before tax	**268**	**56**	**240**	**9**
Adjustments for:				
Non-cash items included in income statement and other adjustments:	**63**	**242**	**15**	**148**
Depreciation and amortisation on property & equipment, intangibles and investment property	54	45	66	33
Amortisation of premiums /discounts of investment securities, debt securities in issue and borrowed funds	(10)	(5)	(9)	(4)
Credit provisions and other impairment charges	270	218	266	199
Provision for employee benefits	19	6	5	5
Result from fair value hedges	1	-	1	-
Dividend income from investment securities	(3)	(2)	(15)	(57)
Net (gain) / loss on disposal of property & equipment and investment property	-	1	1	1
Net (gain) / loss on disposal of investment securities	(127)	(33)	(70)	(31)
Net (gain) / loss on disposal of subsidiaries	(90)	-	(175)	-
Accrued interest from financing activities and results from repurchase of debt securities in issue	7	3	4	1
Valuation adjustment on instruments designated at fair value through profit or loss	(63)	1	(63)	1
Negative goodwill	(3)	-	-	-
Other non-cash operating items	8	8	4	-
Net (increase) / decrease in operating assets:	**(1,477)**	**1,140**	**(1,279)**	**1,187**
Mandatory reserve deposits with Central Bank	1	362	(75)	291
Due from banks	(657)	216	(481)	328
Financial assets at fair value through profit or loss	814	464	827	460
Derivative financial instruments assets	(1,196)	(127)	(1,195)	(136)
Loans and advances to customers	(323)	589	(243)	640
Other assets	(116)	(364)	(112)	(396)
Net increase / (decrease) in operating liabilities:	**(974)**	**1,412**	**(1,428)**	**1,385**
Due to banks	(2,015)	209	(2,072)	221
Due to customers	10	951	(269)	905
Derivative financial instruments liabilities	764	232	783	233
Retirement benefit obligations	(27)	64	(3)	(4)
Insurance related reserves and liabilities	158	(53)	-	-
Income taxes (paid) / received	(24)	(13)	(15)	1
Other liabilities	160	22	148	29
Net cash from / (for) operating activities	**(2,120)**	**2,850**	**(2,452)**	**2,729**
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	(55)	(8)	-	-
Participation in share capital increase/(decrease) of subsidiaries	-	-	-	(96)
Disposals of subsidiaries, net of cash disposed	319	-	440	-
Acquisition of equity method investments	(6)	-	-	-
Dividends received from investment securities & equity method investments	3	2	8	43
Purchase of property & equipment, intangible assets and investment property	(44)	(70)	(35)	(42)
Proceeds from disposal of property & equipment and investment property	-	1	1	1
Purchase of investment securities	(6,671)	(2,699)	(5,024)	(1,031)
Proceeds from redemption and sale of investment securities	4,720	3,090	3,297	1,616
Net cash (used in) / provided by investing activities	**(1,734)**	**316**	**(1,313)**	**491**
Cash flows from financing activities				
Proceeds from debt securities in issue and other borrowed funds	297	85	108	11
Repayments of debt securities in issue, other borrowed funds and preferred securities	(94)	(60)	(6)	(7)
Principal elements of lease payments	(3)	-	(20)	-
Proceeds from disposal of treasury shares	15	14	-	-
Repurchase of treasury shares	(16)	(15)	-	-
Dividends paid to non-controlling interests	(15)	(40)	-	-
Net cash from/ (for) financing activities	**184**	**(16)**	**82**	**4**
Effect of foreign exchange rate changes on cash and cash equivalents	-	1	5	2
Net increase / (decrease) in cash and cash equivalents	**(3,670)**	**3,151**	**(3,678)**	**3,226**
Cash and cash equivalents at beginning of period	6,453	2,516	5,766	1,818
Cash and cash equivalents at end of period	**2,783**	**5,667**	**2,088**	**5,044**

NOTE 1: General information

National Bank of Greece S.A. (hereinafter "NBG" or the "Bank") was founded in 1841 and its shares have been listed on the Athens Exchange since 1880. The Bank's headquarters are located at 86 Eolou Street, Athens, Greece, (Register number G.E.MH. 237901000), tel.: (+30) 210 334 1000, www.nbg.gr. By resolution of the Board of Directors, the Bank can establish branches, agencies and correspondence offices in Greece and abroad. In its 179 years of operation, the Bank has expanded on its commercial banking business by entering into related business areas. National Bank of Greece and its subsidiaries (hereinafter the "Group") provide a wide range of financial services including retail and commercial banking, asset management, brokerage, investment banking, insurance and real estate at a global level. The Group operates in Greece, UK, North Macedonia, Romania, Cyprus, Malta and Egypt.

The Board of Directors consists of the following members:

The Non-Executive Chairman of the Board of Directors
Costas P. Michaelides

The Non-Executive Vice Chair of the Board of Directors
Aikaterini K. Beritsi (1)

The Chief Executive Officer
Pavlos K. Mylonas

Executive Members(2)
Dimitrios N. Kapotopoulos (3)
Christina T. Theofilidi (4)

Independent Non-Executive Members (5), (6), (7)

Gikas A. Hardouvelis	Senior Independent Director
Avraam C. Gounaris	
Wietze J.P. Reehoorn	
Elena Ana E.V. Cernat	
Claude Edgar L.G. Piret	
Andrew J. McIntyre	

Hellenic Financial Stability Fund representative
Periklis F. Drougkas

(1) On 31 July 2019, Aikaterini K. Beritsi was elected as non-executive member and appointed as Vice Chair of the Board of Directors.
(2) At the meeting of the Board of Directors held on 10 July 2019, it was announced that Panos A. Dasmanoglou will no longer serve as executive member of the Board and will remain as General Manager at the Bank and Company Secretary, with the same duties.
(3) On 24 January 2019, Dimitrios N. Kapotopoulos was elected as executive member of the Board of Directors, replacing the resigned executive member Dimitrios G. Dimopoulos.
(4) On 31 July 2019, at the annual General Meeting of the Bank's Shareholders, Christina T. Theofilidi was elected as executive member of the Board of Directors.
(5) On 10 July 2019 at the Board of Directors meeting, Eva Cederbalk and Haris A. Makkas resigned from their positions as independent non-executive members of the Board of Directors. At the same date Yiannis G. Zographakis resigned from his position as non-executive member of the Board.
(6) On 31 July 2019, the Annual General Meeting of the Bank's Shareholders elected Gikas A. Hardouvelis, Avraam C. Gounaris, Wietze J.P. Reehoorn and Elena Ana E.V. Cernat as new independent non-executive members of the Board.
(7) On 29 August 2019, at the Board of Directors meeting, the resignation of John P.J. McCormick from his position as independent non-executive member of the Board of Directors was announced.

The Directors are elected by the Bank's General Meeting of Shareholders for a maximum term of 3 years and may be re-elected. The term of the above members expires at the Annual General Meeting of the Bank's Shareholders in 2021.

These interim financial statements have been approved for issue by the Bank's Board of Directors on 29 August 2019.

NOTE 2: Summary of significant accounting policies

2.1 Basis of preparation

The condensed interim financial statements as at and for the 6-month period ended 30 June 2019 (the "interim financial statements") have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". These interim financial statements include selected explanatory notes and do not include all the information required for full annual financial statements. Therefore, the interim financial statements should be read in conjunction with the consolidated and separate annual financial statements as at and for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed by the European Union (the "EU").

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, except for the adoption of new and amended standards as set out below.

The amounts are stated in Euro, rounded to the nearest million (unless otherwise stated) for ease of presentation. Where necessary, comparative figures have been adjusted to conform to changes in current period's presentation.

The interim financial statements have been prepared under the historical cost convention, except for fair value through other comprehensive income financial assets, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts, which have been measured at fair value.

2.2 Going concern

Going concern conclusion

The Board of Directors concluded that the Bank is a going concern after considering (a) the current level of ECB funding solely from TLTRO and the current access to the Eurosystem facilities with significant collateral buffer (b) the Group's CET1 ratio of 30 June 2019 which exceeded the OCR requirements and (c) the recent developments regarding the Greek economy and the latest estimates regarding macroeconomic indicators, as discussed below.

Liquidity

As at 30 June 2019, the funding from European Central Bank ("ECB") amounted to €2.2 billion (31 December 2018: €2.2 billion). Furthermore, as of 30 June 2019 the Bank had entered into secure interbank transactions with foreign financial institutions of €1.8 billion, while the Bank's Eurosystem liquidity buffer stood at €10.7 billion (cash value).

Capital adequacy

The Group's Common Equity Tier 1 ("CET1") ratio at 30 June 2019 was 14.8% exceeding the Overall Capital Requirement ("OCR") ratio of 13.75% for 2019 (see Note 19).

Macroeconomic developments

Economic activity in Greece remained on an upward trend in Q1:2019, with Real Gross Domestic Product ("GDP") increasing by 1.3% y-o-y, at a somewhat slower pace compared to FY:2018 (increase of 1.9% y-o-y). A further improvement in a significant share of coincident and forward looking indicators presages an acceleration in economic activity over the course of 2019, on the back of strengthened private consumption and recovering gross fixed capital formation. The official sector projects that annual GDP growth will reach 2.3% and 2.1%, respectively, in 2019 and 2020 (average of European Commission and IMF forecasts), despite the slowing in the euro area economy during the same period.

Positive macroeconomic trends domestically, the accumulation of a sizeable cash reserve by the Greek State covering more than 3½ years of sovereign financing needs, along with prospects of a more protracted period of monetary easing by the ECB and a broadly positive assessment of the economy's progress in the three evaluation reports published under the European Commission's Enhanced Surveillance Framework (between November 2018 and June 2019) contributed to a further improvement in economic sentiment. Private consumption is expected to gain traction during the course of 2019, on the back of positive trends in the disposable income, which are amplified by the implementation of about 1.2% of GDP of fiscal expansion measures, the first expansion in a decade. Greek financial assets strongly overpeformed the EU average in the first half of 2019, while house prices increased at the highest pace since 2007 (4.0% y-o-y in Q1:2019).

However, the pace of improvement of the liquidity conditions and the strengthening of the private sector balance sheets remains very weak, whereas investment spending remains volatile and highly dependent on disbursements of the public investment budget. Moreover, despite the significant improvements, Greece's economic performance and financial asset valuations remain sensitive to the slowdown of the euro area economy and increased volatility in the international financial markets. Furthermore, the European Commission, the IMF and the Bank of Greece identified some risks for the achievement of the fiscal targets, following the legislation of fiscal expansion measures in 2019. This uncertainty constraints the capacity of the newly elected government to attempt growth and/or efficiency enhancing fiscal reforms. Moreover, an enhancement of the economy's competitiveness and a timely resolution of the non-performing exposures, in line with the ambitious and frontloaded targets set by the Greek banks, are prerequisites for increasing Greece's potential growth in the following years.

2.3 Adoption of International Financial Reporting Standards (IFRS)

New standards, amendments and interpretations to existing standards effective from 1 January 2019

New standards

-IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019). IFRS 16 supersedes relevant lease guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an agreement contains a lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal From of a Lease*, and establishes principles for the recognition, measurement, presentation and disclosure of lease agreements, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use (RoU) asset, representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease liability is initially measured at the present value of the future lease payments, discounted using the rate implicit in the lease or, if this rate cannot be readily determined, the lessee's incremental borrowing rate (IBR). The RoU asset is initially measured at the amount of the lease liability.

Subsequently, the RoU asset is amortised over the length of the lease, and the financial liability is measured at amortised cost. The operating lease expense for the leases accounted for under IAS 17 is replaced by a depreciation charge for the RoU asset and an interest expense from the unwinding of the discount on the lease liability. The change in presentation of operating lease expenses results in an improvement in cash flows from operating activities and a corresponding decline in cash flows from financing activities.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases, using the same classification criteria with IAS 17.

Leases in which the Group is a Lessor

There was no significant impact for the Group's finance leases or for the leases in which the Group is a lessor.

Leases in which the Group is a Lessee

The Group applied the modified retrospective approach, where the RoU asset is set equal to the amount of the lease liability upon adoption, and did not restate the comparative information. The Group applied the practical expedient to grandfather the lease definition on transition to IFRS 16 and not reassess whether a contract is or contains a lease. Therefore, at transition date (i.e. 1 January 2019), the Group applied IFRS 16 solely to contracts that were previously identified as leases based on IAS 17 and IFRIC 4.

The Group has elected to take a recognition exemption for short-term leases and leases of low-value items, for which lease payments are recognized as operating expenses on a straight-line basis over the lease term.

