EUROBANK ERGASIAS S.A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

30 SEPTEMBER 2018

8 Othonos Street, Athens 105 57, Greece

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

General Commercial Registry No: 000223001000

Index to the Condensed Consolidated Interim Financial Statements .... **Page**

Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

Consolidated Interim Balance Sheet

	Note	30 September 2018 € million	31 December 2017 € million
ASSETS			
Cash and balances with central banks		**1,877**	1,524
Due from credit institutions		**2,286**	2,123
Securities held for trading		**62**	49
Derivative financial instruments		**1,708**	1,878
Loans and advances to customers	14	**35,917**	37,108
Investment securities	15	**7,575**	7,605
Investments in associates and joint ventures	17	**136**	156
Property, plant and equipment	18	**342**	390
Investment property	18	**321**	277
Intangible assets		**169**	152
Deferred tax assets	12	**4,904**	4,859
Other assets	19	**1,890**	1,724
Assets of disposal groups classified as held for sale	13, 14	**68**	2,184
Total assets		**57,255**	60,029
LIABILITIES			
Due to central banks	20	**3,210**	9,994
Due to credit institutions	21	**6,694**	3,997
Derivative financial instruments		**1,747**	1,853
Due to customers	22	**37,555**	33,843
Debt securities in issue	23	**2,201**	549
Other liabilities	24	**789**	684
Liabilities of disposal groups classified as held for sale	13	**-**	1,959
Total liabilities		**52,196**	52,879
EQUITY			
Ordinary share capital	25	**655**	655
Share premium	25	**8,055**	8,055
Reserves and retained earnings		**(3,693)**	(2,556)
Preference shares	23	**-**	950
Preferred securities	26	**42**	43
Non controlling interests		**0**	3
Total equity		**5,059**	7,150
Total equity and liabilities		**57,255**	60,029

Notes on pages 6 to 60 form an integral part of these condensed consolidated interim financial statements.

Consolidated Interim Income Statement

	Note	Nine months ended 30 September 2018 € million	Nine months ended 30 September 2017 € million	Three months ended 30 September 2018 € million	Three months ended 30 September 2017 € million
Net interest income		**1,063**	1,091	**352**	369
Net banking fee and commission income		**209**	190	**76**	65
Income from non banking services		**8**	7	**3**	2
Net trading income	4	**24**	47	**13**	16
Gains less losses from investment securities	15	**74**	63	**28**	22
Other income/(expenses)	8	**6**	(10)	**(1)**	(11)
Operating income		**1,384**	1,388	**471**	463
Operating expenses	9	**(653)**	(668)	**(217)**	(223)
Profit from operations before impairments, provisions and restructuring costs		**731**	720	**254**	240
Impairment losses relating to loans and advances to customers	10	**(513)**	(544)	**(176)**	(178)
Other impairment losses and provisions	11	**(4)**	(26)	**0**	(8)
Restructuring costs	11	**(47)**	(3)	**(3)**	(2)
Share of results of associates and joint ventures	17	**29**	4	**2**	3
Profit before tax		**196**	151	**77**	55
Income tax	12	**(58)**	(21)	**(21)**	5
Net profit from continuing operations		**138**	130	**56**	60
Net loss from discontinued operations	13	**(57)**	(58)	**(11)**	(75)
Net profit/ (loss)		**81**	72	**45**	(15)
Net profit attributable to non controlling interests	13	**0**	11	**0**	0
Net profit/ (loss) attributable to shareholders		**81**	61	**45**	(15)
		€	€	**€**	€
Earnings/ (losses) per share					
-Basic and diluted earnings/ (losses) per share	7	**0.04**	0.03	**0.02**	(0.01)
Earnings per share from continuing operations					
-Basic and diluted earnings per share	7	**0.06**	0.06	**0.03**	0.03

Notes on pages 6 to 60 form an integral part of these condensed consolidated interim financial statements.

Consolidated Interim Statement of Comprehensive Income

	Nine months ended 30 September				Three months ended 30 September			
	2018		2017		2018		2017	
	€ million		€ million		€ million		€ million	
Net profit/ (loss)		**81**		72		**45**		(15)
Other comprehensive income:								
Items that are or may be reclassified subsequently to profit or loss:								
Cash flow hedges								
- changes in fair value, net of tax	**17**		25		**6**		8	
- transfer to net profit, net of tax	**(13)**	**4**	(4)	21	**(6)**	**0**	(3)	5
Debt securities at FVOCI								
- changes in fair value, net of tax	**(84)**		-		**(35)**		-	
- transfer to net profit, net of tax (notes 13, 15)	**(42)**	**(126)**	-	-	**(7)**	**(42)**	-	-
Available for sale securities								
- changes in fair value, net of tax	**-**		97		**-**		(12)	
- transfer to net profit, net of tax	**-**	**-**	(27)	70	**-**	**-**	(9)	(21)
Foreign currency translation								
- changes in fair value, net of tax	**(11)**		5		**(1)**		2	
- transfer to net profit, net of tax (note 13)	**34**	**23**	4	9	**-**	**(1)**	4	6
Associates and joint ventures								
- changes in the share of other comprehensive income, net of tax (note 17)	**(33)**	**(33)**	14	14	**(5)**	**(5)**	(5)	(5)
Other comprehensive income		**(132)**		114		**(48)**		(15)
Total comprehensive income attributable to:								
Shareholders								
- from continuing operations	**(40)**		245		**8**		43	
- from discontinued operations	**(11)**	**(51)**	(70)	175	**(11)**	**(3)**	(73)	(30)
Non controlling interests								
- from continuing operations	**0**		0		**(0)**		0	
- from discontinued operations	**0**	**0**	11	11	**-**	**(0)**	0	0
		(51)		186		**(3)**		(30)

Notes on pages 6 to 60 form an integral part of these condensed consolidated interim financial statements.

Consolidated Interim Statement of Changes in Equity

	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Preferred securities € million	Non controlling interests € million	Total € million
Balance at 1 January 2017, as restated [1]	655	8,055	7,715	(10,664)	950	43	640	7,394
Net profit	-	-	-	61	-	-	11	72
Other comprehensive income	-	-	114	-	-	-	0	114
Total comprehensive income for the nine months ended 30 September 2017	-	-	114	61	-	-	11	186
Acquisition/changes in participating interests in subsidiary undertakings (note 13)	-	-	-	-	-	-	(634)	(634)
(Purchase)/sale of treasury shares	0	(0)	-	0	-	-	-	0
Dividends distributed by subsidiaries attributable to non controlling interests	-	-	-	-	-	-	(15)	(15)
Share-based payment:								
- Value of employee services	-	-	0	-	-	-	1	1
	0	(0)	0	0	-	-	(648)	(648)
Balance at 30 September 2017, as restated [1]	655	8,055	7,829	(10,603)	950	43	3	6,932
Balance at 1 January 2018	**655**	**8,055**	**8,005**	**(10,561)**	**950**	**43**	**3**	**7,150**
Impact of adopting IFRS 9 at 1 January 2018 (note 2.3.2)	-	-	9	(1,094)	-	-	(0)	**(1,085)**
Balance at 1 January 2018, as restated	655	8,055	8,014	(11,655)	950	43	3	**6,065**
Net profit	-	-	-	81	-	-	0	**81**
Other comprehensive income	-	-	(132)	-	-	-	0	**(132)**
Total comprehensive income for the nine months ended 30 September 2018	**-**	**-**	**(132)**	**81**	**-**	**-**	**0**	**(51)**
Redemption of preference shares	-	-	-	-	(950)	-	-	**(950)**
Share capital decrease in subsidiaries with non controlling interests	-	-	-	-	-	-	(1)	**(1)**
Changes in participating interests in subsidiary undertakings	-	-	-	(0)	-	-	(2)	**(2)**
(Purchase)/sale of treasury shares (note 25)	0	0	-	(0)	-	-	-	**0**
Preferred securities' dividend paid and buy back, net of tax	**-**	**-**	-	(1)	-	(1)	-	**(2)**
	0	**0**	**-**	**(1)**	**(950)**	**(1)**	**(3)**	**(955)**
Balance at 30 September 2018	**655**	**8,055**	**7,882**	**(11,575)**	**-**	**42**	**0**	**5,059**
	Note 25	Note 25			Note 23	Note 26		

[1] *Further information on the restatement due to change in accounting policy is provided in note 52 of the Consolidated Financial Statements for the year ended 31 December 2017.*

Notes on pages 6 to 60 form an integral part of these condensed consolidated interim financial statements.

Consolidated Interim Cash Flow Statement

	Note	Nine months ended 30 September 2018 € million	2017 € million
Cash flows from continuing operating activities			
Profit before income tax from continuing operations		**196**	151
Adjustments for :			
Impairment losses relating to loans and advances to customers	10	**513**	544
Other impairment losses, provisions and restructuring costs	11	**51**	29
Depreciation and amortisation	9	**47**	45
Other (income)/losses on investment securities	28	**(124)**	(96)
(Income)/losses on debt securities in issue	23	**26**	(1)
Other adjustments	28	**(36)**	(1)
		673	671
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**(59)**	(208)
Net (increase)/decrease in securities held for trading		**(16)**	(41)
Net (increase)/decrease in due from credit institutions		**169**	522
Net (increase)/decrease in loans and advances to customers		**(310)**	(171)
Net (increase)/decrease in derivative financial instruments		**5**	40
Net (increase)/decrease in other assets	19	**(205)**	82
Net increase/(decrease) in due to central banks and credit institutions		**(4,219)**	(5,545)
Net increase/(decrease) in due to customers		**3,712**	1,084
Net increase/(decrease) in other liabilities [1]		**(70)**	(34)
		(993)	(4,271)
Income tax paid		**(22)**	(24)
Net cash from/(used in) continuing operating activities		**(342)**	(3,624)
Cash flows from continuing investing activities			
Acquisition of fixed and intangible assets		**(69)**	(59)
Proceeds from sale of fixed and intangible assets		**29**	23
(Purchases)/sales and redemptions of investment securities		**(65)**	3,482
Acquisition of subsidiaries, net of cash acquired	16	**(7)**	(0)
Acquisition of holdings in associates and joint ventures and participations in capital increases		**-**	(8)
Disposal of subsidiaries, net of cash disposed	13	**(111)**	125
Dividends from investment securities, associates and joint ventures		**18**	10
Net cash from/(used in) continuing investing activities		**(205)**	3,573
Cash flows from continuing financing activities			
(Repayments)/proceeds from debt securities in issue	23	**680**	(46)
Capital return and distribution of profits from discontinued operations [1]	28	**50**	25
Purchase of preferred securities		**(1)**	-
Preferred securities' dividend paid	26	**(2)**	-
(Purchase)/sale of treasury shares		**0**	0
Redemption of preference shares, net of expenses	23	**(4)**	-
Net cash from/(used in) continuing financing activities		**723**	(21)
Effect of exchange rate changes on cash and cash equivalents		**(1)**	6
Net increase/(decrease) in cash and cash equivalents from continuing operations		**175**	(66)
Net cash flows from discontinued operating activities [1]		**(104)**	30
Net cash flows from discontinued investing activities		**1**	(40)
Net cash flows from discontinued financing activities [1]	28	**(51)**	(40)
Effect of exchange rate changes on cash and cash equivalents		**0**	(3)
Net increase/(decrease) in cash and cash equivalents from discontinued operations		**(154)**	(53)
Cash and cash equivalents at beginning of period	28	**2,143**	1,697
Cash and cash equivalents at end of period	28	**2,164**	1,578

[1] Comparative information has been adjusted to reflect the distribution of profits of € 25 million from discontinued to continued operations within cash flows from financing activities (note 13).

Notes on pages 6 to 60 form an integral part of these condensed consolidated interim financial statements.

1. General information

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 November 2018.

2. Basis of preparation and principal accounting policies

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

2.1 Basis of preparation

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

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

Going concern considerations

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

<u>Macroeconomic environment</u>

In 2018, Greece's real GDP is expected to grow by 2.0%, according to Autumn 2018 forecast by European Commission (EC) from 1.5% in 2017. The unemployment rate in August 2018 was at 18.9%, based on the Hellenic Statistical Authority's (ELSTAT) data (31 December 2017: 20.8%). On the fiscal front, Greece's primary balance is expected to register a surplus of 3.7% of GDP in 2018, according to 2019 Draft Budget (2017: 3.9% of GDP, according to ELSTAT data). The Third Economic Adjustment Program (TEAP) primary surplus target for the period 2018 - 2022 has been set at 3.5% of GDP each year.

On 20 August 2018, Greece concluded successfully the third and final economic adjustment program and has entered into enhanced post program surveillance under EU Regulation 472/2013, which foresees quarterly reviews by the competent committees of the institutions (EC/ECB/ESM/IMF). The post program surveillance's main purpose is to safeguard financial stability, and continue the process of implementation of structural reforms aiming, among others, to boost domestic growth, jobs creation and to modernize the public sector. The Greek Government has built up a cash buffer of around € 24 bn so far, out of the European Stability Mechanism (ESM) loan disbursements, GGBs issuances and other sources, in order to facilitate the country's access to the international markets. This buffer suffices for covering the sovereign financial needs for at least two years after the end of the program. The decisive implementation of the reforms agreed in the context both of the TEAP and in the post program period surveillance, the implementation of medium term debt relief measures in accordance with 21 June 2018 Eurogroup decisions, the mobilization of European Union (EU) funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model will improve the confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment.

The main risks and uncertainties stemming from the macroeconomic environment are associated with (a) the adherence to established reforms and the possible delays in the implementation of the reforms' agenda in order to meet the targets and milestones for the post program surveillance of the country, (b) the impact on the level of economic activity and on the attraction of direct investments from the fiscal and social security-related measures agreed under the reviews of the TEAP, (c) the ability to attract new investments in the country, (d) the timing of a full lift of restrictions in the free movement of capital abroad and the respective impact on the level of economic activity, (e) the possible slow pace of deposits inflows and/ or possible delays in the effective management of non-performing exposures (NPEs) as a result of the macroeconomic conditions in Greece and (f) the geopolitical conditions in the near or in broader region and the external shocks from a slowdown in the regional and/ or global economy. The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk (note 4).

Liquidity risk

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

As at 30 September 2018, the Bank's dependency on Eurosystem financing facilities decreased to € 3.2 bn (of which € 2.0 bn funding from ELA), mainly due to Group's deposits inflows of € 3.7 bn (of which € 3.0 bn in Greece), assets deleveraging, increased market repos on Greek Government bonds and covered bonds and an asset backed securities issue, the senior notes of which were sold via a private placement to an international institutional investor (note 23) (31 December 2017: € 10 bn, of which € 7.9 bn from ELA). On 31 October 2018, the Eurosystem funding amounted to € 3.5 bn, of which € 2.1 bn from ELA (note 20).

