EUROBANK ERGASIAS S.A.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

31 MARCH 2019

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Selected Explanatory Notes to the Interim Condensed Consolidated Financial Statements

Interim Consolidated Balance Sheet

	Note	31 March 2019 € million	31 December 2018 € million
ASSETS			
Cash and balances with central banks		**2,102**	1,924
Due from credit institutions		**2,614**	2,307
Securities held for trading		**54**	43
Derivative financial instruments	14	**2,057**	1,871
Loans and advances to customers	15	**36,214**	36,232
Investment securities	16	**7,568**	7,772
Investments in associates and joint ventures	18	**129**	113
Property, plant and equipment	19	**708**	353
Investment property	19	**309**	316
Intangible assets		**186**	183
Deferred tax assets	12	**4,920**	4,916
Other assets	20	**1,973**	1,934
Assets of disposal groups classified as held for sale		**-**	20
Total assets		**58,834**	57,984
LIABILITIES			
Due to central banks	21	**1,250**	2,050
Due to credit institutions	22	**6,662**	6,376
Derivative financial instruments	14	**2,290**	1,893
Due to customers	23	**39,424**	39,083
Debt securities in issue	24	**2,918**	2,707
Other liabilities	25	**1,211**	844
Total liabilities		**53,755**	52,953
EQUITY			
Ordinary share capital	26	**656**	655
Share premium	26	**8,056**	8,055
Reserves and retained earnings		**(3,675)**	(3,721)
Preferred securities	27	**42**	42
Total equity		**5,079**	5,031
Total equity and liabilities		**58,834**	57,984

Notes on pages 6 to 44 form an integral part of these interim condensed consolidated financial statements

Interim Consolidated Income Statement

	Note	Three months ended 31 March 2019 € million	2018 € million
Net interest income	7	**343**	355
Net banking fee and commission income	8	**63**	61
Income from non banking services		**3**	3
Net trading income/(loss)		**(0)**	8
Gains less losses from investment securities	16	**12**	24
Other income/(expenses)	12,17	**2**	1
Operating income		**423**	452
Operating expenses	9	**(218)**	(219)
Profit from operations before impairments, provisions and restructuring costs		**205**	233
Impairment losses relating to loans and advances to customers	10	**(165)**	(167)
Other impairment losses and provisions	11	**(6)**	(2)
Restructuring costs	11	**(6)**	(36)
Share of results of associates and joint ventures	18	**1**	12
Profit before tax		**29**	40
Income tax	12	**(6)**	(8)
Net profit from continuing operations		**23**	32
Net profit/(loss) from discontinued operations	13	**(3)**	3
Net profit attributable to shareholders		**20**	35
		€	€
Earnings per share			
-Basic and diluted earnings per share	6	**0.01**	0.02
Earnings per share from continuing operations			
-Basic and diluted earnings per share	6	**0.01**	0.01

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Interim Consolidated Statement of Comprehensive Income

	Three months ended 31 March			
	2019		2018	
	€ million		€ million	
Net profit		**20**		35
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	**0**		5	
- transfer to net profit, net of tax	**(6)**	**(6)**	(4)	1
Debt securities at FVOCI				
- changes in fair value, net of tax	**133**		(61)	
- transfer to net profit, net of tax	**(114)**	**19**	(20)	(81)
Foreign currency translation				
- foreign operations' translation differences	**1**	**1**	(5)	(5)
Associates and joint ventures				
- changes in the share of other comprehensive income, net of tax	**14**	**14**	(16)	(16)
Other comprehensive income		**28**		(101)
Total comprehensive income attributable to shareholders:				
- from continuing operations		**51**		(70)
- from discontinued operations		**(3)**		4
		48		(66)

Notes on pages 6 to 44 form an integral part of these interim condensed consolidated financial statements