The most significant estimate used in the measurement of the lease liability relates to the interest rate used for discounting the lease payments to their present value as of the date of initial application and is considered to be a critical accounting estimate.

As at 31 December 2018, the Group and the Bank had non-cancellable operating lease commitments of €196 million and €1,573 million respectively. Since most of these arrangements relate to leases other than short-term leases and leases of low-value assets, IFRS 16 increased the assets, liabilities and retained earnings of the Group by €136 million, €132 million and €4 million respectively, and the Bank by €1,142 million, € 1,138 million and €4 million respectively, as at 1 January 2019. Refer to Note 24 for more details on the impact of the first time adoption of IFRS 16 as at 1 January 2019.

The Group's RoU assets and lease liabilities are included in line items 'property and equipment' and 'other liabilities', respectively.

Amendments and interpretations

The Group has adopted the following amendments and interpretations which did not have a material impact on the Group's consolidated financial statements.

-IFRS 4 (Amendment) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts. The amendments introduce two approaches. The amended standard will: a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued and b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply IAS 39.

The Group has elected to defer the provisions of IFRS 9 for its insurance subsidiary, Ethniki Hellenic General Insurance SA ("NIC"), as allowed by Commission Regulation (EU) 2017/1988 from 1 January 2018 to 1 January 2021, the adoption date of IFRS 17 Insurance Contracts. At its meeting on 14 November 2018, the IASB tentatively decided to extend the use of the deferral approach to IFRS 9 for a further year, so that insurance entities would only be required to apply IFRS 9 for annual periods beginning on or after 1 January 2022.

As of 30 June 2019, Ethniki Hellenic General Insurance SA was classified as a discontinued operation and shall continue applying the requirements of IAS 39.

-IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. IFRIC 23 applies to all aspects of income tax accounting where there is such uncertainty, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

-IAS 19 (Amendment) Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur.

-Annual Improvements to IFRS Standards 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB).

IFRS 3 Business Combinations - amended to clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 Joint Arrangements - amended to clarify that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - clarified to state that a company accounts for all income tax consequences of dividend payments in the same way.

IAS 23 Borrowing Costs - clarified to provide that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

-IFRS 9 (Amendment) Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss.

-IAS 28 (Amendment) Long-Term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments clarify that companies account for long-term interests in an associate or joint venture—to which the equity method is not applied—using IFRS 9.

New standards, amendments and interpretations to existing standards effective after 2019

New standards

-**IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after 1 January 2021, as issued by the IASB). IFRS 17 has been issued in May 2017 and supersedes IFRS 4. On 14 November 2018, the IASB tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2022. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard and its objective is to ensure that an entity provides relevant information that faithfully represents those contracts. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost. The standard has not yet been endorsed by the EU. The Group is in the process of implementing IFRS 17. Industry practice and interpretation of the standard is still developing and there may be changes to it, therefore the likely impact of its implementation remains uncertain.

Amendments to standards and interpretations effective after 2019

-Definition of a Business - Amendments to IFRS 3, (effective for annual periods beginning on 1 January 2020, as issued by the IASB). The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements or processes and continuing to produce outputs, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods.

-Definition of Materiality - Amendments to IAS 1 and IAS 8 (effective for the Group on 1 January 2020). In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

-Conceptual Framework In March 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the "Framework"), which becomes effective in annual periods beginning on 1 January 2020. The Framework sets out the fundamental concepts of financial reporting that guide the IASB in developing IFRS Standards. The Framework underpins existing IFRS Standards but does not override them. Preparers of financial statements use the Framework as a point of reference to develop accounting policies in rare instances where a particular business transaction is not covered by existing IFRS Standards. The IASB and the IFRS Interpretations Committee will begin to use the new Framework immediately in developing new, or amending existing, financial reporting standards and interpretations. The Group is currently assessing the effect of the amended Framework on its accounting policies.

2.4 Critical judgments and estimates

In preparing these interim financial statements, the significant estimates, judgments and assumptions made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those applied to the annual consolidated financial statements as at and for the year ended 31 December 2018 with the exception of the Incremental Borrowing Rate ("IBR") for the discounting of the lease liabilities upon application of IFRS 16 (see Note 2.3)

NOTE 3: Segment reporting

NBG Group manages its business through the following business segments:

Retail banking

Retail banking includes all individual customers, professionals, small-medium and small-sized companies (companies with annual turnover of up to €2.5 million) except for exposures transferred to the Special Assets Unit ("SAU"). The Bank, through its extended network of branches, offers to its retail customers various types of loans, deposit and investment products, as well as a wide range of other traditional services and products.

Corporate & investment banking

Corporate & investment banking includes lending to all large and medium-sized companies and shipping finance except for exposures transferred to the SAU and investment banking activities. The Group offers its corporate customers a wide range of products and services, including financial and investment advisory services, deposit accounts, loans (denominated in both euro and foreign currency), foreign exchange and trade service activities.

Special Assets Unit ("SAU")

In order to (a) manage more effectively delinquent, non-performing and denounced loans to legal entities, and (b) ensure compliance with the provisions of the Bank of Greece Executive Committee Act 42/30.5.2014 and Act 47/9.2.2015 and the Code of Conduct (referred to in Article 1(2) of Law 4224/2013, the Bank established the SAU, which has the overall responsibility for the management of such loans to legal entities (end-to-end responsibility).

Global markets and asset management

Global markets and asset management includes all treasury activities, private banking, asset management (mutual funds and closed end funds), custody services, private equity and brokerage.

Insurance

The Group offers a wide range of insurance products through its subsidiary company, Ethniki Hellenic General Insurance S.A. and other subsidiaries in SEE. As of 30 June 2017, NIC was classified as Held for Sale and Discontinued Operations (see Note 11).

International banking operations

The Group's international banking activities include a wide range of traditional commercial banking services, such as commercial and retail credit, trade financing, foreign exchange and taking of deposits. In addition, the Group offers shipping finance, investment banking and brokerage services through certain of its foreign branches and subsidiaries. As of 30 June 2019 and 31 December 2018, Banka Romaneasca S.A. ("Romaneasca"), NBG Cyprus and NBG Cairo branch were classified as Held for Sale and Discontinued Operations.

Other

Includes proprietary real estate management, hotel and warehousing business as well as unallocated income and expense of the Group (interest expense of subordinated debt, loans to personnel etc.) and intersegment eliminations. As of 31 March 2019, NBG Pangaea REIC was classified as Held for Sale and Discontinued Operations. On 23 May 2019, the disposal of NBG Pangaea REIC was completed.

Breakdown by business segment

6 month period ended 30.06.2019	Retail Banking	Corporate & Investment Banking	SAU	Global markets & Asset Management	Insurance	International Banking Operations	Other	Group
Net interest income	204	217	60	84	-	31	2	**598**
Net fee and commission income	58	44	2	9	-	7	-	**120**
Other	(15)	(4)	(2)	148	-	2	22	**151**
Total income	**247**	**257**	**60**	**241**	**-**	**40**	**24**	869
Direct costs	(194)	(20)	(7)	(15)	-	(20)	(13)	**(269)**
Allocated costs and provisions[1]	(337)	30	(3)	1	-	(4)	(131)	**(444)**
Profit / (loss) before tax	**(284)**	**267**	**50**	**227**	**-**	**16**	**(120)**	156
Tax benefit / (expense)								**(8)**
Profit / (loss) for the period from continuing operations								**148**
Non-controlling interests								**(18)**
Profit for the period from discontinued operations	-	-	-	-	27	17	59	**103**
Profit attributable to NBG equity shareholders								**233**

[1] *Includes depreciation and amortisation on investment property, property & equipment, software & other intangible assets.*

	Retail Banking	Corporate & Investment Banking	SAU	Global markets & Asset Management	Insurance	International Banking Operations	Other	Group
Depreciation and amortisation	35	2	1	1	-	2	8	**49**
Credit provisions and other impairment charges	249	(45)	(8)	(6)	-	3	7	**200**

Breakdown by business segment

6 month period ended 30.06.2018	Retail Banking	Corporate & Investment Banking	SAU	Global markets & Asset Management	Insurance	International Banking Operations	Other	Group
Net interest income	204	201	55	15	-	32	59	**566**
Net fee and commission income	52	44	2	10	-	8	1	**117**
Other	2	(13)	(9)	29	-	3	(31)	**(19)**
Total income	**258**	**232**	**48**	**54**	**-**	**43**	**29**	664
Direct costs	(216)	(21)	(7)	(17)	-	(23)	12	**(272)**
Allocated costs and provisions[1]	(214)	(6)	(31)	14	-	(2)	(134)	**(373)**
Profit / (loss) before tax	**(172)**	**205**	**10**	**51**	**-**	**18**	**(93)**	19
Tax benefit / (expense)								(12)
Profit for the period from continuing operations								**7**
Non controlling interests								**(20)**
Profit / (loss) for the period from discontinued operations	-	-	-	-	39	(1)	(6)	**32**
Profit attributable to NBG equity shareholders								**19**

[1] *Includes depreciation and amortisation on investment property, property & equipment, software & other intangible assets.*

	Retail Banking	Corporate & Investment Banking	SAU	Global markets & Asset Management	Insurance	International Banking Operations	Other	Group
Depreciation, amortisation & impairment charges[1]	16	2	-	1	-	2	15	**36**
Credit provision and other impairment charges	139	(6)	22	(20)	-	2	31	**168**

[1] *Includes depreciation and amortisation on investment property, property & equipment, software & other intangible assets.*

	Retail Banking	Corporate & Investment Banking	SAU	Global markets & Asset Management	Insurance	International Banking Operations	Other	Group
Segment assets as at 30 June 2019								
Segment assets	14,646	12,014	1,713	9,970	-	2,496	13,110	**53,949**
Deferred tax assets and Current income tax advance								**5,285**
Non-current assets held for sale	241	93	-	-	3,559	2,004	-	**5,897**
Total assets								**65,131**
Segment liabilities as at 30 June 2019								
Segment liabilities	35,571	2,516	122	6,956	-	1,895	8,154	**55,214**
Current income and deferred tax liabilities								**17**
Liabilities associated with non-current assets held for sale	-	-	-	-	2,495	1,836	-	**4,331**
Total liabilities								**59,562**
Segment assets as at 31 December 2018								
Segment assets	15,597	11,446	1,773	7,106	-	2,422	16,262	**54,606**
Deferred tax assets and current income tax advance								**5,268**
Non-current assets held for sale	-	-	-	-	3,156	2,045	20	**5,221**
Total assets								**65,095**
Segment liabilities as at 31 December 2018								
Segment liabilities	34,543	2,706	191	9,934		1,921	6,047	**55,342**
Current income and deferred tax liabilities								**23**
Liabilities associated with non-current assets held for sale	-	-	-	-	2,342	1,750	-	**4,092**
Total liabilities								**59,457**

NOTE 4: Credit provisions and other impairment charges

	Group		Bank	
Continuing Operations	30.06.2019	30.06.2018	30.06.2019	30.06.2018
a. Impairment charge for expected credit losses ("ECL")				
Loans and advances to customers	180	157	184	146
Net modification loss	24	-	24	
	204	**157**	**208**	**146**
b. Impairment charge for securities				
Investment in debt instruments	(6)	(22)	(6)	(21)
	(6)	**(22)**	**(6)**	**(21)**
c. Other provisions and impairment charges				
Impairment of investment property, property and equipment, software & other intangible assets and other assets	-	(1)	-	-
Legal and other provisions	2	34	2	32
	2	**33**	**2**	**32**
Total	**200**	**168**	**204**	**157**

NOTE 5: Restructuring costs

For the period ended 30 June 2019, restructuring costs include €94 million estimated cost for the 2019 Voluntary Exit Scheme, whose terms were announced on 10 May 2019 to the Bank's employees and €11 million direct expenditure relating to the Transformation Program.

For the period ended 30 June 2018, restructuring costs include €40 million estimated cost for the 2018 Voluntary Exit Scheme.

NOTE 6: Tax benefit / (expense)

	Group		Bank	
Continuing Operations	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Current tax	(6)	(9)	-	(1)
Deferred tax	(2)	(3)	-	-
Tax benefit / (expense)	**(8)**	**(12)**	**-**	**(1)**

The nominal corporation tax rate for the Bank for 2019 and 2018 is 29%. Following Law 4603/2019, the withholding tax on dividends distributed from 1 January 2019 onwards is decreased from 15% to 10%.