Solvency risk

On 5 May 2018, the ECB announced the results of the Stress Test (ST) for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome pointed to no capital shortfall and no capital plan needed for the Bank as a result of the exercise. Going forward, the prime target remains the active management of NPEs, with the aim to substantially reduce their stock in accordance with the Bank's operational targets and taking advantage of the Group's internal infrastructure, the important legislative changes and the external partnerships that have taken or are expected to take place. As at 30 September 2018, the Bank has reduced the stock of NPEs by € 2 bn since 31 December 2017 to € 16.1 bn which compares to a revised target of € 16 bn submitted to SSM in September 2018 (note 14).

The Group's Common Equity Tier 1 (CET1) ratio stood at 14.6% at 30 September 2018, and the net profit attributable to shareholders amounted to € 81 million (€ 172 million net profit from continuing operations before restructuring costs) for the period ended 30 September 2018.

Going concern assessment

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

2.1.1 New and amended standards and interpretations adopted by the Group

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

IAS 40, Amendment-Transfers of Investment Property

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to IFRSs 2014-2016 Cycle

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

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

IFRIC 22, Foreign Currency Transactions and Advance Consideration

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

The adoption of the interpretation had no impact on the Group's condensed consolidated interim financial statements.

IFRS 9, Financial Instruments

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

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

Changes in the classification and measurement

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

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

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

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

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

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

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

The IFRS 9 eligibility requirements for applying the fair value option to measure financial liabilities at FVTPL are consistent with those of IAS 39. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss unless such a presentation would create or enlarge an accounting mismatch.

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

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

Changes to the impairment calculation

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

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

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

Hedge accounting under IFRS 9

IFRS 9 includes a new general hedge accounting model which aligns hedge accounting more closely with risk management. Under the new model, more hedging strategies may qualify for hedge accounting, new hedge effectiveness requirements apply and discontinuation of hedge accounting will be allowed only under specific circumstances. The IASB currently has a separate project for the accounting of macro hedging activities. Until the above project is completed, entities have an accounting policy choice to continue applying the hedge accounting requirements in IAS 39.

The Group has elected to continue applying IAS 39.

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

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

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

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

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

(i) Financial assets and liabilities - Classification and measurement

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

Financial Assets measured at Amortized Cost (‘AC’)

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

(a) The financial asset is held within a business model whose objective is to collect contractual cash flows (hold-to-collect business model) and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These financial assets are recognized initially at fair value plus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate (EIR) method, net of an allowance for expected credit losses (ECL).

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

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

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

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold-to-collect-and-sell business model) and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

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

Equity Instruments designated at FVOCI

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

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

The Group classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL. Accordingly, this measurement category includes debt instruments such as loans and debt securities that are held within the hold–to-collect (HTC) or hold-to-collect-and-sell models (HTCS), but fail the SPPI assessment, equities that are not designated at FVOCI, financial assets held for trading and derivative financial instruments.

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

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

Financial Liabilities designated at FVTPL

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

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

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

Business model and contractual characteristics assessment

The business model assessment determines how the Group manages a group of assets to generate cash flows. That is, whether the Group's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets.

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

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

Types of business models

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

The hold-to-collect (HTC) business model has the objective to hold the financial assets in order to collect contractual cash flows. Sales within this model are monitored and may be performed for reasons which are not inconsistent with this business model. Such reasons may relate to an increase in credit risk regardless of the frequency and volume, to liquidity needs in any stress case scenario, or to sales made close to the maturity and to sales made to manage high concentration level of credit risk. Debt instruments classified within this business model are measured at amortized cost subject to meeting the SPPI assessment criteria.

The hold-to-collect-and-sell business model (HTC&S) has the objective both to collect contractual cash flows and sell the assets. Activities such as liquidity management, interest yield and duration are consistent with this business model, while sales of assets are integral to achieving the objectives of this business model. Debt instruments classified within this business model are measured at FVOCI, subject to meeting the SPPI assessment criteria.

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

Cash flow characteristics assessment

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

In assessing whether the contractual cash flows are SPPI, the Group will consider whether the contractual terms of the instrument are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. On the initial recognition of a financial asset, an assessment is performed of whether the asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with the above condition. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is considered to have failed the SPPI assessment and will be measured at FVTPL.

For the purpose of the SPPI assessment, the Group considers the existence of various features, including among others, contractually linked terms, prepayment, extension and equity conversion options, terms that introduce leverage, non-recourse asset arrangements that limit the Group's claim to cash flows from specified assets and modified time value of money element.

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

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

(ii) Reclassifications of financial assets and liabilities

The Group reclassifies a financial asset only when it changes its business model for managing financial assets. Generally, a change in the business model is expected to be rare and occurs when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when a business line is acquired, disposed of or terminated.

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

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

Financial liabilities are not reclassified according to IFRS 9.

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

(iii) Impairment of financial assets

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

ECL are a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment policy, the Group records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument. If upon initial recognition, the financial asset meets the definition of purchased or originated credit impaired (POCI), the loss allowance is based on the change in the ECL over the life of the asset.

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

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-months ECL is recorded. The 12 – month ECL represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.
- POCI - Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. ECL are only recognized or released to the extent that there is a subsequent change in the assets’ lifetime expected credit losses.

Definition of default

To determine the risk of default, the Group applies a default definition for accounting purposes, which is consistent with the European Banking Authority (EBA) definitions. In particular, the Group will determine that financial instruments are in Stage 3 by applying consistent measures of default across all of its portfolios:

- the objective criterion of 90 days past due or;
- the existence of unlikeness to pay (UTP) criteria, whereby the borrower’s ability to repay his credit obligations in full without realization of collateral is assessed as unlikely, regardless the existence of any past due amounts or the number of days past due.

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

Purchased or originated credit impaired financial assets (POCI)

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

- The borrower faces a significant difficulty in meeting his financial obligations.
- There has been a breach of contract, such as a default or past due event.
- The Group, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Group would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organization.
- The Group purchases a financial asset at a deep discount that reflects incurred credit losses.

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

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

Significant increase in credit risk (SICR) and staging allocation

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

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

The assessment for SICR is performed using both qualitative and quantitative criteria based on reasonable and supportable information that is available without undue cost or effort including forward looking information and macroeconomic scenarios as well as historical experience.

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

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

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

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

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

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

Transfers from Stage 2 to Stage 1

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

Where forbearance measures have been applied, the Group uses a probation period provided that the borrower has made payments for more than an insignificant aggregate amount of payments during the aforementioned probation period in order to fulfill the requirements for a transfer to Stage 1.

Transfers from Stage 3 to Stage 2

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

Criteria for grouping of exposures based on shared credit risk characteristics

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

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

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

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

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

Measurement of Expected Credit Losses

The measurement of ECL is a probability-weighted average estimate of credit losses that reflects the time value of money. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contractual terms of the instrument and the cash flows that the Group expects to receive (i.e. cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument, or the credit-adjusted EIR in case of purchased or originated credit impaired assets (POCI). In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions should be considered.

The Group estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources, including collateral and other credit enhancements that are part of the contractual terms and are not recognized separately. In case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflect the amount and timing of cash flows that are expected from liquidation of the collateral less the discounted costs of obtaining and selling the collateral, irrespective of whether liquidation is probable.

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

ECL Key Inputs

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

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

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

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

Two types of PD are used for calculating ECL:

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

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

Furthermore, the CCF factor is used to convert the amount of a credit facility and other off-balance sheet amounts to an EAD amount. It is a modelled assumption which represents a proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring.

In addition, the prepayment rate is an estimate of early prepayments on loan exposure in excess of the contractual repayment according to the repayment schedule and is expressed as a percentage applied to the EAD at each period, reducing the latter amount accordingly.

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

Forward-looking information

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

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

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

The Group then proceeds to the calculation of weights for each scenario, which represent the probability of occurrence for each of these scenarios. These weights are applied on the sets of the parameters in order to produce a single scenario weighted risk parameter value which is subsequently used in both SICR assessment and ECL measurement. ECL calculation incorporates forward-looking macroeconomic variables, including GDP growth rates, house price indices, unemployment rates, interest rates, etc.

Modified Financial Assets

In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial enough, the original financial asset is then derecognized. The Group records the modified asset as a 'new' financial asset and the difference with the net carrying amount of the existing one is recorded in the income statement as derecognition gain or loss. Consequently, the modification date is considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred.

Following derecognition, the modified asset is typically classified as Stage 1 for ECL measurement purposes. However, in some circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the new financial asset is credit-impaired at initial recognition, and thus, the financial asset is recognized as an originated credit-impaired financial asset (POCI).

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

Presentation of allowance for credit loss

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

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

2.3 IFRS 9 'Financial Instruments' – Impact of adoption

2.3.1 Adoption of IFRS 9

The Group adopted IFRS 9 in the first quarter of 2018, whereas the Standard's requirements were applied retrospectively by adjusting the Group's balance sheet on the date of transition on 1 January 2018. The Group applied the Standard's exemption not to restate comparative figures for prior periods; therefore the Group's 2017 comparatives are presented on an IAS 39 basis. The effect on the carrying amounts of financial assets and liabilities at the date of transition to IFRS 9 was recognized as an adjustment to opening reserves and retained earnings. The detailed effects of the adoption of IFRS 9 on 1 January 2018 are presented in note 2.3.2.

A Group-wide IFRS 9 Program, led jointly by Group Risk and Group Finance, was initiated in 2015 to ensure a robust and high quality implementation in compliance with the requirements of the Standard and respective regulatory guidance.

Overall governance is achieved through a central Program Management Office (PMO) that coordinates the implementation of the Program among the various stakeholders and was responsible for the day-to-day management tasks, as well as two Management Committees, namely the Steering Committee and the Technical Committee. The Steering Committee, which comprises senior staff from all the main functions of the Group, is mandated to oversee the implementation in accordance with the Standard, monitor timeliness and the quality of the Program's deliverables, review program's results, approve deliverables and changes in the scope of the program where appropriate, and regularly informs the Executive Board, the Board Risk Committee, the Audit Committee and the Board of Directors on the Program's implementation progress. The Technical Committee is composed of Subject Matter Experts responsible for evaluating key technical issues and analyzing proposed changes in accounting policies and risk management methodologies for the Steering Committee before they are submitted and approved by the competent bodies of the Bank.

Reflecting the scale and complexity of the implementation plan, the Program was structured with various project teams (Group Finance, Group Risk Management, Information Systems, Internal Audit, Lending Business Units, Troubled Assets Group, Operations, Global Markets & Treasury and International General Division) dedicated to the various elements associated with the implementation of the Standard. These teams were supported by two external consultancy firms.

The implementation for the Bank's foreign subsidiaries is managed locally with the establishment of local PMOs and Steering Committees. Progress is monitored by the central PMO and the central Steering Committee in the Head Office, providing support and guidance to ensure consistent implementation within the Group.

The Group has committed to ensure a high quality implementation and ongoing application of IFRS 9 which ensures sound governance and internal control framework in the context of the IFRS 9 Program, taking also into consideration all existing frameworks related to risk management and corporate governance. Specifically, the PMO and Management are involved in the monitoring and oversight of the IFRS 9 application throughout the current financial year, which is the year of adoption. In addition the Group has performed further actions in order to ensure accuracy and robustness of ECL measurement, which involve the enhancement of the validation framework.

In addition, the Group is participating in the IFRS 9 thematic review conducted by the European Central Bank on the evaluation of the Group's preparedness, the impact of the new accounting principles on processes, infrastructure and regulatory capital. In this context, well-evidenced assurance activities have been carried out by 2017's external auditors on Group's IFRS 9 implementation policies as well as significant audit work performed by the Group's internal auditors.

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

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

2.3.2 Transition to IFRS 9 – Estimated impact

The estimated impact of transitioning to IFRS 9, before tax, amounts to € 1,090 million as depicted in the table below and it is mainly attributed to the estimated impact on the Greek lending portfolio which amounts to € 949 million. The transition to IFRS 9 results in a decrease of the Group's total shareholders' equity by € 1,085 million, which is recognised as an opening balance adjustment at 1 January 2018.

Impact attributed to :	**IFRS 9 impact € million**
Impairment	
- Loans and advances to customers	(1,022)
- Other financial assets	(64)
Total impairment	(1,086)
Classification & Measurement	(4)
Hedging	-
Total IFRS 9 impact, before tax	**(1,090)**
Deferred Tax	5
Total IFRS 9 impact, net of tax	**(1,085)**

Following Management's assessment on current conditions, the Group has not recognized a deferred tax asset (DTA) on the IFRS 9 transition impact as at 1 January 2018. The unrecognised DTA amounts to € 300 million approximately arising from the IFRS 9 impact of the Bank and its Greek subsidiaries.

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

Further analysis of the IFRS 9 impact is presented below.

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

The table below discloses the changes in the carrying amounts and the classifications of financial assets and financial liabilities upon transition to IFRS 9 as of 1 January 2018.