The unaudited tax years of the Group's equity method investments and subsidiaries are presented in Note 22.

Based on Law 4579/2018 effective from 2019, the corporate income tax rate for legal entities, other than credit institutions, will be gradually reduced as follows:

- 28% for income earned in 2019;
- 27% for income earned in 2020;
- 26% for income earned in 2021; and
- 25% for income earned as from 2022.

The corporate tax rate applicable to credit institutions remains at 29%.

Receivables from withholding taxes on bonds and treasury bills

Current income tax advance includes withholding tax receivables of €203 million relating to the financial years 2009, 2011, 2012 and 2013 (tax years 2008, 2010, 2011 and 2012), which the Bank claims from the Greek State. On 29 March 2019, an amendment was passed through Law 4605/2019 (article 93, para. 1 & 2) regarding Corporate Income Tax legislation, clarifying the status of these withholding tax receivables of banks. Specifically, (a) taxes of €41 million, withheld in accordance with the provisions of para. 8 of article 12 of Law 2238/1994, are offset as a priority when income tax is incurred and to the extent that income tax is sufficient for the purposes of the above set-off, (b) withholding taxes of €162 million, which are subject to the provisions of para. 6 of article 3 of Law 4046/2012 and not offset within five years, are offset in equal instalments within 10 years with any tax liabilities of banks, starting from 1 January 2020.

NOTE 7: Earnings / (losses) per share

	Group		Bank	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit for the period attributable to NBG equity shareholders from continuing operations	147	6	86	11
Earnings for the period attributable to NBG ordinary shareholders from continuing operations	**147**	**6**	**86**	**11**
Earnings/(losses) for the period from discontinued operations	86	13	154	(4)
Earnings for the period attributable to NBG ordinary shareholders from continuing and discontinued operations	**233**	**19**	**240**	**7**
Weighted average number of ordinary shares outstanding for basic and diluted EPS	**914,468,187**	**914,559,755**	**914,715,153**	**914,715,153**
Earnings per share - Basic and diluted from continuing operations	**0.16**	**0.01**	**0.09**	**0.01**
Earnings per share - Basic and diluted from continuing and discontinued operations	**0.25**	**0.02**	**0.26**	**0.01**

NOTE 8: Financial assets at Fair Value through profit or loss and investment securities

Financial assets at FVTPL as of 31 December 2018 included the amount of €3,273 million for the Swap with the Hellenic Republic mandatorily measured at FVTPL as it was not satisfied the criteria of the solely payment of principal and interest. In February 2019, NBG exchanged the Swap with the Hellenic Republic for three Greek government bonds maturing in 2023, 2025 and 2026 with a total nominal value of €3,314 million and fair value of €3,282 million. The Greek government bonds were classified as Held-To-Collect and measured at amortised cost under investment securities. A gain of €46 million was recognized from the transaction, which includes the release of the CVA on the Swap with the Hellenic Republic and the allowance for ECL on the Greek government bonds acquired.

NOTE 9: Loans and advances to customers

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Mortgages	15,206	15,795	14,996	15,590
Consumer loans	2,444	3,087	1,867	2,535
Credit cards	512	668	443	598
Small business lending	2,385	3,094	2,240	2,944
Retail lending	**20,547**	**22,644**	**19,546**	**21,667**
Corporate and public sector lending	16,955	16,956	16,287	16,348
Total before ECL allowance for impairment on loans and advances to customers	**37,502**	**39,600**	**35,833**	**38,015**
Less: ECL allowance for impairment on loans and advances to customers	(7,564)	(9,466)	(7,039)	(8,912)
Total	**29,938**	**30,134**	**28,794**	**29,103**

Loans and advances to customers at amortised cost and mandatorily measured at FVTPL - Group

As at 30 June 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Credit impaired Lifetime ECL	Total
Loans and advances to customers at amortised cost				
Mortgages				
Gross carrying amount	2,971	5,379	6,856	15,206
ECL allowance	(30)	(184)	(2,618)	(2,832)
Net carrying amount	**2,941**	**5,195**	**4,238**	**12,374**
Consumer loans				
Gross carrying amount	1,300	410	734	2,444
ECL allowance	(21)	(80)	(521)	(622)
Net carrying amount	**1,279**	**330**	**213**	**1,822**
Credit Cards				
Gross carrying amount	444	14	54	512
ECL allowance	(4)	(1)	(47)	(52)
Net carrying amount	**440**	**13**	**7**	**460**
Small business lending				
Gross carrying amount	421	671	1,293	2,385
ECL allowance	(4)	(83)	(936)	(1,023)
Net carrying amount	**417**	**588**	**357**	**1,362**
Corporate lending				
Gross carrying amount	10,851	922	4,633	16,406
ECL allowance	(81)	(69)	(2,844)	(2,994)
Net carrying amount	**10,770**	**853**	**1,789**	**13,412**
Public sector lending				
Gross carrying amount	331	38	49	418
ECL allowance	(3)	(5)	(33)	(41)
Net carrying amount	**328**	**33**	**16**	**377**
Total loans and advances to customers at amortised cost				
Gross carrying amount	16,318	7,434	13,619	37,371
ECL allowance	(143)	(422)	(6,999)	(7,564)
Net carrying amount of loans and advances to customers at amortised cost	**16,175**	**7,012**	**6,620**	**29,807**
Loans and advances to customers mandatorily measured at FVTPL				**131**
Total loans and advances to customers				**29,938**

Loans and advances to customers at amortised cost and mandatorily measured at FVTPL - Bank

As at 30 June 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Credit impaired Lifetime ECL	Total
Loans and advances to customers at amortised cost				
Mortgages				
Gross carrying amount	2,824	5,354	6,818	14,996
ECL allowance	(30)	(184)	(2,603)	(2,817)
Net carrying amount	**2,794**	**5,170**	**4,215**	**12,179**
Consumer loans				
Gross carrying amount	821	371	675	1,867
ECL allowance	(14)	(75)	(491)	(580)
Net carrying amount	**807**	**296**	**184**	**1,287**
Credit Cards				
Gross carrying amount	384	12	47	443
ECL allowance	(4)	(1)	(42)	(47)
Net carrying amount	**380**	**11**	**5**	**396**
Small business lending				
Gross carrying amount	349	653	1,238	2,240
ECL allowance	(4)	(83)	(899)	(986)
Net carrying amount	**345**	**570**	**339**	**1,254**
Corporate lending				
Gross carrying amount	11,061	767	3,911	15,739
ECL allowance	(86)	(62)	(2,420)	(2,568)
Net carrying amount	**10,975**	**705**	**1,491**	**13,171**
Public sector lending				
Gross carrying amount	330	38	49	417
ECL allowance	(3)	(5)	(33)	(41)
Net carrying amount	**327**	**33**	**16**	**376**
Total loans and advances to customers at amortised cost				
Gross carrying amount	15,769	7,195	12,738	35,702
ECL allowance	(141)	(410)	(6,488)	(7,039)
Net carrying amount of loans and advances to customers at amortised cost	**15,628**	**6,785**	**6,250**	**28,663**
Loans and advances to customers mandatorily measured at FVTPL				**131**
Total loans and advances to customers				**28,794**

Movement in the ECL allowance on loans and advances to customers - Group

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Credit impaired Lifetime ECL	Total allowance
Balance at 1 January 2019	**144**	**428**	**8,894**	**9,466**
Impairment charge for ECL	-	5	175	180
Modification impact on ECL	-	-	(31)	(31)
Write-offs and Sales	-	-	(657)	(657)
Change in the present value of the ECL allowance	-	-	(44)	(44)
FX and other movements	-	(2)	(3)	(5)
Reclassified as Held For Sale	(1)	(9)	(1,335)	(1,345)
Balance at 30 June 2019	**143**	**422**	**6,999**	**7,564**

Movement in the ECL allowance on loans and advances to customers - Bank

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Credit impaired Lifetime ECL	Total allowance
Balance at 1 January 2019	**141**	**417**	**8,354**	**8,912**
Impairment charge for ECL	1	2	181	184
Modification impact on ECL	-	-	(31)	(31)
Write-offs and Sales	-	-	(645)	(645)
Change in the present value of the ECL allowance	-	-	(44)	(44)
FX and other movements	-	-	8	8
Reclassified as Held For Sale	(1)	(9)	(1,335)	(1,345)
Balance at 30 June 2019	**141**	**410**	**6,488**	**7,039**

NOTE 10: Property and equipment

As at 30 June 2019, property and equipment includes the Right of Use ("RoU") asset from the application of IFRS 16 (see Note 2.3). The RoU for the Group and the Bank at 30 June 2019 amounts to €1.3 billion and €1.1 billion, respectively. This increase of the property and equipment at Group level was offset by a €0.6 billion reduction due to the disposal of NBG Pangaea REIC.

NOTE 11: Assets and liabilities held for sale and discontinued operations

Non-current assets held for sale at 30 June 2019 comprise of Banca Romaneasca, NIC, NBG Cyprus Ltd and NBG Cairo Branch while at 31 December 2018 comprised of Banca Romaneasca, NIC, NBG Cyprus Ltd, NBG Cairo Branch and Grand Hotel S.A. The profit or losses from discontinued operations for the period ended 30 June 2019, comprises of Banca Romaneasca, NIC, NBG Cyprus Ltd, NBG Cairo Branch and NBG Pangaea REIC. The comparative profit or loss from discontinued operations includes S.A.B.A., Banca Romaneasca, NIC and NBG Albania and has been re-presented to also include NBG Cyprus Ltd, NBG Cairo Branch (which were classified as discontinued operations in December 2018) and NBG Pangaea REIC which was classified as discontinued operations in March 2019.

Banka NBG Albania Sh.A.

On 2 February 2018, the Bank entered into a definitive agreement with American Bank of Investments S.A. ("ABI") for the divestment to ABI of its entire stake (100%) in its subsidiary Banka NBG Albania Sh.A. ("NBG Albania"). The agreed consideration for the disposal amounted to €25 million.

The disposal was completed on 3 July 2018, on which date control of NBG Albania passed to ABI. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal of the above transaction, are disclosed in Note 43 of the Annual Financial Report of 31 December 2018.

The South African Bank of Athens Ltd

On 22 December 2016, the Group entered into a definitive agreement with AFGRI Holdings Proprietary Limited ("AFGRI"), a company incorporated in the Republic of South Africa for the divestment to AFGRI of its 99.83% stake in its South African subsidiary S.A.B.A. The agreed consideration for the disposal of the subsidiary amounts to €18 million (ZAR 301 million).

The disposal was completed on 4 October 2018, on which date control of SABA passed to AFGRI. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal of the above transaction, are disclosed in Note 43 of the Annual Financial Report of 31 December 2018.

Grand Hotel Summer Palace S.A.

On 18 October 2018 the Bank announced the opening of the sale process of its total shareholding in its 100% subsidiary Grand Hotel Summer Pallas S.A. ("Grand Hotel") through an open auction with seal bids on 10 December 2018. Upon completion of the aforementioned process the Bank on 14 January 2019 entered into a sale agreement with the highest bidder, Mitsis Company S.A., to dispose of its 100% stake in Grand Hotel. The agreed consideration for the disposal amounted to €50 million.

The disposal was completed on 5 April 2019, on which date control of Grand Hotel passed to Mitsis Company S.A. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal of the above transaction, are disclosed in Note 21 of these interim financial statements.

NBG Pangaea REIC

On 29 March 2019 the Bank received from Invel Real Estate (Netherlands) II B.V. ("Invel") a call Option Exercise Notice to acquire NBG's shareholding to NBG Pangaea REIC ("Pangaea"), pursuant to the Shareholders Agreement entered into between NBG, Invel, Invel Real Estate Partners Greece L.P, Invel Real Estate Partners Greece SAS, Invel Real Estate Partners Two Limited and Pangaea. According to the relevant terms of the Shareholders Agreement, the entities nominated by Invel, namely "Invel Real Estate B.V." and CL Hermes Opportunities L.P., ("the Buyers") acquired NBG's Shareholding on 23 May 2019 at call option price €4.684 per share. The total amount received for NBG's Shareholding (comprising 83,438,113 shares of Pangaea) amounted to €391 million.

Despite the Shareholders Agreement term expiration on 31 March 2019, NBG retained control of Pangaea (according to applicable legal and contractual provisions) until the date of the consummation of the acquisition of NBG's shareholding and relevant competent Pangaea's corporate bodies resolutions.

On 23 May 2019 control of Pangaea passed to the Buyers. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal of the above transaction, are disclosed in Note 21 of these interim financial statements.

National Bank of Greece – Egyptian Branch Network

The divestment of NBG's Branch Network in Egypt ("NBG Egypt") is an obligation of NBG under its amended Restructuring Plan. On 31 January 2018, the Board of Directors of NBG resolved to apply to the Central Bank of Egypt in order to commence the sales process, as per the local regulatory requirement.

The application was finally submitted in March 2018, the approval to commence the sales process was granted in July 2018 and the sales process was launched in October 2018.

The proceeds of disposal are expected to be lower than the carrying amount of the related net assets and accordingly cumulative impairment losses of €15 million (31 December 2018: €9 million) have been recognized at Group and Bank level on the classification of the subsidiary as held for sale.

The Bank signed a definitive agreement to sell certain assets and liabilities of NBG Egypt to Bank Audi SAE on 2 May 2019 and expects that the sale will be consummated within the next 12 months and therefore the assets and liabilities of NBG Egypt have been classified as held for sale and discontinued operations. Closing of the transaction is subject to the approvals of the Central Bank of Egypt and the Central Bank of Lebanon.

Banca Romaneasca S.A.

On 20 June 2019, the Bank entered into a definitive agreement with Export-Import Bank of Romania ("EximBank") for the sale of its 99.28% stake in Banca Romaneasca ("BROM").

The proceeds of disposal are expected to be lower than the carrying amount of the related net assets and accordingly cumulative impairment losses of €89 million (31 December 2018: €110 million) have been recognized at Group level. At Bank level the corresponding impairment amounted to €57 million (31 December 2018: €82 million).

Closing of the transaction is subject to approval from the National Bank of Romania and the Romanian Competition Council.

National Bank of Greece (Cyprus) Ltd

The divestment of NBG (Cyprus) Ltd ("NBG Cyprus") is an obligation of NBG under its amended Restructuring Plan that was approved by its Board of Directors on 4 December 2015. The sales process for NBG Cyprus commenced in April 2018 and, given that the process is very advanced, the Bank is expecting to conclude the sale of NBG Cyprus within the next 12 months.

The proceeds of disposal are expected to be lower than the carrying amount of the related net assets and accordingly cumulative impairment losses of €41 million (31 December 2018: €39 million) have been recognized at Group level on the classification of the subsidiary as held for sale. At Bank level the corresponding impairment amounted to €23 million (31 December 2018: €23 million). NBG Cyprus has been classified as held for sale and discontinued operations.

Ethniki Hellenic General Insurance S.A.

NBG remains committed to implementing alternative options of compliance with the New Commitments Package as agreed with the DG Competition as regards the sale of its subsidiary Ethniki Hellenic General Insurance S.A. ("NIC").

NBG considers that the sale is highly probable, given that it is preparing towards relaunching the sales process in the third quarter of 2019, hence it is expected that the sale being concluded within 12 months. For this reason NIC remains classified as held for sale and discontinued operations.

Condensed income statement of discontinued operations [(1)]

	Group		Bank	
	6 month period ended		6 month period ended	
€ million	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Net interest income	42	53	2	2
Net fee and commission income	(1)	2	-	1
Earned premia net of claims and commissions	46	44	-	-
Other income	48	38	3	1
Total income	**135**	**137**	**5**	**4**
Operating expenses	(95)	(90)	(3)	(3)
Provisions and impairments	12	(10)	20	(4)
Profit/(loss) before tax	**52**	**37**	**22**	**(3)**
Tax benefit/(expense)	(9)	(5)	-	(1)
Profit/(loss) for the period from discontinued operations	**43**	**32**	**22**	**(4)**
Profit/(Loss) on disposal (see Note 21)	60	-	132	-
Total profit/(loss) for the period from discontinued operations (attributable to NBG equity shareholders)	**103**	**32**	**154**	**(4)**

[(1)] *Includes Banka Romaneasca, NIC, NBG Cyprus Ltd, NBG Pangaea REIC and NBG Cairo branch, while in 2018 S.A.B.A. and NBG Albania are also included.*

€ million	Group 6 month period ended 30.06.2019	Group 6 month period ended 30.06.2018
Cash Flows from discontinued operations		
Net cash flows from operating activities	117	152
Net cash flows from investing activities	(176)	(219)
Net cash flows from financing activities	107	(11)
Net Cash flows	**48**	**(78)**

Analysis of non-current assets held for sale and liabilities associated with non-current assets held for sale

	Group		Bank	
ASSETS	30.06.2019[(1)]	31.12.2018[(2)]	30.06.2019[(1)]	31.12.2018[(2)]
Cash and balances with central banks	297	227	20	25
Due from banks	239	299	207	353
Financial assets at fair value through profit or loss	70	64	54	50
Derivative financial instruments	1	1	-	-
Loans and advances to customers	1,519	1,217	383	52
Investment securities	2,903	2,494	66	66
Investment property	89	90	-	-
Investments in subsidiaries	-	-	924	904
Goodwill, software and other intangible assets	18	16	-	-
Property and equipment	138	141	-	-
Deferred tax assets	65	125	-	-
Insurance related assets and receivables	476	455	-	-
Current income tax advance	16	19	-	-
Other assets	60	67	2	2
Non-current assets held for sale	6	6	-	-
Total assets	**5,897**	**5,221**	**1,656**	**1,452**
LIABILITIES				
Due to banks	20	11	-	-
Derivative financial instruments	1	-	-	-
Due to customers	1,689	1,590	103	99
Insurance related reserves and liabilities	2,368	2,210	-	-
Deferred tax liabilities	2	1	-	-
Retirement benefit obligations	57	66	-	-
Other liabilities	194	214	19	12
Total liabilities	**4,331**	**4,092**	**122**	**111**

(1) Includes Ethniki Hellenic General Insurance S.A., B.R.O.M., NBG Cairo branch and NBG Cyprus Ltd.
(2) Includes Ethniki Hellenic General Insurance S.A., B.R.O.M., NBG Cairo branch and NBG Cyprus Ltd and Grand Hotel Summer Palace S.A.

NOTE 12: Due to banks

"Due to Banks" mainly includes the Bank's funding from the ECB of €2.25 billion and securities sold under agreements to repurchase of €1.9 billion, other deposits with financial institutions of €1.5 billion (31 December 2018: €2.25 billion, €4.1 billion and €1.3 billion, respectively).

NOTE 13: Due to customers

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Deposits:				
Individuals	32,698	31,866	31,555	30,734
Corporate	6,289	6,102	6,472	6,457
Government and agencies	3,956	5,059	3,955	5,058
Total	**42,943**	**43,027**	**41,982**	**42,249**

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Deposits:				
Savings accounts	20,065	19,449	19,916	19,306
Current & Sight accounts	9,454	9,142	9,406	9,233
Time deposits	12,548	13,640	11,783	12,908
Other deposits	876	785	877	791
	42,943	**43,016**	**41,982**	**42,238**
Securities sold to customers under agreements to repurchase	-	11	-	11
	-	**11**	-	**11**
Total	**42,943**	**43,027**	**41,982**	**42,249**

Included in time deposits are deposits, which contain one or more embedded derivatives. The Group and the Bank have designated such deposits as financial liabilities at fair value through profit or loss. As at 30 June 2019, these deposits amounted to €745 million (31 December 2018: €1,043 million).

In accordance with Law 4151/2013, all dormant deposit accounts are subject to statute of limitations of 20 years in favor of the Greek State. All banks operating in Greece are required by April of every year to remit the cash balances of such dormant accounts to the Greek State. The Bank for 2019 and until 30 June 2019 has remitted to the Greek State €1 million in respect to dormant account balances.

NOTE 14: Debt securities in issue and other borrowed funds

The major transactions regarding debt securities in issue and other borrowed funds from 1 January 2019 to 30 June 2019 are as follows:

On 11 January 2019, NBG proceeded with the partial cancellation of €100 million of Series 9 covered bonds and therefore the outstanding amount as at 30 June 2019 was €500 million, which has been retained by the Bank and used as collateral for the main refinancing operations of the ECB.

On 12 February 2019, the remaining amount of €100 million of Series 8 covered bonds, which initially had been retained by the Bank, was placed with EIB and therefore the outstanding amount that NBG sold to EIB as at 30 June 2019 was €200 million.

The major transactions regarding debt securities in issue and other borrowed funds after 30 June 2019 are as follows:

On 18 July 2019, the Bank completed a public issuance of a Tier II note, totalling €400 million. The note has a 10-year maturity with right to early redemption by the issuer on the completion of 5 years. The annual interest rate for the first 5 years is set at 8.25%. If the right to early redemption is not exercised, the annual interest rate for the remaining 5-year period will be reset to a fixed rate equal to the 5-year mid-swap rate prevailing at the time plus 846.4 basis points.

On 8 August 2019, the final terms of Series 9 covered bond Program II have been amended and the maturity date of the respective Series has been extended from 14 August 2019 to 14 August 2020. Furthermore, on 13 August 2019, NBG proceeded with an additional partial cancellation of €100 million of Series 9 and therefore the remaining outstanding amount is currently €400 million, all of which is retained by the Bank.

NOTE 15: Contingent liabilities, pledged, transfers of financial assets and commitments

a. Legal proceedings

The Group is a defendant in certain claims and legal actions arising in the ordinary course of business. For the cases for which a provision has not been recognized, Management is unable to estimate the possible losses because the proceedings may last for many years, many of the proceedings are in early stages, there is uncertainty of the likelihood of the final result, there is uncertainty as to the outcome of the pending appeals and there are significant issues to be resolved. However, in the opinion of Management, after consultation with its legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated or separate Statement of Financial Position, Income Statement and Cash Flow Statement, taking into account that at 30 June 2019 the Group and the Bank has provided for cases under litigation the amounts of €64 million and €61 million respectively (31 December 2018: €67 million and €64 million respectively).

b. NBG Auxiliary Pension Fund (LEPETE)

Status of open litigation between the Bank and LEPETE and former employees

The Bank, up to October 2017, provided financial assistance to the Auxiliary Pension Plan (LEPETE) in order for LEPETE to cover cash shortfalls. Subsequently, the Board of Directors decided that the Bank would not provide any additional assistance to LEPETE from October 2017 onwards. Since December 2017, LEPETE has ceased making payments to the pensioners. There are pending legal actions against the Bank from LEPETE and former employees who are disputing the defined contribution status of the plan, claiming that the Bank has an obligation to cover any deficit arising.

Up to 19 August 2019, nine applications for preliminary injunctions were rejected, 21 temporary injunctive measures were ruled in favour of the Bank, whereas five injunction orders were ruled in favour of former employees. For these five injunction orders against the Bank, the Bank recognises the relevant expense as incurred. Up to 19 August 2019, the Bank has paid in a total of €660 thousand. Furthermore, there have been 114 legal claims of which 99 have been heard in court and 39 decisions have been issued. Eight first instance court decisions were not in favour of the Bank, and the Bank has filed 7 appeals while 31 decisions were in favour of the Bank for which 25 appeals have been filed until now. It is noted that the Bank has appealed directly to the Supreme Court for one of the above eight negative decisions. The appeal will be heard before the Supreme Court on 17 December 2019. In the same case, NBG has filed for interim measures of suspension of the unfavourable decision and the Supreme Court has approved the application and granted the requested interim measures.

The Bank has not yet made any payment with respect to any of the decisions against it and has not recorded any provisions for these pending legal actions, since management has assessed that the likelihood of the final outcome of the outstanding legal claims being negative is remote.

Introduction of Law 4618/2019

On 10 June 2019 a legislative amendment (Law 4618/2019 art.24) effectively transferring Bank employees and pensioners from LEPETE to Unified Fund for Auxiliary Insurance and Lump Sum Benefits ("ETEAEP"), the state auxiliary pension plan, was enacted, stipulating, inter alia, that the Bank should cover the following costs:

(a) the normal employer's contributions for the employees transferred to ETEAEP, from 1 January 2019 and onwards. The applicable rates are 3.50% from 1 January to 31 May 2019, 3.25% from 1 June 2019 to 31 May 2022 and 3.00% from 1 June 2022 and onwards;
(b) a retrospective payment in relation to the 2018 pensions to be calculated on the basis provided by Law 4618/2019. This amount has been estimated by the Bank to €50 million. The Law 4618/2019 provides that the 1/5 of the total amount is payable by 31 August 2019 whereas the remaining amount is due in instalments and at the latest by 31 December 2020.
(c) supplementary social security contributions of €40 million per annum from 2019 to 2023;
(d) supplementary employer's contributions from 1 January 2024 onwards to be defined following a study to be prepared by the Greek National Actuarial Authority. The Bank cannot provide a reasonable estimate of the related costs, as Law 4618/2019 does not provide the basis under which the relevant study would be carried out, nor the required clarity as to the extent that any shortfalls would be covered by the Bank; and
(e) the normal employees' contributions for the period from 1 January to 31 May 2019, only.