	IAS 39			Remeasurement		IFRS 9	
Financial Assets	Category	Amount € million	Reclassification € million	ECL € million	Other € million	Amount € million	Category
Cash and balances with central banks	*Loans and receivables*						*Amortised cost*
Closing balance 31.12.2017		1,524					
Remeasurement				(0)			
Opening balance 1.1.2018		**1,524**		**(0)**		**1,524**	
Due from credit institutions	*Loans and receivables*						*Amortised cost*
Closing balance 31.12.2017		2,123					
Remeasurement				(1)			
Opening balance 1.1.2018		**2,123**		**(1)**		**2,122**	
Loans and advances to customers measured at amortised cost	*Loans and receivables*						*Amortised cost*
Closing balance 31.12.2017		37,108					
Reclassifications to			(71)				*FVTPL (mandatory)*
Remeasurement				(1,022)			
Opening balance 1.1.2018		**37,108**	**(71)**	**(1,022)**		**36,015**	
Loans and advances to customers measured at FVTPL							*FVTPL (mandatory)*
Reclassifications from	*Loans and receivables*		71				
Remeasurement					(6)		
Opening balance 1.1.2018			**71**		**(6)**	**65**	
Total loans and advances to customers		**37,108**	**-**	**(1,022)**	**(6)**	**36,080**	
Debt securities lending portfolio	*Loans and receivables*						
Closing balance 31.12.2017		1,654					
Reclassifications to			(1,043)				Amortised cost
			(511)				*FVOCI*
			(100)				*FVTPL (mandatory)*
Opening balance 1.1.2018		**1,654**	**(1,654)**			**-**	

Financial Assets	IAS 39			Remeasurement		IFRS 9	
	Category	Amount € million	Reclassification € million	ECL € million	Other € million	Amount € million	Category
Held-to-maturity portfolio	*Held-to-maturity*						
Closing balance 31.12.2017		442					
Reclassifications to			(294)				*Amortised cost*
			(148)				*FVOCI*
Opening balance 1.1.2018		**442**	**(442)**			**-**	
Debt securities measured at amortised cost							*Amortised cost*
Reclassifications from/ Remeasurements	*Loans and receivables*		1,043	(55)	5		
	Held-to-maturity		294	(1)			
	AFS		113	(0)			
Opening balance 1.1.2018			**1,450**	**(57)**	**5**	**1,398**	
AFS portfolio	*Available for sale*						
Closing balance 31.12.2017		5,509					
Reclassifications to			(113)				*Amortised cost*
			(5,309)				*FVOCI - Debt*
			(1)				*FVTPL - Debt*
			(86)				*FVTPL - Equity*
Opening balance 1.1.2018		**5,509**	**(5,509)**			**-**	
Debt securities measured at FVOCI							*FVOCI*
Reclassifications from/ Remeasurements	*AFS*		5,309				
	Loans and receivables		511		3		
	Held-to-maturity		148		(5)		
Opening balance 1.1.2018			**5,968**		**(2)**	**5,966**	
Investment securities mandatorily at FVTPL							*FVTPL (mandatory)*
Reclassifications from/ Remeasurements	*Loans and receivables*		100		(1)		
	AFS - Debt		1				
	AFS - Equity		86				
	FVTPL - Equity		1				
Opening balance 1.1.2018			**188**		**(1)**	**187**	
Investment in equity securities at FVOCI							
Reclassifications from	*AFS*		-			-	FVOCI
Opening balance 1.1.2018			**-**			**-**	
Total investment securities		**7,605**	**1**	**(57)**	**2**	**7,551**	
Securities held for trading	*FVTPL*						*FVTPL*
Closing balance 31.12.2017		49					
Reclassifications to			(1)				*FVTPL - Equity*
Opening balance 1.1.2018		**49**	**(1)**			**48**	
Derivative financial instruments (assets)	*FVTPL*						*FVTPL*
Closing balance 31.12.2017		1,878					
Remeasurement					0		
Opening balance 1.1.2018		**1,878**			**0**	**1,878**	
Other Assets	*Loans and receivables*						*Amortised cost*
Closing balance 31.12.2017		1,724					
Remeasurement				(6)			
Opening balance 1.1.2018		**1,724**		**(6)**		**1,718**	

	IAS 39			Remeasurement		IFRS 9	
Financial Liabilities	Category	Amount € million	Reclassification € million	ECL € million	Other € million	Amount € million	Category
Due to central banks	*Amortised cost*						*Amortised cost*
Closing balance 31.12.2017		9,994					
Opening balance 1.1.2018		**9,994**				**9,994**	
Due to credit institutions	*Amortised cost*						*Amortised cost*
Closing balance 31.12.2017		3,997					
Opening balance 1.1.2018		**3,997**				**3,997**	
Due to customers measured at FVTPL	FVTPL (designated)						
Closing balance 31.12.2017		2					
Reclassifications to			(2)				*Amortised cost*
Opening balance 1.1.2018		**2**	**(2)**			**-**	
Due to customers measured at amortised cost	*Amortised cost*						*Amortised cost*
Closing balance 31.12.2017		33,841					
Reclassifications from	FVTPL		2				
Remeasurement					(0)		
Opening balance 1.1.2018		**33,841**	**2**		**(0)**	**33,843**	
Total due to customers		**33,843**	**-**		**(0)**	**33,843**	
Debt securities in issue measured at FVTPL	*FVTPL (designated)*						
Closing balance 31.12.2017		3					
Reclassifications to			(3)				*Amortised cost*
Opening balance 1.1.2018		**3**	**(3)**			**-**	
Debt securities in issue measured at amortised cost	*Amortised cost*						*Amortised cost*
Closing balance 31.12.2017		546					
Reclassifications from			3				
Remeasurement	FVTPL				0		
Opening balance 1.1.2018		**546**	**3**		**0**	**549**	
Total debt securities in issue		**549**	**-**		**0**	**549**	
Derivative financial instruments (liabilities)	*FVTPL*						*FVTPL*
Closing balance 31.12.2017		1,853					
Remeasurement					0		
Opening balance 1.1.2018		**1,853**			**0**	**1,853**	
Deferred income tax assets/ (liabilities)							
Closing balance 31.12.2017		4,855					
Remeasurement					5		
Opening balance 1.1.2018		**4,855**			**5**	**4,860**	
Total IFRS 9 Impact				**(1,086)**	**1**		

As a result of the transition to IFRS 9, the most significant changes in classification and measurement of the financial assets and liabilities of the Group are as follows:

- Loans and advances to banks and customers measured at amortized cost under IAS 39, are also measured at amortized cost under IFRS 9, except for an insignificant amount (0.2%) of loans and advances to customers of € 71 million, which has been reclassified to FVTPL (mandatorily).
- The majority of debt securities of carrying amount € 5,309 million (out of a total amount of AFS investment securities of € 5,509 million) and previously classified as available-for-sale under IAS 39, is measured at FVOCI under IFRS 9.
- Held-to-maturity investment securities of € 442 million and debt securities lending portfolio of € 1,554 million measured at amortized cost under IAS 39, are measured at amortized cost or FVOCI under IFRS 9 depending on the business model within which they are held.
- Limited cases of debt securities of carrying amount € 101 million failed the SPPI test and therefore, are measured at FVTPL under IFRS 9.
- Equity securities of carrying amount € 86 million classified as available-for-sale under IAS 39 are measured at FVTPL under IFRS 9.
- Trading and derivative assets of € 49 million and € 1,878 million respectively measured at FVTPL under IAS 39, are also measured at FVTPL under IFRS 9.
- Financial liabilities that are designated at FVTPL under IAS 39 (structured notes, structured deposits) are measured at amortized cost, while embedded derivatives are separated from the host contracts where appropriate. The Bank has revoked the designation as permitted by IFRS 9 and the embedded derivatives are fully hedged economically with offsetting positions in standalone derivative instruments.

The table below presents the impact of transition to IFRS 9 to Fair value reserve and Retained earnings:

	IFRS 9 impact € million
Special reserves	
Closing balance under IAS 39	**8,005**
of which AFS reserve	*282*
Remeasurement under IFRS 9 measurement categories	**4**
Remeasurement under IFRS 9 ECL impairment for FVOCI portfolio	**14**
Deferred tax	**(4)**
Remeasurement under IFRS 9 for discontinued operations (net of tax)	**(5)**
Opening balance under IFRS 9	**8,014**
Retained earnings	
Closing balance under IAS 39	**(10,561)**
Remeasurement under IFRS 9 measurement categories	**(8)**
Remeasurement under IFRS 9 ECL impairment including FVOCI portfolio	**(1,100)**
Deferred tax	**9**
Remeasurement under IFRS 9 for discontinued operations (net of tax)	**5**
Opening balance under IFRS 9	**(11,655)**

The following table reconciles the prior period's closing impairment allowance for Loans and advances to customers and Debt Securities measured in accordance with the IAS 39 incurred loss model and the provisions for credit related commitments in accordance with IAS 37 to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018. The impairment allowance for credit related commitments is included in the table below in the impairment allowance of loans and advances to customers at amortised cost.

	31 December 2017 as per IAS 39/IAS 37	as at 1 January 2018 as per IFRS 9			
		Remeasurement			
	Provision for impairment[1] € million	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	Loss Allowance under IFRS 9 € million
Loans and advances to customers at amortised cost	10,085	(23)	469	576	**11,107**
Debt securities at amortised cost	-	4	53	-	**57**
Debt securities at FVOCI	-	13	1	-	**14**
Total	**10,085**	**(6)**	**523**	**576**	**11,178**

[1] *IAS 39/ IAS 37 provision for impairment excludes € 49 million provisions for lending exposures at FVTPL.*

Additional loss allowance of € 1,093 million is recognized as a result of the transition to IFRS 9 for the said instruments. The loss allowance relating to credit losses of debt securities at FVOCI (€ 14 million) is recognized in other comprehensive income and does not reduce the carrying amount of the debt securities in the balance sheet.

(ii) Regulatory capital

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

Capital impact from the initial application of IFRS 9	As at		
	31 December 2017 IAS 39 € million	1 January 2018 IFRS 9 full impact € million	1 January 2018 IFRS 9 transitional arrangements € million
Common equity Tier 1 Capital	**6,887**	**5,731**	**6,757**
Risk weighted assets	**38,387**	**37,864**	**38,097**
	%	%	%
Common equity Tier 1 (CET 1) Ratio	**17.9**	**15.1**	**17.7**

The Group's estimated capital impact on the pro-forma fully loaded CET1 ratio as at 1 January 2018 (full implementation of the Basel III rules in 2024) considering the completion of the sale of the Romanian disposal group (note 13) based on the information available at the time is shown in the table below:

Pro-forma with the completion of the disposal of the Romanian subsidiaries	1 January 2018		
	Pro-forma fully loaded € million	Post IFRS 9 pro-forma fully loaded € million	IFRS 9 Impact € million
Common equity Tier 1 Capital	**5,691**	**4,536**	**(1,155)**
Risk weighted assets	**37,161**	**36,638**	**(523)**
	%	%	%
Common equity Tier 1 (CET 1) Ratio	**15.3**	**12.4**	**(2.9)**

The Group has elected to apply the phase-in approach as per EU legislation (Regulation EU 2017/2395) for mitigating the impact of IFRS 9 transition on the regulatory capital. The transition period is for five years, with the proportion of the impact to be included being 5% in 2018 and 15%, 30%, 50% and 75% in the subsequent four years. The full impact is expected as of 1 January 2023. As a consequence, CET1 ratio has been reduced approximately by 20 basis points on the first year of IFRS 9 adoption, corresponding to a reduction of € 130 million in regulatory capital by applying regulatory transitional arrangements.

3. Significant accounting estimates and judgments in applying accounting policies

In preparing these condensed consolidated 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 the same as those applied to the consolidated annual financial statements for the year ended 31 December 2017, except for the significant accounting judgments that relate to the changes in accounting policies described in note 2, as a result of IFRS 9 transition and arise primarily from the new ECL requirements.

3.1 ECL measurement

The ECL measurement requires management to apply significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in significant changes to the timing and amount of allowance for credit loss to be recognized.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

Determination of a significant increase of credit risk

IFRS 9 does not include a definition of what constitutes a significant increase in credit risk (SICR). An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument. The Group assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable forward-looking information that includes significant management judgment. More stringent criteria could significantly increase the number of instruments migrating to Stage 2.

Determination of scenarios, scenario weights and macroeconomic factors

To achieve the objective of measuring ECL, the Group evaluates a range of possible outcomes in line with the requirements of IFRS 9 through the application of a minimum three macroeconomic scenarios i.e. baseline, adverse and optimistic, in a way that reflects an unbiased and probability weighted outcome. Each of the scenarios is based on management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables for the forecast horizon would have a significant effect on the ECL amount. The Group independently validates all models and underlying methodologies used in the ECL measurement through competent resources, who are independent of the model development process.

Development of ECL models, including the various formulas, choice of inputs and interdependencies

For the purposes of ECL measurement the Group performs the necessary model parameterization based on observed point-in-time data on a granularity of monthly intervals. The ECL calculations are based on input parameters, i.e. EAD, PDs, LGDs, CCFs, etc. incorporating management's view of the future. The Group also determines the links between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Furthermore, the PDs are unbiased rather than conservative and incorporate relevant forward looking information including macroeconomic scenarios. The forecasting risk parameters models incorporate a number of explanatory variables, such as GDP, unemployment etc. which are used as independent variables for optimum predictive capability. The models are based on logistic regressions and run under the different macroeconomic scenarios and relevant changes and shocks in the macro environment reflected accordingly in a non-linear manner.

Segmentation of financial assets when their ECL is assessed on a collective basis

The Bank segments its exposures on the basis of shared credit risk characteristics upon initial recognition for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default. On subsequent periods, the Group re-evaluates the grouping of its exposures at least on an annual basis, in order to ensure that the groups remain homogeneous in terms of their response to the identified shared credit risk characteristics. Re-segmentation reflects management's perception in respect to the change of credit risk associated with the particular exposures compared to initial recognition.

The Group updates and reviews the reasonability and performs backtesting of the main assumptions used in its methodology assessment for SICR and ECL measurement, at least on an annual basis or earlier, based on facts and circumstances.

Modeling and Management overlays / adjustments

A number of complex models have been developed or modified to calculate ECL, while temporary management adjustments may be required to capture new developments and information available, which are not yet reflected in the ECL calculation through the risk models. Internal counterparty rating changes, new or revised models and data may significantly affect ECL. The models are governed by the Group's validation framework, which aim to ensure independent verification, and are approved by the Board Risk Committee (BRC).

Independent Validation Unit

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

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

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

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

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

Further information about the key assumptions and sources of estimation uncertainty are set out in notes 4, 12, 13, 24, 27 and 29.

4. Credit exposure to Greek sovereign debt

The carrying value of Greek sovereign major exposures is as follows:

	30 September 2018 € million	31 December 2017 € million
Greek government bonds	**3,059**	2,530
Treasury bills	**75**	1,044
Derivatives with the Greek state	**1,026**	1,181
Exposure relating with Greek sovereign risk financial guarantee	**197**	196
Loans guaranteed by the Greek state	**107**	117
Loans to Greek local authorities and public organizations	**57**	54
Total	**4,521**	5,122

For the period ended 30 September 2018, the credit risk valuation adjustment (CVA) on derivatives with the Hellenic Republic has decreased by € 22 million, with a positive effect on the Group's net trading income, mainly as a result of the market movements observed in the Hellenic Republic credit default swaps. In the respective period of 2017, the Group had recognized € 37 million gains related to CVA on derivatives with the Hellenic Republic.

The adequacy of the impairment allowance for loans and receivables either guaranteed by the Greek state or granted to public related entities was evaluated in the context of the Group's impairment policy. The Group monitors the developments for the Greek macroeconomic environment closely in order to adjust appropriately its estimates and judgments based on the latest available information (note 2.1).

Information on the fair values of the Group's financial instruments is provided in note 27.

5. Capital Management

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

	30 September 2018 € million	31 December 2017 € million
Total equity	**5,059**	7,150
Add: Adjustment due to IFRS 9 transitional arrangements	**1,003**	-
Less: Preferred securities	**(42)**	(43)
Less: Other regulatory adjustments	**(443)**	(220)
Common Equity Tier 1 Capital	**5,577**	6,887
Add: Preferred securities subject to phase-out	**17**	21
Less: Other regulatory adjustments	**-**	(21)
Total Tier 1 Capital	**5,594**	6,887
Tier 2 capital-subordinated debt	**950**	-
Add: Other regulatory adjustments	**-**	28
Total Regulatory Capital	**6,544**	6,915
Risk Weighted Assets	**38,239**	38,387
Ratios:	**%**	%
Common Equity Tier 1	**14.6**	17.9
Tier 1	**14.6**	17.9
Total Capital Adequacy Ratio	**17.1**	18.0

Note: The Group's CET1 as at 30 September 2018, based on the full implementation of the Basel III rules in 2024 (fully loaded CET1), would be 11.7% (31 December 2017: 14.9%).

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

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

European Banking Authority 2018 Stress Test

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

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

Eurobank, along with the other three Greek systemic banks directly supervised by the ECB, underwent the same stress test (ST) under the EBA scenarios and methodology. The timetable for the Greek systemic banks was accelerated in order to complete the test before the end of the third European Stability Mechanism stability support program for Greece.

2018 Eurobank Stress Test Results

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

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

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

Restructuring plan

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

In the period ended 30 September 2018, the Group has met/respected the remaining commitments of the restructuring plan including: (a) the reduction of the portfolio of the Group's foreign assets (non–related to Greek clients), following the completion of the sale of the Romanian disposal group, in April 2018 (note 13) and (b) the reduction of the net loans to deposits ratio for the Group's Greek banking activities below the limit of 115%, as the respective ratio has improved to 108% on 30 September 2018 (31 December 2017: 128%).

Monitoring Trustee

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

Grant Thornton S.A. was appointed as the Bank's Monitoring Trustee (MT) on 22 February 2013, with the mandate of the MT been subsequently amended and extended on 29 May 2014. The MT monitors the compliance with the commitments on corporate governance and commercial operational practices that have expired on 30 June 2018 and the implementation of the restructuring plan that ends on 31 December 2018 and reports to the European Commission.

6. Segment information

Management has determined the operating segments based on the internal reports reviewed by the Strategic Planning Committee that are used to allocate resources and to assess their performance in order to make strategic decisions. The Strategic Planning Committee considers the business both from a business unit and geographic perspective. Geographically, management considers the performance of its business in Greece and other countries in Europe (International). Greece is further segregated into retail, corporate, wealth management, global and capital markets. International is monitored and reviewed on a country basis. The Group aggregates segments when they exhibit similar economic characteristics and profile and are expected to have similar long-term economic development.

The Group is organized in the following reportable segments:

- Retail: incorporating customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.
- Corporate: incorporating current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to corporate entities, custody, equity brokerage, cash management and trade services.
- Wealth Management: incorporating private banking services to medium and high net worth individuals, mutual fund and investment savings products, institutional asset management and the Group's share of results of Eurolife Insurance group.
- Global and Capital Markets: incorporating investment banking services including corporate finance, merger and acquisitions advice, financial instruments trading and institutional finance to corporate and institutional entities, as well as, specialized financial advice and intermediation to private and large retail individuals as well as small and large corporate entities.
- International: incorporating operations in Romania (the operations of the Romanian disposal group are included until 31 March 2018, note 13), Bulgaria, Serbia, Cyprus and Luxembourg.

Other operations of the Group comprise mainly investing activities, including property management and investment (the comparative information includes Grivalia's operations until 30 June 2017, note 13).

The Group's management reporting is based on International Financial Reporting Standards (IFRS). The accounting policies of the Group's operating segments are the same with those described in the principal accounting policies.

Revenues from transactions between business segments are allocated on a mutually agreed basis at rates that approximate market prices.

Operating segments

	For the nine months ended 30 September 2018						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Net interest income	434	236	7	167	252	(33)	1,063
Net commission income	36	57	20	30	64	2	209
Other net revenue	6	7	0	78	10	11	112
Total external revenue	476	300	27	275	326	(20)	1,384
Inter-segment revenue	11	11	4	(19)	(3)	(4)	-
Total revenue	487	311	31	256	323	(24)	1,384
Operating expenses	(336)	(89)	(17)	(55)	(143)	(13)	(653)
Impairment losses relating to loans and advances to customers	(333)	(132)	(1)	-	(47)	-	(513)
Other impairment losses and provisions (note 11)	(2)	(1)	0	17	(5)	(13)	(4)
Share of results of associates and joint ventures	(0)	(0)	29	-	(0)	(0)	29
Profit/(loss) before tax from continuing operations before restructuring costs	(184)	89	42	218	128	(50)	243
Restructuring costs (note 11)	(24)	(3)	(1)	(0)	(1)	(18)	(47)
Profit/(loss) before tax from continuing operations	(208)	86	41	218	127	(68)	196
Profit/(loss) before tax from discontinued operations [3]	-	-	-	-	(98)	38	(60)
Non controlling interests	-	-	-	-	(0)	(0)	(0)
Profit/(loss) before tax attributable to shareholders	(208)	86	41	218	29	(30)	136

	30 September 2018						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center [1] € million	Total € million
Segment assets	21,448	12,580	250	9,907	12,195	875	57,255
Segment liabilities	25,008	5,852	1,682	7,260	10,764	1,630	52,196

The International segment is further analyzed as follows:

	For the nine months ended 30 September 2018					
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Luxembourg € million	Total € million
Net interest income	9	116	45	65	17	252
Net commission income	(1)	31	11	17	6	64
Other net revenue	2	2	1	4	1	10
Total external revenue	10	149	57	86	24	326
Inter-segment revenue	(0)	0	(0)	(0)	(3)	(3)
Total revenue	10	149	57	86	21	323
Operating expenses	(6)	(65)	(36)	(23)	(13)	(143)
Impairment losses relating to loans and advances to customers	(7)	(27)	(6)	(8)	1	(47)
Other impairment losses and provisions	(2)	(3)	(0)	0	(0)	(5)
Share of results of associates and joint ventures	(0)	-	(0)	-	-	(0)
Profit/(loss) before tax from continuing operations before restructuring costs	(5)	54	15	55	9	128
Restructuring costs	-	-	-	(1)	-	(1)
Profit/(loss) before tax from continuing operations	(5)	54	15	54	9	127
Loss before tax from discontinued operations	(98)	-	-	-	-	(98)
Non controlling interests	(0)	(0)	(0)	-	-	(0)
Profit/(loss) before tax attributable to shareholders	(103)	54	15	54	9	29

	30 September 2018					
	Romania	Bulgaria	Serbia	Cyprus	Luxembourg	International
	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets[2]	442	3,999	1,420	5,270	1,351	12,195
Segment liabilities[2]	583	3,514	1,025	4,797	1,134	10,764

	For the nine months ended 30 September 2017						
	Retail	Corporate	Wealth Management	Global & Capital Markets	International	Other and Elimination center	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net interest income	404	261	6	163	250	7	1,091
Net commission income	35	59	20	10	65	1	190
Other net revenue	0	8	0	59	15	25	107
Total external revenue	439	328	26	232	330	33	1,388
Inter-segment revenue	5	16	1	(20)	(2)	(0)	-
Total revenue	444	344	27	212	328	33	1,388
Operating expenses	(366)	(83)	(16)	(54)	(140)	(9)	(668)
Impairment losses relating to loans and advances to customers	(366)	(108)	0	-	(70)	-	(544)
Other impairment losses and provisions (note 11)	(2)	(6)	(0)	-	(12)	(6)	(26)
Share of results of associates and joint ventures	(0)	(0)	5	-	(1)	0	4
Profit/(loss) before tax from continuing operations before restructuring costs	(290)	147	16	158	105	18	154
Restructuring costs (note 11)	(7)	(2)	(0)	(1)	(0)	7	(3)
Profit/(loss) before tax from continuing operations	(297)	145	16	157	105	25	151
Profit/ (loss) before tax from discontinued operations	-	-	-	-	(69)	19	(50)
Non controlling interests	-	-	-	-	(1)	(15)	(16)
Profit/(loss) before tax attributable to shareholders	(297)	145	16	157	35	29	85

	31 December 2017						
	Retail	Corporate	Wealth Management	Global & Capital Markets	International	Other and Elimination center [1]	Total
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets	22,716	12,686	259	9,598	13,591	1,179	60,029
Segment liabilities	25,789	6,614	1,563	5,943	12,058	912	52,879

	For the nine months ended 30 September 2017					
	Romania	Bulgaria	Serbia	Cyprus	Luxembourg	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Net interest income	7	118	43	64	18	250
Net commission income	(1)	30	12	18	6	65
Other net revenue	4	2	1	8	0	15
Total external revenue	10	150	56	90	24	330
Inter-segment revenue	(0)	(0)	(0)	0	(2)	(2)
Total revenue	10	150	56	90	22	328
Operating expenses	(7)	(64)	(34)	(23)	(12)	(140)
Impairment losses relating to loans and advances to customers	(5)	(45)	(9)	(11)	(0)	(70)
Other impairment losses and provisions	(4)	(5)	(0)	(0)	(3)	(12)
Share of results of associates and joint ventures	(0)	-	(1)	-	-	(1)
Profit/(loss) before tax from continuing operations	(6)	36	12	56	7	105
Loss before tax from discontinued operations	(69)	-	-	-	-	(69)
Non controlling interests	(1)	(0)	(0)	-	-	(1)
Profit/ (loss) before tax attributable to shareholders	(76)	36	12	56	7	35

	31 December 2017					
	Romania	Bulgaria	Serbia	Cyprus	Luxembourg	International
	€ million	€ million	€ million	€ million	€ million	€ million
Segment assets[(2)]	2,705	3,649	1,353	4,890	1,301	13,591
Segment liabilities[(2)]	2,699	3,162	954	4,459	1,092	12,058

[(1)] *Interbank eliminations between International and the other Group's segments are included.*
[(2)] *Intercompany balances among the Countries have been excluded from the reported assets and liabilities of International segment.*
[(3)] *The amount of € 38 million presented under "Other and Elimination center" refers to the net investment hedging effect reclassified to the income statement upon the sale of the Romanian disposal group (note 13).*

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Group has issued convertible, subject to certain conditions preferred securities (Series D, note 26). Until 31 December 2017, the potential ordinary shares which could result from the conversion of the aforementioned preferred securities were not deemed to be issuable on the basis of the restrictions in force relevant to the restructuring plan (note 5). Accordingly, the Series D of preferred securities was not included in the calculation of diluted earnings per share. As of 1 January 2018, the above restrictions have been lifted.

		Nine months ended 30 September		Three months ended 30 September	
		2018	2017	**2018**	2017
Net profit/ (loss) for the period attributable to ordinary shareholders [1]	*€ million*	**79**	61	**44**	(15)
Net profit for the period from continuing operations attributable to ordinary shareholders [1]	*€ million*	**136**	130	**56**	60
Weighted average number of ordinary shares in issue for basic earnings per share	*Number of shares*	***2,183,739,215***	*2,184,080,462*	***2,184,003,734***	*2,184,674,591*
Weighted average number of ordinary shares in issue for diluted earnings per share	*Number of shares*	***2,218,912,375***	-	***2,219,176,894***	-
Earnings/ (losses) per share					
- Basic and diluted earnings/ (losses) per share	€	**0.04**	0.03	**0.02**	(0.01)
Earnings per share from continuing operations					
- Basic and diluted earnings per share	€	**0.06**	0.06	**0.03**	0.03

[1] *After deducting dividend attributable to preferred securities holders and after including gains/(losses) on preferred securities (note 26).*

Basic and diluted losses per share from discontinued operations for the period ended 30 September 2018 amounted to € 0.03 (30 September 2017: € 0.03 basic losses per share).

8. Other income/ (expenses)

For the period ended 30 September 2018, other income/(expenses) mainly include: (a) € 6.3 million de-recognition gain on loans measured at amortised cost, the terms of which were substantially modified, (b) € 1.2 million gain from the acquisition of ERB Lux Immo S.A. (note 16), (c) € 2.2 million gain from the disposal of Mesal Holdings Ltd (note 16) and (d) € 5.1 million fee expense related to the deferred tax credits according to article 82 of Law 4472/2017 (note 12).

9. Operating expenses

	30 September 2018 € million	30 September 2017 € million
Staff costs	**(364)**	(381)
Administrative expenses	**(152)**	(150)
Contributions to resolution and deposit guarantee funds	**(49)**	(50)
Depreciation of property, plant and equipment	**(28)**	(28)
Amortisation of intangible assets	**(19)**	(17)
Operating lease rentals	**(41)**	(42)
Total from continuing operations	**(653)**	(668)

The average number of employees of the Group's continuing operations during the period was 13,279 (30 September 2017: 13,772). As at 30 September 2018, the number of branches and business/private banking centers of the Group amounted to 653.

10. Impairment allowance for loans and advances to customers

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

	30 September 2018			
	12-month ECL € million	Lifetime ECL not credit-impaired loans € million	Lifetime ECL credit-impaired loans [1] € million	Total € million
Impairment allowance as at 1 January (note 2.3.2)	160	810	10,137	11,107
Transfer of ECL allowance [2]	(13)	(5)	(44)	(62)
Transfers between stages	49	81	(130)	-
Impairment loss for the period	(62)	(145)	672	465
Recoveries from written - off loans	-	-	11	11
Financial assets derecognised during period (note 14)	(3)	-	(62)	(65)
Amounts written off	-	-	(878)	(878)
Unwinding of Discount	-	-	(221)	(221)
Amounts classified as held for sale (note 14)	-	-	(945)	(945)
Foreign exchange and other movements	(1)	0	27	26
Impairment allowance as at 30 September	**130**	**741**	**8,567**	**9,438**

[1] *As at 30 September 2018 it includes impairment allowance for POCI loans of € 1 million (1 January 2018: € 1 million).*

[2] *As of 1 January 2018, the impairment allowance for credit related commitments (off balance sheet items) is monitored separately from the impairment allowance on loans and advances to customers and accordingly is presented within other liabilities (note 24).*

The impairment losses relating to loans and advances to customers recognized in the Group's income statement for the period ended 30 September 2018 amounted to € 513 million and are analyzed as follows:

	30 September 2018 € million
Impairment loss on loans and advances to customers	**(465)**
Modification loss on loans and advances to customers	**(51)**
Impairment (loss)/reversal for credit related commitments	**3**
Total	**(513)**

11. Other impairments, restructuring costs and provisions

	30 September 2018 € million	30 September 2017 € million
Impairment losses and valuation losses on investment and repossessed properties	**(17)**	(17)
Impairment losses/ reversal on bonds (note 15)	**17**	(0)
Other impairment losses and provisions [1]	**(4)**	(9)
Other impairment losses and provisions	**(4)**	(26)
Voluntary Exit Schemes' costs (note 24)	**(43)**	-
Other restructuring costs	**(4)**	(3)
Restructuring costs	**(47)**	(3)
Total from continuing operations	**(51)**	(29)

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

For the period ended 30 September 2018, the Group recognized restructuring costs amounting to € 4 million related with the optimization of its lending operations.

12. Income tax

	30 September 2018 € million	30 September 2017 € million
Current tax	**(33)**	(26)
Deferred tax	**(11)**	5
Tax adjustments	**(14)**	-
Total tax (charge)/income from continuing operations	**(58)**	(21)

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

For the period ended 30 September 2018, a provision of € 14 million has been recognized in the income statement against income tax receivables, which are further pursued in courts.