Further to this legislative amendment and related Ministerial Decision 28153/276/21.6.2019, on 5 July 2019, the Bank addressed a statement to ETEAEP informing it that it will continue to pay to ETEAEP, as from 1 June 2019 onwards, the corresponding, in accordance with the applicable provisions, auxiliary pension employer's and employee's contributions with regard to the persons (employees) who had been insured by LEPETE up to the enactment of the aforementioned legislative amendment. The Bank in the same statement pointed out that any private relationship between the Bank and LEPETE has been terminated and thus no payment of any kind will be carried out in the future.

The Bank considers that the above legislative amendment opposes fundamental constitutional provisions and, in this context, filed to the Council of State an application for the annulment of the relevant administrative decisions issued on the basis of Law 4618/2019, which is planned for hearing before the Council on 2 December 2019 and an application for the suspension of enforcement of the above.

On 5 August 2019, NBG received the decision of the Council of State that rejected the application for the suspension of enforcement of the ministerial decision, but purely due to formal and procedural reasons as, according to the court ruling, the request for suspension related in substance to the suspension of provisions of the actual law, which is not compatible with procedural rules and court jurisprudence. On the other hand the Council of State through the reasoning of its decision connects its final judgement as concerns the application for the annulment to the outcome of the proceedings before the Civil Courts (especially before the Supreme Court). Furthermore, it considers that the aforementioned law does not impose on the Bank the burden of covering deficits nor of paying the retirement amounts to the retirees itself and consequently, that the law does not establish any liability for NBG from 1 January 2024 onwards.

On 2 July 2019, the Bank paid an amount of €36 million with respect to the supplementary contribution for 2019 as required by the ministerial decision (see (c) above) and recorded it as an advance to ETEAEP. In addition, on 31 July 2019, the Bank had to pay €1 million corresponding to the employer's and employees contributions for January 2019 (see (a) and (e) above) but due to technical issues of ETEAEP systems, the payment has not yet been made.

The Bank has not recorded any expense and provisions in relation to items (b) to (e) above, as management estimates that the said legislative amendment, stipulating that the Bank should assume costs relating to existing pensioners to which the Bank considers that it had no liability under the previous regime (LEPETE scheme), will be deemed unconstitutional by the Council of State, taking also into account that the likelihood of the final outcome of the outstanding legal claims before the Civil Courts being negative is remote. In this context, the Bank expects that any amounts paid or to be paid for items (b) to (e), prior to the decision of the Council of State in relation to the petition for annulment, will be either reimbursed or off-set against future contributions to ETEAEP (item (a) above).

Depending on the outcome of the petition for annulment before the Council of State, the appeal to the Supreme Court and any further legal actions the Bank may proceed with, the assessment of management as to the probability of outflows may change, in which case the Bank may need to record significant provisions in future periods with respect to the above issue.

c. Pending tax audits

Tax authorities have not yet audited all subsidiaries for certain financial years and accordingly their tax obligations for those years may not be considered final. Additional taxes and penalties may be imposed as a result of such tax audits; although the amount cannot be determined, it is not expected to have a material effect on the consolidated Statement of Financial Position.

The years 2011-2016 have been tax audited by Deloitte Certified Public Accountants S.A., in accordance with article 82 of law 2238/1994 and subsequently with article 65A of Law 4174/2013 and the tax audit certificates which were unqualified, were issued on 27 July 2012, 27 September 2013, 10 July 2014, 30 October 2015, 30 September 2016 and 23 October 2017 respectively. The year 2017 has been tax audited by PWC S.A. and the tax certificate which was unqualified issued on 26 October 2018. Tax audit for 2018, by PwC S.A., is currently in progress, expected to be finalized with the issuance of tax certificate, by the end of September 2019.

On 31 December 2018, the right of the tax authorities to issue a deed for re-calculation of income tax for the years up to and including year 2012 expired. In accordance with Ministerial Decision 1159/2011, the year 2013 is considered as tax audited due to the passage of the 18-month period from the issue of the tax certificate during which the tax authorities were entitled to tax audit the entity. However, under Decision 1680/2018 of the Legal Counsel of the State, the year 2013 should not be considered as permanently tax audited until a final decision by the Supreme Court. For the years 2014 onwards, in accordance with the Ministerial Decision 1006/2016 there is no exception from tax audit by the tax authorities to those entities that have been tax audited by the independent auditor and its tax audit certificate was unqualified.

Therefore, the tax authorities may re-audit the tax books of the Bank. However, it is not expected to have a material effect on the consolidated Statement of Financial Position.

For the subsidiaries and associates regarding unaudited tax years refer to Note 22.

d. Credit commitments

In the normal course of business, the Group enters into a number of contractual commitments on behalf of its customers and is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These contractual commitments consist of commitments to extend credit, commercial letters of credit and standby letters of credit and guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Commercial letters of credit ensure payment by the Bank to a third party for a customer's foreign or domestic trade transactions, generally to finance a commercial contract for the shipment of goods. Standby letters of credit and financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Group. The Group's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual nominal amount of those instruments. The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Standby letters of credit and financial guarantees written	2,770	2,760	3,355	3,344
Commercial letters of credit	218	279	243	297
Total	**2,988**	**3,039**	**3,598**	**3,641**

Total commitments to extend credit at 30 June 2019 are €6,180 million and €5,951 for the Group and the Bank, respectively (31 December 2018: €6,350 million and €6,027, respectively). Commitments to extend at 30 June 2019 do not include any amounts, which cannot be cancelled without certain conditions being met at any time and without notice, or for which automatic cancellation due to credit deterioration of the borrower is not allowed.

e. Assets pledged

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Assets pledged as collateral	**3,741**	**5,138**	**3,741**	**5,138**

As at 30 June 2019, the Group and the Bank have pledged mainly for funding purposes with the ECB and financial institutions, the following instruments:

- trading and investment debt instruments of €1,658 million;
- loans and advances to customers amounting to €799 million; and
- covered bonds of a nominal value of €1,284 million backed with mortgage loans of total value of €1,959 million;

In addition to the pledged items presented in the table above, as at 30 June 2019, the Group and the Bank have pledged an amount of €318 million included in due from banks with respect to a guarantee for the non-payment risk of the Hellenic Republic, as well as Hellenic Republic Treasury bills of €363 million for trade finance purposes.

Moreover, the Group and the Bank have received assets from third parties that can be sold or re-pledged, that are not recognized on the balance sheet, but they are held as collateral. The fair value of these assets that were used as collateral for funding purposes with ECB and financial institutions was €1,499 million, for the Group and the Bank.

NOTE 16: Share capital, share premium and treasury shares

Share Capital – Ordinary Shares

The total number of ordinary shares as at 30 June 2019 and 31 December 2018 was 914,715,153, with a nominal value of 3.00 Euro per share.

Treasury shares

Treasury shares transactions are conducted by the Group subsidiary, NBG Securities S.A. and are summarized as follows:

	Group	
	No of shares	€ million
At 1 January 2018	**503,772**	**-**
Purchases	55,802,511	20
Sales	(55,932,483)	(20)
At 31 December 2018	**373,800**	**-**
Purchases	9,397,856	16
Sales	(9,119,836)	(15)
At 30 June 2019	**651,820**	**1**

NOTE 17: Tax effects relating to other comprehensive income / (expense) for the period

Group

	6 month period ended 30.06.2019			6 month period ended 30.06.2018		
	Gross	Tax	Net	Gross	Tax	Net
Items that may be reclassified subsequently to profit or loss:						
Unrealised gains / (losses) on investments in debt instruments measured at FVTOCI	523	(65)	458	(19)	2	(17)
Gains / (losses) on investments in debt instruments measured at FVTOCI reclassified to profit or loss on disposal	(119)	14	(105)	(44)	(21)	(65)
Impairment loss recognised on investments in debt instruments classified at FVTOCI	(1)	-	(1)	4	(1)	3
Investments in debt instruments	**403**	**(51)**	**352**	**(59)**	**(20)**	**(79)**
Currency translation differences	(1)	-	(1)	(7)	-	(7)
Currency translation differences	**(1)**	**-**	**(1)**	**(7)**	**-**	**(7)**
Cash flow hedge	(21)	-	(21)	-	-	-
Cash flow hedge	**(21)**	**-**	**(21)**	**-**	**-**	**-**
Net investment hedge	-	-	-	1	-	1
Net investment hedge	**-**	**-**	**-**	**1**	**-**	**1**
Total of items that may be reclassified subsequently to profit or loss	**381**	**(51)**	**330**	**(65)**	**(20)**	**(85)**
Items that will not be reclassified subsequently to profit or loss:						
Gains / (losses) on investments in equity instruments measured at FVTOCI	20	-	20	(2)	-	(2)
Gain/(loss) on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal	(2)	-	(2)	-	-	-
Total of items that will not be reclassified subsequently to profit or loss	**18**	**-**	**18**	**(2)**	**-**	**(2)**
Other comprehensive income / (expense) for the period	**399**	**(51)**	**348**	**(67)**	**(20)**	**(87)**

Bank

	6 month period ended 30.06.2019			6 month period ended 30.06.2018		
	Gross	Tax	Net	Gross	Tax	Net
Items that may be reclassified subsequently to profit or loss:						
Unrealised gains / (losses) on investments in debt instruments measured at FVTOCI	234	-	234	(1)	-	(1)
Gains / (losses) on investments in debt instruments measured at FVTOCI reclassified to profit or loss on disposal	(55)	-	(55)	(38)	(20)	(58)
Impairment loss recognised on investments in debt instruments classified at FVTOCI	(1)	-	(1)	1	-	1
Investments in debt instruments	**178**	**-**	**178**	**(38)**	**(20)**	**(58)**
Currency translation differences	**1**	**-**	**1**	**(1)**	**-**	**(1)**
Cash flow hedge	**(21)**	**-**	**(21)**	**1**	**-**	**1**
Total of items that may be reclassified subsequently to profit or loss	**158**	**-**	**158**	**(38)**	**(20)**	**(58)**
Items that will not be reclassified subsequently to profit or loss:						
Gains / (losses) on investments in equity instruments measured at FVTOCI	19	-	19	(5)	-	(5)
Gain/(loss) on investments in equity instruments designated as at FVTOCI transferred to retained earnings upon disposal	**(2)**	-	**(2)**	-	-	-
Total of items that will not be reclassified subsequently to profit or loss	**17**	**-**	**17**	**(5)**	**-**	**(5)**
Other comprehensive income / (expense) for the period	**175**	**-**	**175**	**(43)**	**(20)**	**(63)**

NOTE 18: Related party transactions

The nature of the significant transactions entered into by the Group with related parties during the 6-month period ended 30 June 2019 and 30 June 2018 and the significant balances outstanding as at 30 June 2019 and 31 December 2018 are presented below.

a. Transactions with members of the Board of Directors and management

The Group and the Bank entered into transactions with the members of the Board of Directors, the General Managers and the members of the Executive Committees of the Bank, the key management of other Group companies, as well as with the close members of family and entities controlled or jointly controlled by those persons.

All loans granted to related parties (i) were made in the ordinary course of business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (iii) did not involve more than the normal risk of collectability or present other unfavourable features.

The list of the members of the Board of Directors of the Bank is presented under Note 1.

As at 30 June 2019, loans, deposits/liabilities and letters of guarantee, at Group level, amounted to €3 million, €6 million and NIL respectively (31 December 2018: €4 million, €8 million and NIL respectively), whereas the corresponding figures at Bank level amounted to €3 million, €3 million and NIL respectively (31 December 2018: €4 million, €5 million and NIL respectively).

Total compensation to related parties for the period ended 30 June 2019, amounted to €5 million (30 June 2018: €5 million) for the Group and to €3 million (30 June 2018: €3 million) for the Bank, mainly relating to short-term benefits and in particular salaries and social security contributions.

b. Transactions with subsidiaries, associates and joint ventures

Transactions and balances between the Bank, its subsidiaries, associates and joint ventures are set out in the table below. At a Group level, only transactions and balances with associates and joint ventures are included, as transactions and balances with subsidiaries are eliminated on consolidation.