In October 2018, the Greek Council of State communicated its decisions to the Bank and another Greek banking institution, ruling against their refund right in reference to taxes prepaid (by way of withholding) on interest arising from bonds and treasury bills for the year 2008. The said decisions interpreted the Greek tax law applicable for the year 2008 and stated that such withholding taxes are allowed to be offset only against the banks' annual corporate income tax and any excess part is not refundable. However, in respect of such withholding taxes, two previous favorable decisions for different years (the one related to the Bank for the year 2010 and a second to another banking institution) have been issued by the same Council of State body. The Bank's refund amount rejected for the year 2008 of € 4.3 million was adequately provided for. The Bank is in the process of further assessing the implications of the above development to similar pending tax receivables amounting to € 46 million, for which although positive Court of Appeal decisions exist, adequate provisions have also been formed.

Tax certificate and open tax years

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

The Bank has been audited by tax authorities up to 2010 (included). Furthermore, the Bank has obtained by external auditors unqualified tax certificates for years 2011-2017. In addition, New TT Hellenic Postbank and New Proton Bank, which were merged with the Bank in 2013, have obtained by external auditors unqualified tax certificates with a matter of emphasis for their unaudited by tax authorities periods/tax years 18/1-30/6/2013 and 9/10/2011-31/12/2012, respectively, with regards to potential tax obligations resulting from their carve out. For both cases the Bank has formed adequate provisions.

The Bank's subsidiaries, associates and joint ventures which operate in Greece (notes 16 and 17) have in principle 3 to 6 open tax years. For these entities that are subject to statutory audit by external auditors and obtain the 'Annual Tax Certificate', the said certificate is unqualified for years 2012-2017.

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

The open tax years of foreign Group's bank subsidiaries are as follows: (a) Eurobank Cyprus Ltd, 2014-2017, (b) Eurobank Bulgaria A.D., 2013-2017, (c) Eurobank A.D. Beograd (Serbia), 2012-2017, and (d) Eurobank Private Bank Luxembourg S.A., 2013-2017. The remaining of the Group's foreign entities (notes 16 and 17), which operate in countries where a statutory tax audit is explicitly stipulated by law, have 1 to 6 open tax years in principle, subject to certain preconditions of the applicable tax legislation of each jurisdiction.

Deferred income taxes

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

The movement on deferred income tax is as follows:

	30 September 2018 € million
Balance at 1 January	**4,855**
IFRS 9 transition impact (note 2.3.2)	**5**
Income statement credit/(charge) from continuing operations	**(11)**
Investment securities at FVOCI	**50**
Cash flow hedges	**(2)**
Discontinued operations	**4**
Balance at 30 September	**4,901**

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

	30 September 2018 € million	31 December 2017 € million
PSI+ tax related losses	**1,164**	1,201
Impairment/ valuation relating to loans and accounting write-offs [(1)]	**3,100**	3,011
Losses from disposals and crystallized write-offs of loans	**255**	239
Other impairments/ valuations through the income statement	**258**	311
Costs directly attributable to equity transactions	**25**	31
Unused tax losses	**82**	22
Cash flow hedges	**15**	17
Defined benefit obligations	**14**	14
Own used, investment and repossessed properties	**(18)**	(16)
Investment securities at FVOCI	**(38)**	-
Valuations directly to available-for-sale revaluation reserve	**-**	(84)
Other [(1)]	**44**	109
Net deferred income tax	**4,901**	4,855

[(1)] *As at 30 September 2018, deferred tax asset of € 61 million on provisions for credit related commitments of the Bank to its subsidiaries (mainly to reflect the carrying values of their loans' portfolios) has been reclassified from "other" category of temporary taxable differences to "Impairment/ valuation relating to loans and accounting write-offs".*

Following the completion of the sale of the Romanian disposal group (note 13), the relevant valuation temporary differences were reversed, but were not fully utilized against taxable profits. This resulted to the increase of the deferred tax on unused tax losses and the decrease of deferred tax on valuations through the income statement for the period ended 30 September 2018.

The net deferred income tax is analyzed as follows:

	30 September 2018 € million	31 December 2017 € million
Deferred income tax assets	**4,904**	4,859
Deferred income tax liabilities (note 24)	**(3)**	(4)
Net deferred income tax	**4,901**	4,855

Deferred income tax (charge)/credit from continuing operations is attributable to the following items:

	30 September 2018 € million	30 September 2017 € million
Impairment/ valuation relating to loans, disposals and write-offs	**39**	53
Unused tax losses	**60**	4
Tax deductible PSI+ losses	**(38)**	(38)
Change in fair value and other temporary differences	**(72)**	(14)
Deferred income tax (charge)/credit from continuing operations	**(11)**	5

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

(a) € 1,164 million refer to losses resulted from the Group's participation in PSI+ and the Greek's state debt buyback program which are subject to amortization (i.e. 1/30 of losses per year starting from year 2012 and onwards) for tax purposes;

(b) € 3,100 million refer to deductible temporary differences arising from impairment/ valuation relating to loans that can be utilized in future periods with no specified time limit and according to current tax legislation of each jurisdiction and to accounting debt write-offs according to Law 4172/2013 as amended by Law 4465/2017 in March 2017;

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

(d) € 82 million refer to unused tax losses including ca € 48 million tax losses, which resulted from the sale of the Romanian disposal group in April 2018 (note 13). The ability to utilize tax losses carried forward expires in five tax years after the year of their recognition;

(e) € 25 million mainly refer to deductible temporary differences related to the (unamortized for tax purposes) costs directly attributable to Bank's share capital increases, subject to 10 years' amortization according to tax legislation in force at the year they have been incurred; and

(f) € 275 million refer to other deductible temporary differences (i.e. valuation losses, provisions for pensions and other post-retirement benefits, etc.) the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation of each jurisdiction.

Assessment of the recoverability of deferred tax assets

The recognition of the above presented deferred tax assets is based on management's assessment, as at 30 September 2018, that the Group's legal entities will have sufficient future taxable profits, against which the unused tax losses, the deductible temporary differences, as well as the losses from PSI+ and the Greek state's debt buyback program can be utilized. The deferred tax assets are determined on the basis of the tax treatment of each deferred tax asset category, as provided by the applicable tax legislation of each jurisdiction, the eligibility of carried forward losses for offsetting with future taxable profits, the actual tax results for the year ended 31 December 2017 and the extrapolated tax results for the year ended 31 December 2018 using the actual tax results for the period ended 30 September 2018. Additionally, the Group's assessment on the recoverability of recognized deferred tax assets is based on (a) the future performance expectations (projections of operating results) and growth opportunities relevant for determining the expected future taxable profits, (b) the expected timing of reversal of the deductible and taxable temporary differences, (c) the probability that the Group entities will have sufficient taxable profits in the future, in the same period as the reversal of the deductible and taxable temporary differences (i.e. profits/ losses on sale of investments or other assets, etc.) or in the years into which the tax losses can be carried forward, and (d) the historical levels of Group entities' performance in combination with the previous years' tax losses caused by one off or non-recurring events.

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

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

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

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

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

As at 30 September 2018, pursuant to the Law 4172/2013, as in force, the Bank's eligible DTAs/deferred tax credits (DTCs) against the Greek State amounted to € 3,940 million. The DTCs will be converted into directly enforceable claims (tax credit) against the Greek State provided that the Bank's after tax accounting result for the year is a loss. In particular, DTCs are accounted for on: (a) the losses from the Private Sector Involvement (PSI) and the Greek State Debt Buyback Program and (b) on the sum of (i) the unamortized part of the crystallized loan losses from write-offs and disposals, (ii) the accounting debt write-offs and (iii) the remaining accumulated provisions and other losses in general due to credit risk recorded up to 30 June 2015.

In accordance with the tax regime, in force, the above crystallized tax losses arising from write-offs and disposals on customers' loans are amortised over a twenty-year period, maintaining the DTC status during all this period, while they are disconnected from the accounting write-offs. Accordingly, the recovery of the Bank's deferred tax asset recorded on loans and advances to customers and the regulatory capital structure are safeguarded, contributing substantially to the achievement of the NPEs reduction targets, through the acceleration of write-offs and disposals.

As of May 2017, according to article 82 of Law 4472/2017, which further amended article 27A of Law 4172/2013, an annual fee of 1.5% is imposed on the excess amount of deferred tax assets guaranteed by the Greek State, stemming from the difference between the current tax rate (i.e. 29%) and the tax rate applicable on 30 June 2015 (i.e. 26%). For the period ended 30 September 2018, an amount of € 5.1 million has been recognized in "Other income/(expenses)".

13. Discontinued operations

Romanian disposal group

In September 2017, the sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group) was considered highly probable, therefore, as of 30 September 2017 Romanian disposal group was classified as held for sale. On 24 November 2017, the Bank announced that it had reached an agreement with Banca Transilvania (BT) with regards to the above sale. Following the said agreement, on 3 April 2018, Eurobank and BT concluded all the remaining actions and fulfilled all the conditions precedent for the completion of the transfer of the shares held by the Group in the above companies to BT.

The Romanian disposal group was the major part of the Group's operations in Romania, which are presented in the International segment.

The results of the Romanian disposal group are set out below:

	For the period ended	
	31 March 2018 [1] **€ million**	30 September 2017 € million
Net interest income	**24**	74
Net banking fee and commission income	**5**	15
Gains less losses from investment securities	**0**	4
Other income/(expenses)	**1**	2
Operating expenses	**(22)**	(67)
Profit before impairments, remeasurement losses and provisions from discontinued operations	**8**	28
Impairment losses relating to loans and advances	**(3)**	(25)
Remeasurement losses on non current and other assets	(0)	(66)
Other impairment losses and provisions	**(1)**	(7)
Profit/ (loss) before tax from discontinued operations	**4**	(70)
Income tax	**(1)**	2
Profit/ (loss) after tax from discontinued operations before loss on disposal	**3**	(68)
Loss on disposal before tax	**(64)**	-
Income tax on disposal	**4**	-
Loss after tax from discontinued operations	**(57)**	(68)
Net profit from discontinued operations attributable to non controlling interests	**0**	0
Net loss from discontinued operations attributable to shareholders	**(57)**	(68)

[1] *It includes the adjusted loss on disposal for the period ended 30 September 2018.*

The major classes of assets and liabilities of Romanian disposal group were as follows:

	31 March 2018 € million	31 December 2017 € million
Loans and advances to customers	**1,251**	1,254
Investment securities	**328**	328
Cash and balances with central banks [(1)]	**224**	333
Due from credit institutions [(1)]	**197**	243
Securities held for trading	**8**	26
Total assets of disposal group classified as held for sale	**2,008**	2,184
Due to customers	**1,768**	1,831
Due to credit institutions	**26**	93
Other liabilities	**33**	35
Total liabilities of disposal group classified as held for sale	**1,827**	1,959
Net Intragroup assets associated with the Romanian disposal group	**28**	30
Net assets of disposal group classified as held for sale	**209**	255
Net assets of disposal group classified as held for sale attributable to non controlling interests	**2**	2
Net assets of disposal group classified as held for sale attributable to shareholders	**207**	253

[(1)] *As at 31 March 2018, the cash and cash equivalents included above amounted to € 285 million.*

Up to the date of the disposal, cumulative losses (mainly currency translation differences) attributable to shareholders recognized in other comprehensive income amounted to € 46 million.

The consideration of the transaction, net of selling costs, reached € 205 million, in addition to the € 25 million special dividend and € 50 million capital return received in 2017 and in the first quarter 2018, respectively. The said consideration is subject to adjustments following the finalization of the completion statements of Romanian disposal group and the fulfillment of certain conditionalities as per the aforementioned agreement with Banca Transilvania. In the above context in the third quarter 2018, the Group has recognized a provision of € 15 million for Bancpost S.A. tax issues (see below). Accordingly, an amount of € 60 million loss after tax has been recognized in the income statement for the period ended 30 September 2018, including the recyclement to the income statement of the aforementioned € 46 million cumulative losses previously recognized in other comprehensive income. The transaction has been capital accretive and liquidity positive for the Group.

According to the tax audit assessment communicated to Bancpost S.A. within July 2018, following the completion of the tax audit for the years 2011-2015, the additional taxes to be paid amount in total to € 40 million, approximately. The said taxes result from the imposition of additional withholding taxes of € 30 million (including surcharges of € 10 million) and additional corporate income tax of € 10 million deriving from both the disallowance for tax deduction of certain expenses and the recognition of deemed taxable income.

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

According to the Sale Purchase Agreement (SPA) executed between Eurobank Group (the Seller) and Banca Transilvania (BT) (the Purchaser), the Purchaser could claim, subject to certain limitations on the total claim, from the Seller the tax liabilities that will be assessed by a tax authority as a result of a Tax audit covering all tax matters in respect of all open (non-expired) taxable periods of Bancpost S.A. until the completion of the transaction. In respect of the above, in the third quarter of 2018, the Group has recognized the aforementioned provision of € 15 million in the income statement.

In addition, in July and August, the Romanian National Authority for Consumer Protection (ANPC) has imposed two fines on Bancpost S.A. in connection with complaints raised by certain Bancpost S.A. lending clients. The cases related to portfolios of performing loans which were assigned by Bancpost S.A. to ERB New Europe Funding II B.V. (NEF II) (an SPV in the Netherlands controlled by Eurobank) in 2008. The ANPC has imposed fines on Bancpost S.A. totalling € 68 thousand, as it challenged the capacity of NEF II to acquire the loan receivables from Bancpost S.A. and of certain alleged breaches of consumer protection laws. Furthermore, the ANPC concluded that payments by the consumers such as interests, fees, penalties in relation to all loans assigned to NEF II were illegally cashed in by NEF II for a period of ten years and should be reimbursed by Bancpost S.A.

Bancpost S.A. is in the process of challenging the ANPC minutes.

The SPA for the sale of Bancpost S.A. mentioned above between Eurobank Group and BT also provides for an indemnity in respect of losses incurred from claims made against the Purchaser or Bancpost S.A. in relation to loans and receivables of the above perimeter.

The Group is closely monitoring the developments of all the above cases of Bancpost S.A. and is in the process of analyzing the potential implications that may affect its legal rights and obligations, including those arising under the SPA with BT.

Grivalia subgroup

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

The held for sale operations of Grivalia subgroup included: a) Grivalia Properties R.E.I.C. and its subsidiaries in Greece and Luxembourg, which were presented in other operations segment, and b) Grivalia's subsidiaries in Romania and Serbia, which were presented in International segment.

On 4 July 2017, the Bank announced the successful sale of its shareholding in Grivalia Properties R.E.I.C. The net profit of the Grivalia subgroup for the period ended 30 June 2017 including the result on disposal, amounted to gain € 10 million in total, of which loss € 1 million attributable to the shareholders.

Further information in relation to the disposal of Grivalia subgroup is provided in note 17 of the consolidated financial statements for the year ended 31 December 2017.