	Group	
	30.06.2019	31.12.2018
Assets	19	17
Liabilities	11	11
Letters of guarantee, contingent liabilities and other off balance sheet accounts	1	1
	6 month period ended	
	30.06.2019	30.06.2018
Interest, commission and other expense	2	1

	Bank					
	30.06.2019			31.12.2018		
	Subsidiaries	Associates & Joint Ventures	Total	Subsidiaries	Associates & Joint Ventures	Total
Assets	1,446	19	1,465	1,660	17	1,677
Liabilities	1,310	11	1,321	1,484	11	1,495
Letters of guarantee, contingent liabilities and other off balance sheet accounts	1,497	1	1,498	2,707	1	2,708
	6 month period ended 30.06.2019			6 month period ended 30.06.2018		
Interest, commission and other income	27	-	27	33	-	33
Interest, commission and other expense	35	2	37	42	1	43

c. Transactions with other related parties

The total receivables of both, the Group and the Bank, from the employee benefits related funds as at 30 June 2019 amounted to €747 million (31 December 2018: €747 million). For these receivables the Group recognized a provision of €742 million (30 June 2018: €731 million).

The total payables of the Group and the Bank to the employee benefits related funds as at 30 June 2019, amounted to €110 million and €36 million respectively (31 December 2018: €135 million and €49 million respectively).

d. Hellenic Financial Stability Fund

Taking into consideration the HFSF Law, the Relationship Framework Agreement ("RFA") between the Bank and the HFSF that was signed in December 2015, the fact that HFSF holds 40.39% of the Bank's ordinary shares, of which 38.92% with full voting rights and that HFSF has representation in the Bank's Board of Directors and other Board Committees of the Bank, HFSF is considered a related party of the Group. Other than the ordinary shares issued by the Bank and held by HFSF, no material transactions or balances exist with HFSF.

NOTE 19: Capital adequacy

In June 2013, the European Parliament and the Council of Europe issued Directive 2013/36/EU and Regulation (EU) No 575/2013 (known as CRD IV and CRR respectively), which incorporate the key amendments that have been proposed by the Basel Committee for Banking Supervision (known as Basel III). Directive 2013/36/EU has been transported into Greek Law by virtue of Law 4261/2014 and Regulation (EU) No 575/2013 has been directly applicable to all EU Member States since 1 January 2014 and certain changes under CRD IV were implemented gradually.

Regulation (EU) No 575/2013 defines the minimum capital requirements (Pillar 1 requirements) and Directive 2013/36/EU defines the combined buffer requirements for EU institutions. In addition, Directive 2013/36/EU provides (Art. 97 et seq.) that Competent Authorities regularly carry out the Supervisory Review and Evaluation process ("SREP"), to assess and measure risks not covered, or not fully covered, under Pillar 1 and determine additional capital and liquidity requirements (Pillar 2 requirements). SREP is conducted under the lead of the ECB. The SREP decision is tailored to each bank's individual profile.

The table below summarises Pillar 1 & 2 capital requirements for the Group for 2019 and 2018:

	CET1 Capital Requirements		Overall Capital Requirements	
	2019	2018	2019	2018
Pillar 1	4.5%	4.5%	8.0%	8.0%
Pillar 2	3.0%	3.0%	3.0%	3.0%
Capital Conservation Buffer	2.5%	1.875%	2.5%	1.875%
O-SII Buffer	0.25%	0.00%	0.25%	0.00%
Total	**10.25%**	**9.375%**	**13.75%**	**12.875%**

The capital adequacy ratios for the Group and the Bank are presented in the table below:

	Group		Bank	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Common Equity Tier 1	**14.8%**	**16.1%**	**15.2%**	**16.5%**
Tier 1	**14.8%**	**16.1%**	**15.2%**	**16.5%**
Total	**14.8%**	**16.2%**	**15.2%**	**16.7%**

DTC Law

Article 27A of Law 4172/2013 ("DTC Law"), as currently in force, allows credit institutions, under certain conditions, and from 2017 onwards to convert deferred tax assets ("DTAs") arising from (a) private sector initiative ("PSI") losses, (b) accumulated provisions for credit losses recognized as at 30 June 2015, (c) losses from final write off or the disposal of loans and (d) accounting write offs, which will ultimately lead to final write offs and losses from disposals, to a receivable ("Tax Credit") from the Greek State. Items (c) and (d) above were added with Law 4465/2017 enacted on 29 March 2017. The same Law 4465/2017 provided that Tax Credit cannot exceed the tax corresponding to accumulated provisions recorded up to 30 June 2015 less (a) any definitive and cleared tax credit, which arose in the case of accounting loss for a year according to the provisions of par.2 of article 27A, which relate to the above accumulated provisions, (b) the amount of tax corresponding to any subsequent specific tax provisions, which relate to the above accumulated provisions and (c) the amount of the tax corresponding to the annual amortization of the debit difference that corresponds to the above provisions and other losses in general arising due to credit risk.

The main condition for the conversion of DTAs to a Tax Credit is the existence of an accounting loss on a solo basis of a respective year, starting from accounting year 2016 and onwards. The Tax Credits will be calculated as a ratio of IFRS accounting losses to net equity (excluding the year's losses) on a solo basis and such ratio will be applied to the remaining Eligible DTAs in a given year to calculate the Tax Credit that will be converted in that year, in respect of the prior tax year. The Tax Credit may be offset against income taxes payable. The non-offset part of the Tax Credit is immediately recognized as a receivable from the Greek State. The Bank is obliged to issue conversion rights to the Greek State for an amount of 100% of the Tax Credit in favour of the Greek State and will create a specific reserve for an equal amount. Common shareholders have pre-emption rights on these conversion rights. The reserve will be capitalized with the issuance of common shares in favour of the Greek State. This legislation allows credit institutions to treat such DTAs as not "relying on future profitability" according to CRD IV, and as a result such DTAs are not deducted from CET1, hence improving a credit institution's capital position.

Furthermore, Law 4465/2017 amended article 27 “Carry forward losses” by introducing an amortization period of 20 years for losses due to loan write offs as part of a settlement or restructuring and losses that crystallize as a result of a disposal of loans.

On 7 November 2014 the Bank convened an extraordinary General Shareholders Meeting which resolved to include the Bank in the DTC Law. In order for the Bank to exit the provisions of the DTC Law it requires regulatory approval and a General Shareholders meeting resolution.

As of 30 June 2019, the amount of DTAs that were eligible for conversion to a receivable from the Greek State subject to the DTC Law was €4.5 billion (31 December 2018: €4.6 billion). The conditions for conversion rights were not met in the year ended 31 December 2018 and no conversion rights are deliverable in 2019.

NOTE 20: Fair value of financial assets and liabilities

a. Financial instruments not measured at fair value

The table below summarises the carrying amounts and the fair values of those financial assets and liabilities that are not presented on the Group’s and the Bank’s Statement of Financial Position at fair value and the fair value is materially different from the carrying amount.

Financial instruments not measured at fair value - Group

	Carrying amount	Fair value
	30.06.2019	30.06.2019
Financial Assets		
Loans and advances to customers	29,807	29,369
Investment securities at amortised cost	6,133	6,055
Financial Liabilities		
Due to customers	42,198	42,237
Debt securities in issue	954	986

	Carrying amount	Fair value
	31.12.2018	31.12.2018
Financial Assets		
Loans and advances to customers	30,001	29,273
Investment securities at amortised cost	1,872	1,253
Financial Liabilities		
Due to customers	41,984	42,040
Debt securities in issue	1,146	1,164

Financial instruments not measured at fair value - Bank

	Carrying amount	Fair value
	30.06.2019	30.06.2019
Financial Assets		
Loans and advances to customers	28,663	28,225
Investment securities at amortised cost	5,949	5,871
Financial Liabilities		
Due to customers	41,237	41,276
Debt securities in issue	955	986

	Carrying amount	Fair value
	31.12.2018	31.12.2018
Financial Assets		
Loans and advances to customers	28,970	28,242
Investment securities at amortised cost	1,752	1,134
Financial Liabilities		
Due to customers	41,206	41,262
Other borrowed funds	847	866

The following methods and assumptions were used to estimate the fair values of the above financial instruments at 30 June 2019 and 31 December 2018:

The carrying amount of cash and balances with central banks, due from and due to banks, as well as accrued interest, approximates their fair value.

Loans and advances to customers: The fair value of loans and advances to customers is estimated using discounted cash flow models. The discount rates are based on current market interest rates offered for instruments with similar terms to borrowers of similar credit quality.

Investment securities at amortised cost: The fair value of investment securities at amortised cost is estimated using market prices, or using discounted cash flow models based on current market interest rates offered for instruments with similar credit quality.

Due to customers: The fair value for demand deposits and deposits with no defined maturity is determined to be the amount payable on demand at the reporting date. The fair value for fixed-maturity deposits is estimated using discounted cash flow models based on rates currently offered for the relevant product types with similar remaining maturities.

Debt securities in issue: Fair value is estimated using market prices, or if such are not available, using a discounted cash flow analysis, based on current market rates of similar maturity and credit quality debt securities.

Other borrowed funds: Fair value of other borrowed funds is estimated using market prices, or discounted cash flow analysis based on the Group's current incremental borrowing rates for similar types of borrowing arrangements.

b. Financial instruments measured at fair value

The tables below present the fair values of those financial assets and liabilities presented on the Group's and the Bank's Statement of Financial Position at fair value by fair value measurement level at 30 June 2019 and 31 December 2018:

Financial instruments measured at fair value - Group

As at 30 June 2019	Fair value measurement using			
	Level 1	Level 2	Level 3	Total asset/ liability at Fair value
Financial Assets				
Financial assets at fair value through profit or loss	354	68	-	422
Financial assets mandatorily at fair value through profit or loss	18	14	150	182
Derivative financial instruments	16	4,971	16	5,003
Investment securities at fair value through other comprehensive income	1,227	2,273	48	3,548
Total	**1,615**	**7,326**	**214**	**9,155**
Financial Liabilities				
Due to customers designated as at fair value through profit or loss	-	745	-	745
Derivative financial instruments	14	2,939	12	2,965
Total	**14**	**3,684**	**12**	**3,710**

As at 31 December 2018	Fair value measurement using			
	Level 1	Level 2	Level 3	Total asset/ liability at Fair value
Financial Assets				
Financial assets at fair value through profit or loss	375	675	-	1,050
Financial assets mandatorily at fair value through profit or loss	156	3,287	159	3,602
Derivative financial instruments	30	3,753	8	3,791
Investment securities at fair value through other comprehensive income	827	1,693	48	2,568
Total	**1,388**	**9,408**	**215**	**11,011**
Financial Liabilities				
Due to customers designated as at fair value through profit or loss	-	1,043	-	1,043
Derivative financial instruments	12	2,115	4	2,131
Total	**12**	**3,158**	**4**	**3,174**

Financial instruments measured at fair value - Bank

As at 30 June 2019	Fair value measurement using			
	Level 1	Level 2	Level 3	Total asset/ liability at Fair value
Financial Assets				
Financial assets at fair value through profit or loss	337	68	-	405
Financial assets mandatorily at fair value through profit or loss	13	14	150	177
Derivative financial instruments	16	4,971	16	5,003
Investment securities at fair value through other comprehensive income	1,227	2,193	48	3,468
Total	**1,593**	**7,246**	**214**	**9,053**
Financial Liabilities				
Due to customers designated as at fair value through profit or loss	-	745	-	745
Derivative financial instruments	14	2,938	12	2,964
Total	**14**	**3,683**	**12**	**3,709**

As at 31 December 2018	Fair value measurement using			
	Level 1	Level 2	Level 3	Total asset/ liability at Fair value
Financial Assets				
Financial assets at fair value through profit or loss	368	675	-	1,043
Financial assets mandatorily at fair value through profit or loss	152	3,287	159	3,598
Derivative financial instruments	30	3,753	8	3,791
Investment securities at fair value through other comprehensive income	827	1,612	48	2,487
Total	**1,377**	**9,327**	**215**	**10,919**
Financial Liabilities				
Due to customers designated as at fair value through profit or loss	-	1,043	-	1,043
Derivative financial instruments	12	2,115	4	2,131
Total	**12**	**3,158**	**4**	**3,174**

The tables below present the fair values for the assets and liabilities classified as held-for-sale in the Group's and the Bank's Statement of Financial Position and measured at fair value for 30 June 2019 and 31 December 2018:

Held for Sale Operations - Financial instruments measured at fair value – Group

As at 30 June 2019	Fair value measurement using			
	Level 1	Level 2	Level 3	Total asset/ liability at Fair value
Financial Assets				
Financial assets at fair value through profit or loss	5	65	-	70
Derivative financial instruments	-	1	-	1
Investment securities at fair value through other comprehensive income	1,083	1,522	7	2,612
Insurance related assets and receivables	144	140	-	284
Total	**1,232**	**1,728**	**7**	**2,967**
Financial Liabilities				
Derivative financial instruments	-	1	-	1
Total	**-**	**1**	**-**	**1**

As at 31 December 2018	Fair value measurement using			
	Level 1	Level 2	Level 3	Total asset/ liability at Fair value
Financial Assets				
Financial assets at fair value through profit or loss	3	61	-	64
Derivative financial instruments	-	1	-	1
Available-for-sale investment securities	1,016	993	6	2,015
Insurance related assets and liabilities	151	119	-	270
Total	**1,170**	**1,174**	**6**	**2,350**

Held for Sale Operations - Financial instruments measured at fair value - Bank

As at 30 June 2019	Fair value measurement using			
	Level 1	Level 2	Level 3	Total asset/ liability at Fair value
Financial Assets				
Financial assets at fair value through profit or loss	-	54	-	54
Total	**-**	**54**	**-**	**54**

As at 31 December 2018	Fair value measurement using			
	Level 1	Level 2	Level 3	Total asset/ liability at Fair value
Financial Assets				
Financial assets at fair value through profit or loss	-	50	-	50
Total	**-**	**50**	**-**	**50**

Transfers between Level 1 and Level 2

During the period ended 30 June 2019, certain fair value through profit or loss securities issued by EFSF for which the Group and the Bank determined that sufficient liquidity and trading did not exist as at 30 June 2019, have been transferred from Level 1 to Level 2 according to the Group's fair value hierarchy policy. The carrying amount of the fair value through profit or loss securities transferred as at 30 June 2019 was €32 million.

As at 31 December 2018, there were no transfers of financial assets or liabilities between fair value hierarchy levels according to the Group fair value hierarchy policy.

All transfers between levels are assumed to happen at the end of the reporting period.

Level 3 financial instruments

Level 3 financial instruments at 30 June 2019 and 31 December 2018 include:

(a) Derivative products, which are valued using valuation techniques with significant unobservable inputs, including certain correlation products, such as correlation between various interest indices. They also include derivatives for which the CVA is based on significant unobservable inputs and the amount of the CVA is significant relative to the total fair value of the derivative.

(b) Securities mandatorily at fair value through profit or loss, for which the models used to estimate their fair value is based on unobservable credit spreads or which are price-based and the price is obtained from the issuers of the securities. They also include loans and advances to customers mandatorily at fair value through profit or loss, which are valued using discounted cash flow valuation techniques incorporating unobservable credit spreads.

(c) Equity securities at fair value through other comprehensive income, which are not traded in active markets and their fair value is estimated using an income or market approach, for which the main inputs used are not market observable.

The table below presents a reconciliation of all Level 3 fair value measurements for the period ended 30 June 2019 and 30 June 2018, including realized and unrealized gains/(losses) included in the "income statement" and "statement of other comprehensive income".

Transfers into or out of Level 3

The Group conducts a review of the fair value hierarchy classifications on a quarterly basis. For the period ended 30 June 2019 and 30 June 2018, transfers from Level 2 into Level 3 include derivative instruments for which the bilateral CVA adjustment is significant to the base fair value of the respective instruments.

Reconciliation of fair value measurements in Level 3 – Group

	2019		
	Net derivative financial instruments	Investment securities at FVTOCI	Mandatorily at FVTPL
Balance at 1 January	**4**	**48**	**159**
Gain / (loss) included in Income Statement	(2)	-	(6)
Settlements	(1)	-	(3)
Transfer into/ (out of) Level 3	3	-	-
Balance at 30 June	**4**	**48**	**150**

	2018			
	Available-for-sale investment securities	Net derivative financial instruments	Investment securities at FVTOCI	Mandatorily at FVTPL
Balance at 1 January	**8**	**8**	**-**	**-**
Impact of IFRS 9	(8)	-	24	185
Balance at 1 January	**-**	**8**	**24**	**185**
Gain / (loss) included in Income Statement	-	(11)	-	8
Gain / (loss) included in OCI	-	-	1	-
Sales	-	-	-	(1)
Settlements	-	(1)	-	(8)
Transfer into / (out of) Level 3	-	11	-	-
Balance at 30 June	**-**	**7**	**25**	**184**

Reconciliation of fair value measurements in Level 3 – Bank

	2019		
	Net derivative financial instruments	Investment securities at FVTOCI	Mandatorily at FVTPL
Balance at 1 January	**4**	**48**	**159**
Gain / (loss) included in Income Statement	(2)	-	(6)
Settlements	(1)	-	(3)
Transfer into/ (out of) Level 3	3	-	-
Balance at 30 June	**4**	**48**	**150**

	2018			
	Available-for-sale investment securities	Net derivative financial instruments	Investment securities at FVTOCI	Mandatorily at FVTPL
Balance at 1 January	**8**	**-**	**-**	**-**
Impact of IFRS 9	(8)	-	23	185
Balance at 1 January	**-**	**-**	**23**	**185**
Gain / (loss) included in Income Statement	-	(2)	-	8
Gain / (loss) included in OCI	-	-	2	-
Sales	-	-	-	(1)
Settlements	-	(1)	-	(8)
Transfer into/ (out of) Level 3	-	10	-	-
Balance at 30 June	**-**	**7**	**25**	**184**

Changes in unrealised gains/ (losses) included in the income statement of financial instruments measured at fair value using significant unobservable inputs (level 3) relate to financial assets mandatorily at fair value through profit or loss and net derivative financial instruments for the period ended 30 June 2019, and amount to €(5) million and NIL respectively, both for the Group and the Bank.

Changes in unrealised gains/ (losses) included in the income statement of financial instruments measured at fair value using significant unobservable inputs (level 3) relate to financial assets mandatorily at fair value through profit or loss and net derivative financial instruments for the period ended 30 June 2018, and amount to €8 million and €(2) million respectively, both for the Group and the Bank.

Valuation Process and Control Framework

The Group has various processes in place to ensure that the fair values of its assets and liabilities are reasonably estimated and has established a control framework which is designed to ensure that fair values are validated by functions independent of the risk-taker. To that end, the Group utilizes various sources for determining the fair values of its financial instruments and uses its own independent functions to validate these results, where possible.

Fair values of debt securities are determined either by reference to prices for traded instruments in active markets, to external quotations or widely accepted financial models, which are based on market observable or unobservable information where the former is not available, as well as relevant market based parameters such as interest rates, option volatilities, currency rates, etc.

The Group may, sometimes, also utilize third-party pricing information, and perform validating procedures on this information to the extent possible or base its fair value on the latest transaction prices available, given the absence of an active market or similar transactions or other market observable inputs. All such instruments are categorized within the lowest level of fair value hierarchy (i.e. Level 3).

Generally, fair values of debt securities, including significant inputs on the valuation models are independently checked and validated by the Middle Office and Risk Management function on a systematic basis.

Fair values of derivatives are determined by Management using valuation models which include discounted cash-flow models, option pricing models or other appropriate models. Adequate control procedures are in place for the validation of these models, including the valuation inputs, on a systematic basis. Middle Office and Risk Management functions provide the control valuation framework necessary to ensure that the fair values are reasonably determined, reflecting current market circumstances and economic conditions. Furthermore, over-the-counter derivatives are also compared on a daily basis with counterparties' valuations, under the daily collateral management process.

Market Valuation Adjustments

Counterparty credit risk-adjustments are applied to all over-the-counter derivatives. Own credit-risk adjustments are applied to reflect the Group's own credit risk when valuing derivatives. Bilateral credit-risk adjustments consider the expected cash flows between the Group and its counterparties under the relevant terms of the derivative instruments and the effect of the credit-risk profile of the counterparties on the valuation of these cash flows. Where appropriate, the Group and the Bank take into consideration the credit-risk mitigating arrangements, including collateral agreements and master netting arrangements, for the purpose of estimating own and counterparty credit risk valuation adjustments.

Quantitative Information about Level 3 Fair Value Measurements 30 June 2019

Financial Instrument	Fair Value (in € million)+	Valuation Technique	Significant Unobservable Input	Range of Inputs	
				Low	High
Investment securities mandatorily at fair value through profit or loss	8	Price Based	Price	93.76	100.00
	10	Discounted Cash Flows	Credit Spread	679 bps	1400 bps
Interest Rate Derivatives	3	Discounted Cash Flows, Internal Model (for CVA/DVA)	Credit Spread	110 bps	804 bps
	(1)	Discounted Cash Flows	Constant Maturity Swap correlation between different tenors	-50.00%	100.00%
Other Derivatives	2	Discounted Cash Flows, Internal Model (for CVA/DVA)	Credit Spread	110 bps	804 bps
Investment Securities at fair value through other comprehensive income	48	Income and market approach	n/a[1]	n/a[1]	n/a[1]
Loans and advances to customers mandatorily at fair value through profit or loss	131	Discounted Cash Flows	Credit Spread	300 bps	650 bps

[1] Equity securities at fair value through other comprehensive income include equity securities which are not traded in active markets. In the absence of an active market the fair value of these securities is estimated using a market or an income valuation approach. Given the bespoke nature of the valuation method in respect of each holding, it is not practicable to quote a range of unobservable inputs.

Quantitative Information about Level 3 Fair Value Measurements 31 December 2018

Financial Instrument	Fair Value (in € million)	Valuation Technique	Significant Unobservable Input	Range of Inputs	
				Low	High
Investment securities mandatorily at fair value through profit or loss	8	Price based	Price	93.76	100.00
	18	Discounted Cash Flows	Credit Spread	316 bps	366 bps
Interest Rate Derivatives	3	Discounted Cash Flows	Constant Maturity Swap correlation between different tenors	-50.00%	100.00%
Other Derivatives	1	Discounted Cash Flows, Internal Model (for CVA/DVA)	Credit Spread	814 bps	1360 bps
Investment Securities at fair value through other comprehensive income	48	Income and market approach	n/a[1]	n/a[1]	n/a[1]
Loans and advances to customers mandatorily at fair value through profit or loss	133	Discounted Cash Flows	Credit Spread	300 bps	650 bps

[1] Equity securities at fair value through other comprehensive income include equity securities which are not traded in active markets. In the absence of an active market the fair value of these securities is estimated using a market or an income valuation approach. Given the bespoke nature of the valuation method in respect of each holding, it is not practicable to quote a range of unobservable inputs.

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

For structured interest rate derivatives, a significant change in the correlation inputs (e.g. the degree of correlation between two different interest rates, or between interest rates and foreign exchange rates) would have a significant impact on the fair value of the individual instrument; however, the magnitude and the direction of the impact depends on whether the Group is long or short the exposure, among other factors. Due to the limited exposure that the Group has to these instruments, a reasonable change in the above unobservable inputs would not be significant to the Group. Additionally, interest rate derivatives include interest rate swaps for which the bilateral credit valuation adjustment is significant in comparison to their fair value. The counterparty credit-risk adjustment in these cases is mainly driven by the internal ratings of the counterparty. A reasonable increase in the credit spread of these entities would result in an insignificant change in the fair value of the Group's financial instruments.

Other derivatives include derivatives for which the bilateral credit valuation adjustment is significant in comparison to their fair value. In these cases, the counterparty credit risk adjustment is mainly driven by the internal ratings of the counterparty. A reasonable increase in the credit spread of these entities would result in an insignificant change in the fair value of the Group's financial instruments.

For loans and advances to customers mandatorily at fair value through profit or loss, the valuation includes a parameter which is not observable in the market, i.e. the credit spread of the client. A reasonable increase in the respective credit spreads used would not have a significant effect on their fair value for the Group.

NOTE 21: Acquisitions, disposals and other capital transactions

Sale of Grand Hotel Summer Palace S.A.

On 5 April 2019, the Bank disposed of its 100% stake in Grand Hotel Summer Palace S.A. ("Grand Hotel") to Mitsis Company S.A. ("the Buyer"). The consideration less costs to sell was €50 million.