14. Loans and advances to customers

	As at		
	30 September 2018	**1 January 2018**	31 December 2017
	€ million	**€ million**	€ million
Loans and advances to customers at amortised cost			
- Gross carrying amount	45,296	47,122	47,242
- Impairment allowance	(9,438)	(11,107)	(10,134)
Net Carrying Amount	**35,858**	**36,015**	37,108
Loans and advances to customers at FVTPL	**59**	**65**	-
Total	**35,917**	**36,080**	37,108

The table below presents the carrying amount of loans and advances to customers per business unit and per stage as at 30 September 2018:

	30 September 2018				1 January 2018	31 December 2017
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired [(1)] € million	Total carrying amount € million	Total carrying amount € million	Total carrying amount € million
Loans and advances to customers at amortised cost						
Mortgage lending:						
- Gross carrying amount	6,678	3,517	6,217	16,412	16,667	16,667
- Impairment allowance	(32)	(283)	(2,287)	(2,602)	(2,646)	(2,318)
Net Carrying Amount	6,646	3,234	3,930	13,810	14,021	14,349
Consumer lending:						
- Gross carrying amount	2,202	372	1,436	4,010	5,251	5,251
- Impairment allowance	(38)	(112)	(1,116)	(1,266)	(2,294)	(2,076)
Net Carrying Amount	2,164	260	320	2,744	2,957	3,175
Small Business lending:						
- Gross carrying amount	1,518	1,218	4,089	6,825	6,973	6,973
- Impairment allowance	(13)	(215)	(2,037)	(2,265)	(2,386)	(2,069)
Net Carrying Amount	1,505	1,003	2,052	4,560	4,587	4,904
Wholesale lending:						
- Gross carrying amount	9,940	2,177	5,932	18,049	18,231	18,351
- Impairment allowance	(47)	(131)	(3,127)	(3,305)	(3,781)	(3,671)
Net Carrying Amount	9,893	2,046	2,805	14,744	14,450	14,680
Total loans and advances to customers at AC						
- Gross carrying amount	20,338	7,284	17,674	45,296	47,122	47,242
- Impairment allowance	(130)	(741)	(8,567)	(9,438)	(11,107)	(10,134)
Net Carrying Amount	**20,208**	**6,543**	**9,107**	**35,858**	**36,015**	37,108
Loans and advances to customers at FVTPL						
Net Carrying Amount				**59**	**65**	-
Total				**35,917**	**36,080**	37,108

[(1)] As at 30 September 2018 it includes POCI loans of € 3 million gross carrying amount and € 1 million impairment allowance (1 January 2018: € 5 million gross carrying amount and € 1 million impairment allowance).

As at 30 September 2018, the Group's non performing exposures included in loans and advances to customers at amortised cost amounted to € 17,674 million (1 January 2018: € 20,022 million).

Operational targets for Non-Performing Exposures (NPEs)

In line with the national strategy for the reduction of NPEs, the Bank of Greece (BoG), in cooperation with the supervisory arm of the European Central Bank (ECB), has designed an operational targets framework for NPEs management, supported by several key performance indicators. Pursuant to the said framework, the Greek banks submitted at the end of September 2016 a set of NPEs operational targets together with a detailed NPEs management strategy with a 3-year time horizon, which is henceforth revised annually in order to align with changes in the operating environment and the Bank's strategic priorities. In September 2018, the Greek banks submitted an updated set of NPEs operational targets, together with an updated NPEs management strategy, for the years 2018-2021. According to the revised NPEs targets, the Bank's NPEs stock is projected to reach € 11.6 bn (NPE ratio 33.0%) by the end of 2019, and € 5.4 bn (NPE ratio 16.9%) by the end of 2021, representing a reduction of 70% in NPE volumes from December 2017 to 2021 (74% for Retail and 63% for Corporate). The mix of solutions to be used is differentiated versus the previous submission, involving securitization of NPEs, increased sales and liquidations.

In accordance with the latest relevant BoG report issued in September 2018, in the first half of 2018 the Greek banks managed in total to meet the targets for the reduction in the stock of NPEs. More specifically, at the end of June 2018, the stock of NPEs (excluding off-balance sheet items) amounted to € 88.6 bn or € 1.6 bn lower than the targeted amount. With respect to the target for the stock of NPLs (90 days past due loans), their balances stood at € 61.0 bn or € 0.3 bn higher than the targeted amount. As at

30 September 2018, the Bank has reduced the stock of NPEs by € 2 bn since 31 December 2017 to € 16.1 bn which compares to a revised target of € 16 bn submitted to SSM in September 2018.

Legal framework

In June 2018, significant legislative changes towards the reduction of NPEs include the voting of Law 4549/2018, which amends the Individual Insolvency Law 3869/2010 and the Law 4469/2017 for the operating framework of the out-of-court workout mechanism for businesses.

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

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

Non-performing loans sale transaction

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

Non-performing loans classified as held for sale

As of 30 September 2018, a non performing unsecured consumer loan (NPL) portfolio of the Bank of total unpaid principal ca. € 1.1 bn was classified as held for sale, as its sale was considered highly probable. At 30 September 2018, the on balance sheet exposure of the said NPL portfolio amounted to € 1,012 million and carried an impairment allowance of € 945 million, resulting to a net carrying amount of € 67.5 million.

Post balance sheet event

On 16 October 2018, the Bank announced that it has entered into an agreement with the consortium of B2Holding ASA and Waterfall Asset Management to sell the aforementioned NPL portfolio. The servicing of the portfolio will remain with Financial Planning Services (FPS), which is the 100% owned by the Bank licensed NPL servicer, and will take place in cooperation with the licensed company B2Kapital S.A.

The transaction, which is part of the Bank's NPEs reduction plan is expected to be concluded within the fourth quarter of 2018 for a cash consideration of ca. 6% in terms of total unpaid principal.

15. Investment securities

	As at		
	30 September 2018 € million	**1 January 2018 € million**	31 December 2017 € million
Investment securities at FVOCI	**6,092**	**5,966**	-
Investment securities at amortised cost	**1,391**	**1,398**	-
Investment securities at FVTPL	**92**	**187**	-
Available-for-sale investment securities	**-**	**-**	5,509
Debt securities lending portfolio	**-**	**-**	1,654
Held-to-maturity investment securities	**-**	**-**	442
Total	**7,575**	**7,551**	7,605

Following the transition to IFRS 9, the Group reclassified debt securities from the 'Available-for-sale' portfolio to 'Investment securities' portfolio carried at amortized cost. As at 30 September 2018, the fair value of the reclassified securities was € 71 million. Had the financial assets not been reclassified, the change in fair value that would have been recognised in other comprehensive income for the period from the reclassification date until 30 September 2018 would have resulted in € 1 million gain net of tax.

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

	30 September 2018			
	12-month ECL € million	Lifetime ECL not credit-impaired € million	Lifetime ECL credit-impaired € million	Total carrying amount € million
Debt securities at amortised cost				
- Gross carrying amount	875	552	-	1,427
- Impairment allowance	(3)	(33)	-	(36)
Net Carrying Amount	872	519	-	1,391
Debt securities at FVOCI				
Net Carrying Amount	6,071	21	-	6,092
Total	**6,943**	**540**	**-**	**7,483**
Other investment securities (equity/debt) at FVTPL				
Net carrying amount				92
Total Investment securities				**7,575**

During the period ended 30 September 2018, the impairment allowance of the investment securities of the Group decreased by € 17 million, mainly due to the improvement of the credit quality of the Hellenic Republic as depicted in the markets and due to the improvement of the long-term prospects of the Greek Economy after the end of the third economic adjustment programme.

The investment securities per category are analyzed as follows:

	30 September 2018			
	Investment securities at FVOCI € million	Investment securities at amortised cost € million	Investment securities at FVTPL € million	Total € million
Debt securities				
- Greek government bonds	**2,134**	**918**	**-**	**3,052**
- Greek government treasury bills	**73**	**-**	**-**	**73**
- Other government bonds [1]	**3,079**	**473**	**-**	**3,552**
- Other issuers	**806**	**-**	**4**	**810**
	6,092	**1,391**	**4**	**7,487**
Equity securities	**-**	**-**	**88**	**88**
Total	**6,092**	**1,391**	**92**	**7,575**

[1] As at 30 September 2018, other government bonds include € 451 million notes issued by the EFSF/ ESM.

	31 December 2017			
	Available--for-sale securities € million	Debt securities lending portfolio € million	Held-to--maturity securities € million	Total € million
Debt securities				
- EFSF bonds	203	362	-	565
- Greek government bonds	1,557	964	-	2,521
- Greek government treasury bills	1,044	-	-	1,044
- Other government bonds	2,200	298	294	2,792
- Other issuers	419	30	148	597
	5,423	1,654	442	7,519
Equity securities	86	-	-	86
Total	5,509	1,654	442	7,605

During the period ended 30 September 2018, the Group recognized € 74 million gains presented in line 'Gains less losses from investment securities', which mainly resulted from debt securities at FVOCI sale transactions. In the comparative period, the Group recognized € 63 million gains, € 29 million of which resulted from the deleveraging of its equity investments portfolio and € 34 million from bonds' transactions.

Sale of European Financial Stability Facility (EFSF) notes

In the context of the European Stability Mechanism (ESM)/EFSF decision for the implementation of the short-term Greek debt relief measures, the Bank had entered into an agreement with the EFSF, the Hellenic Republic, the HFSF and the Bank of Greece on 16 March 2017 for the exchange of the EFSF floating rate notes which had been used for the recapitalization of the Greek banking system for fixed rate ones, which would be sold back after a short holding period to EFSF.

In January 2018, the Bank concluded the sale of its entire position in the aforementioned EFSF notes, as the remaining fixed rate said bonds of face value of € 0.36 bn were sold back to the EFSF, with no effect in the Bank's income statement.

16. Shares in subsidiary undertakings

The following is a listing of the Bank's subsidiaries at 30 September 2018, included in the condensed consolidated interim financial statements for the period ended 30 September 2018:

Name	Note	Percentage holding	Country of incorporation	Line of business
Be Business Exchanges S.A. of Business Exchanges Networks and Accounting and Tax Services		98.01	Greece	Business-to-business e-commerce, accounting, tax and sundry services
Eurobank Asset Management Mutual Fund Mngt Company S.A.		100.00	Greece	Mutual fund and asset management
Eurobank Equities S.A.		100.00	Greece	Capital markets and advisory services
Eurobank Ergasias Leasing S.A.		100.00	Greece	Leasing
Eurobank Factors S.A.		100.00	Greece	Factoring
Eurobank FPS Loans and Credits Claim Management S.A.		100.00	Greece	Loans and Credits Claim Management
Eurobank Property Services S.A.		100.00	Greece	Real estate services
Hellenic Post Credit S.A.		50.00	Greece	Credit card management and other services
Herald Greece Real Estate development and services company 1		100.00	Greece	Real estate
Herald Greece Real Estate development and services company 2		100.00	Greece	Real estate
Standard Ktimatiki S.A.		100.00	Greece	Real estate

Name	Note	Percentage holding	Country of incorporation	Line of business
Modern Hoteling	b	100.00	Greece	Real estate
Eurobank Bulgaria A.D.		99.99	Bulgaria	Banking
Bulgarian Retail Services A.D.		100.00	Bulgaria	Rendering of financial services and credit card management
ERB Property Services Sofia E.A.D.	d	99.99	Bulgaria	Real estate services
ERB Leasing E.A.D.		100.00	Bulgaria	Leasing
IMO 03 E.A.D.		100.00	Bulgaria	Real estate services
IMO Central Office E.A.D.	e	99.99	Bulgaria	Real estate services
IMO Property Investments Sofia E.A.D.		100.00	Bulgaria	Real estate services
ERB Leasing Bulgaria EAD	f	100.00	Bulgaria	Leasing
ERB Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
Eurobank Cyprus Ltd		100.00	Cyprus	Banking
CEH Balkan Holdings Ltd	o	100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd [1]	l	100.00	Cyprus	Special purpose investment vehicle
ERB New Europe Funding III Ltd		100.00	Cyprus	Finance company
Foramonio Ltd		100.00	Cyprus	Real estate
NEU 03 Property Holdings Ltd		100.00	Cyprus	Holding company
NEU BG Central Office Ltd		100.00	Cyprus	Holding company
NEU Property Holdings Ltd		100.00	Cyprus	Holding company
Lenevino Holdings Ltd		100.00	Cyprus	Real estate
Rano Investments Ltd	j	100.00	Cyprus	Real estate
Neviko Ventures Ltd	n	100.00	Cyprus	Real estate
Eurobank Private Bank Luxembourg S.A.		100.00	Luxembourg	Banking
Eurobank Fund Management Company (Luxembourg) S.A.		100.00	Luxembourg	Fund management
Eurobank Holding (Luxembourg) S.A.		100.00	Luxembourg	Holding company
ERB Lux Immo S.A.	c	100.00	Luxembourg	Real estate
ERB New Europe Funding B.V.		100.00	Netherlands	Finance company
ERB New Europe Funding II B.V.		100.00	Netherlands	Finance company
ERB New Europe Holding B.V.		100.00	Netherlands	Holding company
ERB IT Shared Services S.A.		100.00	Romania	Informatics data processing
Eurobank Finance S.A. [1]		100.00	Romania	Investment banking
Eurobank Property Services S.A.		100.00	Romania	Real estate services
IMO Property Investments Bucuresti S.A.		100.00	Romania	Real estate services
IMO-II Property Investments S.A.		100.00	Romania	Real estate services
Eurobank A.D. Beograd		99.99	Serbia	Banking
ERB Leasing A.D. Beograd [1]		99.99	Serbia	Leasing
ERB Property Services d.o.o. Beograd		100.00	Serbia	Real estate services
IMO Property Investments A.D. Beograd		100.00	Serbia	Real estate services
ERB Istanbul Holding A.S.		100.00	Turkey	Holding company
ERB Hellas Plc		100.00	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc [1]		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc [1]		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc [1]		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc [1]		-	United Kingdom	Special purpose financing vehicle
Tegea Plc [1]		-	United Kingdom	Special purpose financing vehicle
Maximus Hellas Designated Activity Company	k	-	Ireland	Special purpose financing vehicle

[1] *Entities under liquidation at 30 September 2018.*

The following entities are not included in the condensed consolidated interim financial statements mainly due to immateriality:

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

(ii) Dormant entity: Enalios Real Estate Development S.A.

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

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

In December 2017, the Board of Directors of the Bank and its wholly owned subsidiary Eurobank Household Lending Services S.A. decided the merger of the two companies, by absorption of the latter by the former. In June 2018, the above merger was completed, after all necessary approvals from the competent authorities were obtained. The transaction was accounted for in the Group's financial statements by using the pooling of interests method (also known as merger accounting) with no effect in the said statements. Further information about the transaction, is provided in the note 14 of the Bank's interim financial statements for the period ended 30 June 2018.

(b) Modern Hoteling, Greece

In the context of the management of its non performing exposures (NPEs), in January 2018, the Bank established a wholly owned subsidiary, Modern Hoteling, to operate as a real estate company in Greece.

(c) ERB Lux Immo S.A., Luxembourg

In January 2018, the Bank's subsidiary Eurobank Private Bank Luxembourg S.A. acquired 100% of the shares and voting rights of BHF Lux Immo S.A. for a cash consideration of € 8.7 million. The acquisition was accounted for as a business combination using the purchase method of accounting. At the date of acquisition, the fair value of the total assets amounted to € 19.2 million, while of the total liabilities (mainly referring to intragroup funding) amounted to € 9.3 million. Accordingly, the effect of the transaction was € 1.2 million gain, which has been recognized in "Other income/(expenses)". Additionally, at the acquisition date, according to the decision of the General Meeting of the Shareholders of the acquired company its name changed to ERB Lux Immo S.A.

(d) ERB Property Services Sofia E.A.D., Bulgaria

In January 2018, the Bank and its subsidiary Eurobank Property Services S.A. disposed their participations in ERB Property Services Sofia A.D. to Eurobank Bulgaria A.D., where the Group's percentage holding is 99.99% and thus, the Group participation to the company decreased from 100% to 99.99%. In June 2018, following the aforementioned transactions, the company's name changed to ERB Property Services Sofia E.A.D.

(e) IMO Central Office E.A.D., Bulgaria

In January 2018, the Bank's subsidiary NEU BG Central Office Ltd disposed its participation in IMO Central Office E.A.D. to Eurobank Bulgaria A.D., where the Group's percentage holding is 99.99% and thus, the Group participation to the company decreased from 100% to 99.99%.

(f) ERB Leasing Bulgaria EAD, Bulgaria

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

(g) Mesal Holdings Ltd, Cyprus

In the first half of 2018, Eurobank Cyprus Ltd disposed of the 100% of the shares and voting rights of Mesal Holdings Ltd with a resulting gain of € 2.2 million recognized in the Group's income statement.

(h) Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A., Romania

On 4 April 2018, the Bank announced the completion of the sale of Bancpost S.A., ERB Retail Services IFN S.A. and ERB Leasing IFN S.A. in Romania (Romanian disposal group) to Banca Transilvania. Hence, as of that date, the subsidiaries of the Romanian disposal group are not consolidated (note 13).

(i) NEU II Property Holdings Ltd, Cyprus

In the first half of 2018, the General Meeting of the Shareholders of the company decided its liquidation, which was completed in September 2018.

(j) Rano Investments Ltd, Cyprus

In the context of the management of its NPEs, in the second quarter of 2018, the Bank's subsidiary Eurobank Cyprus Ltd established a wholly owned subsidiary, Rano Investments Ltd, to operate as a real estate company in Cyprus.

(k) Maximus Hellas Designated Activity Company, Ireland

In the second quarter of 2018, the Bank established Maximus Hellas Designated Activity Company, a special purpose financing vehicle for the securitization of a portfolio of corporate and SME (small and medium enterprise) loans (note 23).

(l) Chamia Enterprises Company Ltd, Cyprus

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

(m) Densho Investments Ltd, Cyprus

In July 2018, Eurobank Cyprus Ltd disposed of the 100% of the shares and voting rights of Densho Investments Ltd with a resulting gain of € 0.02 million recognized in the Group's income statement.

(n) Neviko Ventures Ltd, Cyprus

In the context of the management of its NPEs, in August 2018, the Bank's subsidiary Eurobank Cyprus Ltd established a wholly owned subsidiary, Neviko Ventures Ltd, to operate as a real estate company in Cyprus.

(o) CEH Balkan Holdings Ltd, Cyprus

In the third quarter of 2018, the Board of Directors of the company decided its liquidation, which is subject to the approval of the General Meeting of the Shareholders of the company.

Post balance sheet events

Anaptyxi SME I Plc and Anaptyxi SME I Holdings Ltd, United Kingdom

Since October 2018, the special purpose financing vehicle Anaptyxi SME I Plc and the holding company Anaptyxi SME I Holdings Ltd, are under liquidation.

Astarti Designated Activity Company, Ireland

In October 2018, the Bank established Astarti Designated Activity Company, a special purpose financing vehicle for the securitization of a portfolio of consumer and SME (small and medium enterprise) loans.

Agreement for the acquisition of Piraeus Bank Bulgaria A.D. by Eurobank Bulgaria A.D.

On 7 November 2018, the Bank announced that it has concluded an agreement with Piraeus Bank S.A. for the acquisition of Piraeus Bank Bulgaria A.D. ("PBB"), a subsidiary of Piraeus Bank, by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria A.D. ("Postbank") (the "Transaction") for a consideration of € 75 million. As of September 2018, PBB had total assets of € 1.7 bn, including total loans of € 820 million and deposits of € 1.3 bn.

In line with the Group's strategy to focus on the expansion of its international activities in markets which are deemed core, this acquisition will strengthen Postbank's position in the Bulgarian banking sector, in both the retail and mainly corporate business segments. The Transaction is expected to have at completion, a marginal negative impact on the Group's CET1 ratio, while accounting also for the expected synergies, the Transaction is estimated to be capital accretive.

The completion of the Transaction is subject to approvals by the relevant competent regulatory and supervisory authorities and is expected to take place during the first quarter of 2019.

17. Investments in associates and joint ventures

As at 30 September 2018, the carrying amount of the Group's investments in associates and joint ventures amounted to € 136 million (31 December 2017: € 156 million). The following is the listing of the Group's associates and joint ventures as at 30 September 2018:

Name	Note	Country of incorporation	Line of business	Group's share
Femion Ltd		Cyprus	Special purpose investment vehicle	66.45
Tefin S.A. (1)		Greece	Dealership of vehicles and machinery	50.00
Sinda Enterprises Company Ltd		Cyprus	Special purpose investment vehicle	48.00
Singidunum - Buildings d.o.o. Beograd	a	Serbia	Development of building projects	30.81
Alpha Investment Property Kefalariou S.A.		Greece	Real estate	41.67
Global Finance S.A. (2)		Greece	Investment financing	33.82
Rosequeens Properties Ltd (3)		Cyprus	Special purpose investment vehicle	33.33
Famar S.A. (2)	b	Luxembourg	Holding company	23.55
Odyssey GP S.a.r.l.		Luxembourg	Special purpose investment vehicle	20.00
Eurolife ERB Insurance Group Holdings S.A. (2)		Greece	Holding company	20.00

(1) Entity under liquidation at 30 September 2018.

(2) Eurolife Insurance group (Eurolife ERB Insurance Group Holdings S.A. and its subsidiaries), Global Finance group (Global Finance S.A. and its subsidiaries) and Famar group (Famar S.A. and its subsidiaries) are considered as Group's associates.

(3) Rosequeens Properties Ltd (including its subsidiary Rosequeens Properties SRL) is considered as Group's joint venture.

For the period ended 30 September 2018, the Group's share of results of Eurolife Insurance group amounting to € 30 million includes € 31 million gains on sale of investment securities recycled to the income statement from the other comprehensive income (€ 22 million, after tax).

(a) Singidunum - Buildings d.o.o. Beograd, Serbia

During the period ended 30 September 2018, the Group's participation in Singidunum decreased to 30.81%, following the share capital increases in favor of the other shareholder, Lamda Development B.V. Accordingly, based on the terms of the relevant shareholders agreement, the company is no longer considered as a joint venture, but as an associate of the Group, while it will be still accounted for under the equity method in the consolidated financial statements.

(b) Famar S.A., Luxembourg

In September 2018, the terms of the restructuring of Famar S.A. and its subsidiaries (Famar group) were agreed among the company, the Greek banks and Pillarstone Europe LLP. The completion of the restructuring, which is expected in the following months, will result in the change of control for Famar group, as the Greek banks will be replaced as shareholders by an affiliate of Pillarstone Europe LLP.

Post balance sheet event

Singidunum - Buildings d.o.o. Beograd, Serbia

In October 2018, the Group's participation in Singidunum decreased from 30.81% to 30.34%, following an additional share capital increase in favor of the other shareholder, Lamda Development B.V., in accordance with the relevant shareholders agreement.

18. Investment property

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

	30 September 2018 € million
Cost:	
Balance at 1 January	301
Arising from acquisition [1]	17
Transfers from/to repossessed assets	15
Other transfers	52
Disposals and write-offs	(30)
Impairments	(7)
Balance at 30 September	348
Accumulated depreciation:	
Balance at 1 January	(24)
Transfers	(2)
Disposals and write-offs	3
Charge for the year	(4)
Balance at 30 September	(27)
Net book value at 30 September	321

[1] *Relates to the acquisition of ERB Lux Immo S.A. (note 16).*

For the period ended 30 September 2018, following the completion of the sale of the Romanian disposal group (note 13), own used fixed assets of € 42 million were classified as investment property.

19. Other assets

	30 September 2018 € million	31 December 2017 € million
Receivable from Deposit Guarantee and Investment Fund	707	704
Repossessed properties and relative prepayments	507	375
Pledged amount for a Greek sovereign risk financial guarantee	240	241
Income tax receivable [1]	121	147
Prepaid expenses and accrued income	107	82
Other guarantees	62	62
Balances under settlement [2]	50	16
Other assets	96	97
Total	1,890	1,724

[1] *Includes withholding taxes, net of provisions.*
[2] *Includes settlement balances with customers, balances under settlement relating to the auction process and brokerage activity.*

In the context of the active management of the NPEs, the Group leveraged the electronic auction platform, which was launched in February 2018, in order to effectively process the planned foreclosure actions for its Greek operations. This was the main contributor to the net increase of repossessed properties and relative prepayments by € 132 million for the period ended 30 September 2018.

As at 30 September 2018, other assets net of provisions, amounting to € 96 million include, among others, receivables related to (a) prepayments to suppliers, (b) public entities and (c) legal cases.

20. Due to central banks

	30 September 2018 € million	31 December 2017 € million
Secured borrowing from ECB and BoG	**3,210**	9,994

As at 30 September 2018, the Bank's dependency on Eurosystem financing facilities decreased to € 3.2 bn (of which € 2 bn funding from ELA), mainly due to deposits inflows, assets deleveraging, increased market repos on Greek Government bonds and covered bonds and an asset backed securities issue sold via a private placement to an international institutional investor (note 23) (31 December 2017: € 10 bn, of which € 7.9 bn from ELA). The Eurosystem funding as at 31 October 2018 stood at € 3.5 bn, of which € 2.1 bn from ELA.

21. Due to credit institutions

	30 September 2018 € million	31 December 2017 € million
Secured borrowing from credit institutions	**5,955**	3,368
Borrowings from international financial and similar institutions	**552**	491
Interbank takings	**102**	6
Current accounts and settlement balances with banks	**85**	132
Total	**6,694**	3,997

As at 30 September 2018, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals Greek treasury bills, Greek government bonds and covered bonds issued by the Bank (notes 15 and 23). As at 30 September 2018, borrowings from international financial and similar institutions include borrowings from European Investment Bank, European Bank for Reconstruction and Development and other similar institutions.

22. Due to customers

	30 September 2018 € million	31 December 2017 € million
Savings and current accounts	**20,842**	19,412
Term deposits	**16,640**	14,370
Repurchase agreements	**53**	53
Other term products (note 23)	**20**	8
Total	**37,555**	33,843

Following the transition to IFRS 9, the Group has revoked the fair value option designation under IAS 39 for structured deposits and measures them at amortized cost after separating the embedded derivatives from the host contracts. As at 30 September 2018, the carrying amount of these deposits was € 2 million.

The other term products relate to senior medium-term notes held by the Bank's customers, amounting to € 20 million (31 December 2017: € 8 million).

For the period ended 30 September 2018, due to customers for the Greek and International operations amounted to € 27,535 million and € 10,020 million, respectively (31 December 2017: € 24,579 million and € 9,264 million, respectively).

23. Debt securities in issue

	30 September 2018 € million	31 December 2017 € million
Subordinated notes (Tier 2)	**962**	-
Securitisations	**714**	-
Covered bonds	**508**	497
Medium-term notes (EMTN) (note 22)	**17**	52
Total	**2,201**	549

Following the transition to IFRS 9, the Group has revoked the fair value option designation under IAS 39 for structured notes and measures them at amortized cost after separating the embedded derivatives from the host contracts. As at 30 September 2018, the carrying amount of these notes was € 5 million.

Securitisations

In June 2018 the Bank, through its special purpose financing vehicle Maximus Hellas DAC, issued asset backed securities of total face value of € 1,251.5 million, collateralized by a portfolio of corporate and SME (small and medium enterprise) loans, which consisted of: (a) a senior class of notes (the "Class A notes") of face value € 813.5 million at a cost of three month Euribor plus 250 basis points which was sold via a private placement to two Asset-Backed Commercial Paper – ABCP conduits administered by an international institutional investor and (b) a subordinated class of notes (the "Class B notes") of face value of € 438 million, which were retained by the Bank. The transaction has been accounted as a collateralized borrowing, considering that the Bank retains all significant risks and rewards of the securitized assets. As at 30 September 2018, the outstanding amount of Class A notes amounted to € 714 million.

In July 2018, mortgage backed securities of face value of € 1,041 million issued by the special purpose financing vehicle Tegea PLC and retained by the Bank, were fully redeemed.

Tier 2 Capital instruments

In the context of the first stream of Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008, the Bank had issued preference shares with nominal value of € 950 million, which were subscribed by the Hellenic Republic. On 18 January 2018, the Bank announced the completion of the full redemption of the said preference shares, according to the provisions of par. 1a, article 1 of Law 3723/2008 and the decisions of its Extraordinary General Meeting of the Shareholders (ordinary and preference) as of 3 November 2017.

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

Pursuant to the terms of their issuance, the above Tier 2 capital instruments have a maturity of ten years (until 17 January 2028) and pay fixed nominal interest rate of 6.41% (recognized in the income statement), which shall be payable semi-annually. On 30 September 2018, the said instruments amounted to € 962 million, including € 4 million issuance costs and € 16 million accrued interest.

Further information, in respect of the Tier 2 capital instruments and the relevant legal framework is provided in the note 41 of the consolidated financial statements for the year ended 31 December 2017.

Medium-term notes (EMTN)

During the period ended 30 September 2018, the Group proceeded with the issue of medium term notes of face value € 25 million (of which € 12 million are held by Bank's customers).

In June 2018, a note of face value of € 48 million matured.

Covered bonds

During the period ended 30 September 2018, the Bank proceeded with the issue of covered bonds of face value of € 550 million, fully retained by the Bank.

Post balance sheet event

In October 2018, the Bank proceeded with the cancellation of covered bonds of face value of € 1,850 million, while in October and November 2018 proceeded with the issue of covered bonds of face value of € 500 million and € 1,000 million, respectively. All aforementioned issues were fully retained by the Bank.