	Period ended 30 June 2019
Assets	
Due from banks	2
Property, plant and equipment	13
Deferred tax assets	5
Total assets	**20**
Net Assets disposed of	**20**

Gain on disposal of Grand Hotel

	Period ended 30 June 2019
Consideration received less costs to sell	50
Net Assets disposed of	(20)
Gain on disposal	**30**

Net cash inflow on disposal of Grand Hotel

	Period ended 30 June 2019
Consideration received less costs to sell	50
Less: Cash and cash equivalent balances disposed of	(2)
Net cash inflow	**48**

The gain on disposal of €30 million at Group level and €44 million at Bank level is included in the Net other income / (expense) line of the Income Statement (see Note 11).

Sale of NBG Pangaea REIC

On 23 May 2019, the Bank disposed of its 32.66% stake in NBG Pangaea REIC ("Pangaea") to Invel Real Estate B.V. and CL Hermes Opportunities L.P. ("the Buyers"). The consideration less costs to sell was €390 million.

	Period ended 30 June 2019
Assets	
Due from banks	119
Investment properties	904
Equity method investments	6
Goodwill, software and other intangible assets	15
Property, plant and equipment	719
Other assets	71
Total assets	**1,834**
Liabilities	
Other borrowed funds	291
Debt securities in issue	447
Deferred tax liabilities	19
Current income taxes	5
Other liabilities	65
Total liabilities	**827**
Net Assets disposed of	**1,007**

Gain on disposal of Pangaea

	Period ended 30 June 2019
Consideration received less costs to sell	390
Net Assets disposed of	(1,007)
Non-controlling interests	677
Gain on disposal	**60**

The gain on disposal of €60 million at Group level and €132 million at Bank level is included in the Profit / (loss) for the period from discontinued operations (see Note 11).

Net cash inflow on disposal of Pangaea

	Period ended 30 June 2019
Consideration received less costs to sell	390
Less: Cash and cash equivalent balances disposed of	(119)
Net cash inflow	**271**

NOTE 22: Group companies

			Group		Bank	
Subsidiaries	**Country**	**Tax years unaudited**	**30.06.2019**	**31.12.2018**	**30.06.2019**	**31.12.2018**
National Securities S.A.	Greece	2013-2018	100.00%	100.00%	100.00%	100.00%
NBG Asset Management Mutual Funds S.A.	Greece	2009-2018	100.00%	100.00%	100.00%	100.00%
Ethniki Leasing S.A.	Greece	2010-2018	100.00%	100.00%	100.00%	100.00%
NBG Property Services S.A.	Greece	2010-2018	100.00%	100.00%	100.00%	100.00%
Pronomiouhos S.A. Genikon Apothikon Hellados	Greece	2010-2018	100.00%	100.00%	100.00%	100.00%
Innovative Ventures S.A. (I-Ven)(4)	Greece	-	-	100.00%	-	-
Ethniki Hellenic General Insurance S.A. (2)	Greece	2013-2018	100.00%	100.00%	100.00%	100.00%
Grand Hotel Summer Palace S.A.(5)	Greece	-	-	100.00%	-	100.00%
KADMOS S.A.	Greece	2010-2018	100.00%	100.00%	100.00%	100.00%
DIONYSOS S.A.	Greece	2010-2018	99.91%	99.91%	99.91%	99.91%
EKTENEPOL Construction Company S.A.	Greece	2010-2018	100.00%	100.00%	100.00%	100.00%
Mortgage, Touristic PROTYPOS S.A.	Greece	2010-2018	100.00%	100.00%	100.00%	100.00%
Hellenic Touristic Constructions S.A.	Greece	2010-2018	78.04%	78.04%	78.04%	78.04%
Ethniki Ktimatikis Ekmetalefsis S.A.	Greece	2010-2018	100.00%	100.00%	100.00%	100.00%
Ethniki Factors S.A.	Greece	2010-2018	100.00%	100.00%	100.00%	100.00%
NBG Pangaea REIC(6)	Greece	-	-	32.66%	-	32.66%
Karolou S.A.(6)	Greece	-	-	32.66%	-	-
Probank M.F.M.C (1)	Greece	2013-2018	100.00%	100.00%	95.00%	95.00%
I-Bank Direct S.A.	Greece	2010-2018	100.00%	100.00%	99.90%	99.90%
Probank Leasing S.A.	Greece	2009-2018	99.87%	99.87%	99.87%	99.87%
NBG Insurance Brokers S.A.	Greece	2010-2018	100.00%	100.00%	99.90%	99.90%
Anaptixi Fragokklisia Real Estate S.A.(6)	Greece	-	-	32.66%	-	-
Irinna Ktimatiki S.A.(6)	Greece	-	-	32.66%	-	-
NBG Malta Holdings Ltd	Malta	2006-2018	100.00%	100.00%	-	-
NBG Bank Malta Ltd	Malta	2005-2018	100.00%	100.00%	-	-
ARC Management Two EAD (Special Purpose Entity)	Bulgaria	2014-2018	100.00%	100.00%	-	-
Bankteco E.O.O.D.	Bulgaria	2016-2018	100.00%	100.00%	100.00%	100.00%
PNG Properties E.A.D.(6)	Bulgaria	-	-	32.66%	-	-
I&B Real Estate(6)	Bulgaria	-	-	32.66%	-	-
Banca Romaneasca S.A.(2)	Romania	2013-2018	99.28%	99.28%	99.28%	99.28%
NBG Leasing IFN S.A.	Romania	2014-2018	100.00%	100.00%	100.00%	100.00%
S.C. Garanta Asigurari S.A.(2)	Romania	2003-2018	94.96%	94.96%	-	-
ARC Management One SRL (Special Purpose Entity)	Romania	2013-2018	100.00%	100.00%	-	-
Egnatia Properties S.A.(6)	Romania	-	-	32.66%	-	-
Stopanska Banka A.D.-Skopje	North Macedonia	2014-2018	94.64%	94.64%	94.64%	94.64%
NBG Greek Fund Ltd	Cyprus	2014-2018	100.00%	100.00%	100.00%	100.00%
National Bank of Greece (Cyprus) Ltd(2)	Cyprus	2006 & 2008-2018	100.00%	100.00%	100.00%	100.00%
National Securities Co (Cyprus) Ltd (1)	Cyprus	-	100.00%	100.00%	-	-
NBG Management Services Ltd	Cyprus	2014-2018	100.00%	100.00%	100.00%	100.00%
Ethniki Insurance (Cyprus) Ltd(2)	Cyprus	2004-2018	100.00%	100.00%	-	-
Ethniki General Insurance (Cyprus) Ltd(2)	Cyprus	2004-2018	100.00%	100.00%	-	-
National Insurance Agents & Consultants Ltd(2)	Cyprus	2008-2018	100.00%	100.00%	-	-
Quadratix Ltd(6)	Cyprus	-	-	32.66%	-	-
Lasmane Properties Ltd(6)	Cyprus	-	-	32.66%	-	-
CAC Coral Limited	Cyprus	-	100.00%	100.00%	100.00%	100.00%
Aphrodite Hills Resort Limited (6)	Cyprus	-	-	-	-	-
Aphrodite Springs Public Limited (6)	Cyprus	-	-	-	-	-
Vibrana Holdings Ltd(6)	Cyprus	-	-	-	-	-
NBG Asset Management Luxemburg S.A.	Luxembourg	2018	100.00%	100.00%	94.67%	94.67%
NBG International Ltd	U.K.	2003-2018	100.00%	100.00%	100.00%	100.00%
NBGI Private Equity Ltd(1)	U.K.	2003-2018	100.00%	100.00%	-	-
NBG Finance Plc	U.K.	2003-2018	100.00%	100.00%	100.00%	100.00%
NBG Finance (Dollar) Plc	U.K.	2008-2018	100.00%	100.00%	100.00%	100.00%
NBG Finance (Sterling) Plc(1)	U.K.	2008-2018	100.00%	100.00%	100.00%	100.00%
Titlos Plc (Special Purpose Entity)(1)	U.K.	-	-	-	-	-
Pangaea UK Finco Plc(3)	U.K.	-	-	32.66%	-	-
SINEPIA Designated Activity Company (Special Purpose Entity)	Ireland	2016-2018	-	-	-	-
NBG International Holdings B.V.	The Netherlands	2018	100.00%	100.00%	100.00%	100.00%
Nash S.r.L. (6)	Italy	-	-	32.66%	-	-
Fondo Picasso(6)	Italy	-	-	32.66%	-	-

Note:
(1) Companies under liquidation.
(2) Ethniki Hellenic General Insurance S.A. and its subsidiaries, Banca Romaneasca S.A., National of Bank Greece (Cyprus) Ltd and NBG Cairo Branch, have been reclassified to Non-current assets held for sale (See Note 11).
(3) Pangaea UK Finco Plc was incorporated in May 2018 and was dissolved on 8 January 2019.
(4) Innovative Ventures S.A. (I-Ven) was liquidated on 7 May 2019.
(5) Grand Hotel Summer Palace S.A. disposal was completed on 5 April 2019.
(6) NBG Pangaea REIC disposal was completed on 23 May 2019.

The Group's and Bank's equity method investments are as follows:

			Group		Bank	
	Country	Tax years unaudited	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Social Security Funds Management S.A.	Greece	2014-2018	20.00%	20.00%	20.00%	20.00%
Larco S.A.	Greece	2009-2018	33.36%	33.36%	33.36%	33.36%
Eviop Tempo S.A.	Greece	2014-2018	21.21%	21.21%	21.21%	21.21%
Teiresias S.A.	Greece	2010-2018	39.93%	39.93%	39.93%	39.93%
Planet S.A.	Greece	2009-2018	36.99%	36.99%	36.99%	36.99%
Pyrrichos Real Estate S.A.	Greece	2012-2018	21.83%	21.83%	21.83%	21.83%
SATO S.A.	Greece	2014-2018	23.74%	23.74%	23.74%	23.74%
Olganos S.A.	Greece	2014-2018	33.60%	33.60%	33.60%	33.60%

NOTE 23: Events after the reporting period

- On 18 July 2019, the Bank completed a public issuance of a Tier II note, totalling €400 million and on 13 August 2019, NBG proceeded with an additional partial cancellation of €100 million of Series 9 covered bond Program II (see Note 14).
- On 26 August 2019 Greek Parliament passed a law amendment regarding the complete lifting of capital controls which will be entered into force as from 1 September 2019.
- On 29 August 2019, at the Board of Directors meeting, the resignation of John P.J. McCormick from his position as independent non-executive member of the Board of Directors was announced (Note 1).

NOTE 24: Transition to IFRS 16 Leases as of 1 January 2019

The Group analysed the impact of IFRS 16 in a Group-wide project, including existing processes, controls, systems, data and contracts and established an IFRS 16 Implementation Program ("the IFRS 16 Program") to ensure a timely and high-quality implementation, in accordance with the requirements of IFRS 16. The IFRS 16 Program involved Finance, Real Estate Management, Procurement, Digital Channels, Global Markets and IT Divisions of the Bank and was overseen by a Project Steering Committee. The Committee comprised of the CFO (Chair), the CIO and the General Managers of Real Estate Management and International Activities Divisions of the Bank. A full-time Project Management Office (PMO) was setup and a Project Manager assigned. The Group Audit Committee was updated by the Executive Management on the status of the IFRS 16 Program, as well as the accounting estimates and policies applied.

Impact upon transition to IFRS 16

The adoption of IFRS 16 on 1 January 2019 increased the assets, liabilities and retained earnings of the Group by €136 million, €132 million and €4 million respectively, and the Bank by €1,142 million, €1,138 million and €4 million respectively. The reported impact on the Group's assets and liabilities includes an amount of €29 million attributable to entities classified as held for sale and discontinued operations, which has been recognized within line items 'non-current assets held for sale' and 'liabilities associated with non-current assets held for sale'. In relation to the impact on regulatory capital, the Group's and the Bank's CET1 ratio decreased by 5 bps and 56 bps respectively.

The table below presents a reconciliation of the operating lease commitments for the Group and the Bank, as of 31 December 2018 to the recognized lease liabilities as of 1 January 2019.

Reconciliation of Group's and Bank's lease liabilities

	Group	Bank
Operating lease commitments as of 31 December 2018	**196**	**1,573**
Relief option for short-term leases and low-value assets	(1)	(1)
Extension options reasonably certain to be exercised	13	285
Cost of insurance required by the lease	-	10
Consumer Price Index (CPI) adjustment	-	10
Gross lease liabilities as of 1 January 2019	**208**	**1,877**
Discounting	(105)	(747)
Lease liabilities as of 1 January 2019	**103**	**1,130**

The lease liabilities were discounted at the Group's and Bank's IBR as of 1 January 2019. The weighted average discount rates were 2.9% and 4.2% respectively.