Financial disclosures required by the Act 2620/28.08.2009 of the Bank of Greece in relation to the covered bonds issued, are available at the Bank's website (Investor Report for Covered Bonds Programs).

24. Other liabilities

	30 September 2018 € million	31 December 2017 € million
Balances under settlement [1]	**278**	252
Other provisions	**193**	125
Deferred income and accrued expenses	**135**	81
Standard legal staff retirement indemnity obligations	**50**	50
Income taxes payable	**12**	7
Deferred tax liabilities (note 12)	**3**	4
Other liabilities	**118**	165
Total	**789**	684

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

As at 30 September 2018, other liabilities amounting to € 118 million mainly consist of payables relating with (a) suppliers and creditors, (b) contributions to insurance organizations, (c) duties and other taxes and (d) trading liabilities.

As at 30 September 2018, other provisions amounting to € 193 million (31 December 2017: € 125 million) mainly include: (a) € 56 million for outstanding litigations and claims in dispute (note 29), (b) € 59 million for credit related commitments, which as of 1 January 2018 are monitored separately from the impairment allowance on loans and advances to customers, (c) € 44 million for sovereign risk financial guarantee, (d) € 6 million for restructuring costs (mainly related to the Voluntary Exit Scheme (VES)) and (e) € 25 million for other operational risk events, of which an amount of € 15 million relates to tax issues of Bancpost S.A. (the banking subsidiary in Romania disposed of in April 2018, note 13).

The implementation of the VES, already in force during 2017, was designed for the Group's employees in Greece in line with the principal commitments of the Bank's restructuring plan (note 5). In that context an additional scheme with the same terms was announced on 19 January 2018 and implemented for the employees of specific eligible units in Greece.

Up to 30 September 2018, the cost for the VES amounted to € 161 million, net of provision for retirement benefits, out of which € 43 million has been recognized in the Group's income statement for the period ended 30 September 2018. The estimated annual saving, as a result of the additional VES cost recognised in the period ended 30 September 2018, amounts to € 12 million.

25. Ordinary share capital, share premium and treasury shares

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

	Ordinary share capital € million	Treasury shares € million	Net € million	Share premium € million	Treasury shares € million	Net € million
Balance at 1 January	656	(1)	655	8,056	(1)	8,055
Purchase of treasury shares	-	(1)	(1)	-	(2)	(2)
Sale of treasury shares	-	1	1	-	2	2
Balance at 30 September	656	(1)	655	8,056	(1)	8,055

The following is an analysis of the movement in the number of shares issued by the Bank:

	Number of shares		
	Issued ordinary shares	Treasury shares	Net
Balance at 1 January	2,185,998,765	(1,802,710)	2,184,196,055
Purchase of treasury shares	-	(2,973,054)	(2,973,054)
Sale of treasury shares	-	3,414,717	3,414,717
Balance at 30 September	2,185,998,765	(1,361,047)	2,184,637,718

Treasury shares

In the ordinary course of business, the Bank's subsidiaries may acquire and dispose of treasury shares. According to paragraph 1 of Article 16c of Law 3864/2010, during the period of the participation of the HFSF in the share capital of the Bank it is not permitted to the Bank to purchase treasury shares without the approval of the HFSF.

26. Preferred securities

The movement of preferred securities issued by the Group through its Special Purpose Entity, ERB Hellas Funding Limited, for the period ended 30 September 2018 is analyzed as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 1 January	2	4	18	19	43
Buy Back	-	-	(1)	-	(1)
Balance at 30 September	2	4	17	19	42

All obligations of the issuer, in respect of the aforementioned issues of preferred securities, are guaranteed on a subordinated basis by the Bank. The analytical terms of each issue along with the rates and/or the basis of calculation of preferred dividends are available at the Bank's website. Following the redemption of the Greek State – owned preference shares (note 23) on 17 January 2018, and in accordance with the terms of the preferred securities, ERB Hellas Funding Ltd declared and paid the non-cumulative dividends of € 1.8 million (€ 1.6 million after tax) in total on the Series A, B, C and D. As at 30 September 2018, the dividend attributable to preferred securities holders amounted to € 2.1 million (€ 1.8 million, after tax).

Post balance sheet event

ERB Hellas Funding proceeded with the payment of non-cumulative dividends of € 0.7 million on series C, D and B on 9 October, 29 October and 2 November 2018, respectively.

27. Fair value of financial assets and liabilities

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

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

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

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

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

Financial instruments carried at fair value

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

	30 September 2018			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Securities held for trading	62	0	0	62
Investment securities at FVTPL	43	4	45	92
Derivative financial instruments	1	1,706	1	1,708
Investment securities at fair value through OCI	5,969	123	-	6,092
Loans and advances to customers at FVTPL	-	-	59	59
Financial assets measured at fair value	**6,075**	**1,833**	**105**	**8,013**
Derivative financial instruments	0	1,747	-	1,747
Trading liabilities	10	-	-	10
Financial liabilities measured at fair value	**10**	**1,747**	**-**	**1,757**

	31 December 2017			
	Level 1	Level 2	Level 3	Total
	€ million	€ million	€ million	€ million
Securities held for trading	48	0	1	49
Derivative financial instruments	0	1,877	1	1,878
Available-for-sale investment securities	5,464	4	41	5,509
Financial assets measured at fair value	5,512	1,881	43	7,436
Derivative financial instruments	0	1,853	-	1,853
Due to customers:				
- Structured deposits	-	2	-	2
Debt securities in issue:				
- Structured notes	-	3	-	3
Financial liabilities measured at fair value	-	1,858	-	1,858

The Group recognizes transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected. During the period ended 30 September 2018, the Group transferred OTC derivative instruments of € 1 million from Level 3 to Level 2 following the assessment on the significance of the CVA adjustment to their entire fair value measurement, calculated based on internal rating models.

Reconciliation of Level 3 fair value measurements

	30 September 2018
	€ million
Balance at 1 January	**43**
Transition to IFRS 9	**65**
Transfers into Level 3	**0**
Transfers out of Level 3	**(1)**
Additions, net of disposals and redemptions	**(3)**
Total gain/(loss) for the period included in profit or loss	**0**
Foreign exchange differences and other	**1**
Balance at 30 September	**105**

Group's valuation processes and techniques

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

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

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

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

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

For debt securities issued by the Group and designated at FVTPL (as of 1 January 2018 the Group has revoked the fair value option designation on its debt securities issued and therefore currently there are no such liabilities carried at FVTPL, note 23), fair values are determined by discounting the expected cash flows at a risk-adjusted rate, where the Group's own credit risk is determined using inputs indirectly observable, i.e. quoted prices of similar securities issued by the Group or other Greek issuers.

Unquoted equity instruments at FVTPL under IFRS 9 (AFS under IAS 39) are estimated mainly (i) using third parties' valuation reports based on investees' net assets, where management does not perform any further significant adjustments, and (ii) net assets' valuations, adjusted where considered necessary.

Loans and advances to customers for which contractual cash flows do not represent solely payments of principal and interest are measured at fair value through profit or loss. Quoted market prices are not available as there are no active markets where these instruments are traded. Their fair values are estimated on an individual loan basis by discounting the future expected cash flows over the time period they are expected to be recovered, using an appropriate discount rate. Estimates of expected credit loss rates that are incorporated in the fair value calculation represent significant unobservable input and as such the entire fair value measurement is categorized as Level 3 in the fair value hierarchy. A reasonably possible change in the main unobservable input (i.e. expected credit loss rate), would not have a significant effect on their fair value measurement.

Financial instruments not carried at fair value

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

	30 September 2018	
	Carrying amount € million	Fair value € million
Loans and advances to customers	35,858	35,668
Investment securities at amortised cost	1,391	890
Financial assets not carried at fair value	**37,249**	**36,558**
Debt securities in issue	2,201	1,991
Financial liabilities not carried at fair value	**2,201**	**1,991**

	31 December 2017 Carrying amount € million	31 December 2017 Fair value € million
Loans and advances to customers	37,108	36,767
Investment securities		
- Debt securities lending portfolio	1,654	1,126
- Held-to-maturity securities	442	463
Financial assets not carried at fair value	39,204	38,356
Debt securities in issue	546	550
Financial liabilities not carried at fair value	546	550

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

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

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

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

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

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

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

	30 September 2018 € million	31 December 2017 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**1,397**	1,103
Due from credit institutions	**767**	598
Securities held for trading	**-**	3
Cash and cash equivalents presented within assets of disposal groups classified as held for sale	**-**	439
Total	**2,164**	2,143

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

	30 September 2018 € million	30 September 2017 € million
Amortisation of premiums/discounts and accrued interest	**(48)**	(31)
(Gains)/losses from investment securities	**(74)**	(63)
Dividends	**(2)**	(2)
Total	**(124)**	(96)

For the period ended 30 September 2018 in cash flows arising from continuing financing activities is included a capital return from discontinued operations (i.e. Bancpost S.A.) amounting to € 50 million. Furthermore, other adjustments on profit before income tax from continuing operations mainly include share of results of associates and joint ventures of € 29 million.

29. Contingent liabilities and other commitments

Credit related commitments are analyzed as follows:

	30 September 2018 € million	31 December 2017 € million
Guarantees [(1)] and standby letters of credit	**667**	579
Other guarantees (medium risk) and documentary credits [(2)]	**384**	370
Commitments to extend credit [(2)]	**581**	457
Total	**1,632**	1,406

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

[(2)] *For the year ended 31 December 2017, credit related commitments of the Romanian disposal group amounting to € 88 million are not included above.*

As at 30 September 2018, the impairment allowance for expected credit losses on all credit related commitments within the scope of IFRS 9 impairment requirements amounted to € 59 million (1 January 2018: € 62 million).

Legal Proceedings

As at 30 September 2018, a provision of € 56 million has been recorded for a number of legal proceedings outstanding against the Group (31 December 2017: € 70 million), as set out in note 24. The said amount includes € 34 million for the outstanding litigations with DEMCO S.A., which is related to the acquisition of New TT Hellenic Postbank S.A. in 2013 (31 December 2017: € 40 million).

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

Against the Bank various remedies have been filed in the form of lawsuits, applications for injunction measures and motions to vacate payment orders in relation to the contractual clauses of mortgage loans granted by the Bank in Swiss Francs (CHF) and the conditions under which the loans were granted. A class action has also been filed. To date the overwhelming majority of First Instance and Appellate Court judgments issued, are in favor of the Bank. On the class action, a positive decision was issued in February 2018, regarding the appeal filed by the Bank. Certain aspects of the issue have been referred to Areios Pagos, being the supreme civil Court, for which decisions are pending.

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

30. Post balance sheet events

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

Note 2.1 - Basis of preparation
Note 12 – Income tax
Note 14 – Loans and advances to customers
Note 16 - Shares in subsidiary undertakings
Note 17 - Investments in associates and joint ventures
Note 20 - Due to central banks
Note 23 – Debt securities in issue
Note 26 - Preferred securities

31. Related parties

As of November 2015, the percentage of the Bank's ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 2.38%. The HFSF is considered to have significant influence over the Bank pursuant to the provisions of the Law 3864/2010, as in force, and the Relationship Framework Agreement (RFA) the Bank has entered into with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Further information in respect of the HFSF rights based on the aforementioned framework is provided in the note 50 of the consolidated financial statements for the year ended 31 December 2017.

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

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

	30 September 2018		31 December 2017	
	KMP[1] and Entities controlled or jointly controlled by KMP	**Associates and joint ventures**	KMP[1] and Entities controlled or jointly controlled by KMP	Associates and joint ventures
	€ million	**€ million**	€ million	€ million
Loans and advances to customers	**7.45**	**39.03**	6.84	53.38
Derivative financial instruments	-	-	-	0.01
Other assets	-	**4.00**	-	4.43
Due to customers	**7.94**	**42.73**	5.68	48.02
Debt securities in issue	-	-	-	10.21
Other liabilities	**0.03**	**4.42**	0.02	3.74
Guarantees issued	-	**14.20**	-	4.60
Guarantees received	**0.04**	-	0.04	-
	Nine months ended 30 September 2018		Nine months ended 30 September 2017	
Net interest income	**0.02**	**(4.28)**	0.03	(5.39)
Net banking fee and commission income	**0.02**	**8.11**	0.01	4.36
Net trading income	-	**0.17**	-	0.14
Gains less losses from investment securities	-	**0.41**	-	-
Impairment losses relating to loans and advances including relative fees	-	**(19.84)**	-	(1.68)
Other operating income/(expenses)	-	**(18.38)**	-	(17.73)

[1] Includes the key management personnel of the Group and their close family members; as at 30 September 2018, the key management personnel has four more members compared to 31 December 2017.

For the period ended 30 September 2018, there were no material transactions with the HFSF. In addition, as at 30 September 2018 the loans, net of provisions, granted to non consolidated entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements amounted to € 2.98 million (31 December 2017: € 4.7 million).

For the period ended 30 September 2018, an impairment loss of € 15.7 million (30 September 2017: a reversal of impairment € 2.08 million) has been recorded against loan balances with Group's associates and joint ventures, while the respective impairment allowance amounts to € 19.7 million (31 December 2017: € 21.05 million). In addition, as at 30 September 2018, the fair value adjustment for loans to Group's associates and joint ventures measured at FVTPL amounts to € 17.7 million.

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

Key management personnel are entitled to compensation in the form of short-term employee benefits of € 4.92 million (30 September 2017: € 4.35 million) and long-term employee benefits of € 0.7 million (30 September 2017: € 1.01 million, of which € 0.38 million expense relating with Grivalia Properties R.E.I.C. equity settled share based payments). In addition, the Group has formed a defined benefit obligation for the KMP amounting to € 1.7 million as at 30 September 2018 (31 December 2017: € 0.88 million), while the respective cost for the period amounts to € 0.07 million (30 September 2017: € 0.05 million).

32. Board of Directors

The Board of Directors (BoD) was elected by the Annual General Meeting of the Shareholders of the Bank (AGM) held on 10 July 2018 for a three years term of office that will expire on 10 July 2021, prolonged until the end of the period the AGM for the year 2021 will take place.

Following the aforementioned AGM decision, the BoD was constituted as a body at the BoD meeting of 10 July 2018, as follows:

N. Karamouzis	Chairman, Non-Executive
F. Karavias	Chief Executive Officer
S. Ioannou	Deputy Chief Executive Officer
T. Kalantonis	Deputy Chief Executive Officer
K. Vassiliou	Deputy Chief Executive Officer
G. Chryssikos	Non-Executive
R. Boucher	Non-Executive Independent
R. Kakar	Non-Executive Independent
B. P. Martin	Non-Executive Independent
J. Mirza	Non-Executive Independent
G. Myhal	Non-Executive Independent
L. Reichlin	Non-Executive Independent
A. Beritsi	Non-Executive (HFSF representative under Law 3864/2010)

Athens, 21 November 2018

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