Interim Consolidated Statement of Changes in Equity

	Ordinary share capital € million	Share premium € million	Special reserves € million	Retained earnings € million	Preference shares € million	Preferred securities € million	Non controlling interests € million	Total € million
Balance at 1 January 2018	655	8,055	8,005	(10,561)	950	43	3	7,150
Impact of adopting IFRS 9 at 1 January 2018	-	-	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	-	-	-	35	-	-	0	35
Other comprehensive income	-	-	(101)	-	-	-	0	(101)
Total comprehensive income for the three months ended 31 March 2018	-	-	(101)	35	-	-	0	(66)
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)	-	-	0	-
(Purchase)/sale of treasury shares	(0)	(1)	-	(1)	-	-	-	(2)
Preferred securities' dividend paid, net of tax	-	-	-	(0)	-	-	-	(0)
	(0)	(1)	-	(1)	(950)	-	(1)	(953)
Balance at 31 March 2018	655	8,054	7,913	(11,621)	-	43	2	5,046
Balance at 1 January 2019	**655**	**8,055**	**7,797**	**(11,518)**	**-**	**42**	**0**	**5,031**
Net profit	-	-	-	20	-	-	0	**20**
Other comprehensive income	-	-	28	-	-	-	0	**28**
Total comprehensive income for the three months ended 31 March 2019	**-**	**-**	**28**	**20**	**-**	**-**	**0**	**48**
(Purchase)/sale of treasury shares (note 26)	1	1	-	(1)	-	-	-	**1**
Preferred securities' dividend paid, net of tax	-	-	-	(1)	-	-	-	**(1)**
	1	**1**	**-**	**(2)**	**-**	**-**	**-**	**(0)**
Balance at 31 March 2019	**656**	**8,056**	**7,825**	**(11,500)**	**-**	**42**	**0**	**5,079**
	Note 26	Note 26			Note 24	Note 27		

Notes on pages 6 to 44 form an integral part of these interim condensed consolidated financial statements

Interim Consolidated Cash Flow Statement

		Three months ended 31 March	
		2019	2018
	Note	€ million	€ million
Cash flows from continuing operating activities			
Profit before income tax from continuing operations		**29**	40
Adjustments for :			
Impairment losses relating to loans and advances to customers	10	**165**	167
Other impairment losses, provisions and restructuring costs	11	**12**	38
Depreciation and amortisation	9	**29**	16
Other (income)/losses on investment securities	29	**65**	(44)
(Income)/losses on debt securities in issue	24	**18**	17
Other adjustments		**(2)**	(12)
		316	222
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks		**(69)**	(217)
Net (increase)/decrease in securities held for trading		**(10)**	(45)
Net (increase)/decrease in due from credit institutions		**(326)**	47
Net (increase)/decrease in loans and advances to customers		**(246)**	(153)
Net (increase)/decrease in derivative financial instruments		**150**	89
Net (increase)/decrease in other assets		**(33)**	(121)
Net increase/(decrease) in due to central banks and credit institutions		**(513)**	(1,650)
Net increase/(decrease) in due to customers		**341**	1,416
Net increase/(decrease) in other liabilities		**(17)**	25
		(723)	(609)
Income tax paid		**(3)**	(4)
Net cash from/(used in) continuing operating activities		**(410)**	(391)
Cash flows from continuing investing activities			
Acquisition of fixed and intangible assets		**(25)**	(22)
Proceeds from sale of fixed and intangible assets		**4**	8
(Purchases)/sales and redemptions of investment securities		**340**	465
Acquisition of subsidiaries, net of cash acquired		**-**	(7)
Acquisition of holdings in associates and joint ventures	18	**(1)**	-
Disposal of subsidiaries, net of cash disposed	17	**2**	-
Net cash from/(used in) continuing investing activities		**320**	444
Cash flows from continuing financing activities			
(Repayments)/proceeds from debt securities in issue	24	**193**	(2)
Capital return from discontinued operations		**-**	50
Repayment of lease liabilities	29	**(11)**	-
Preferred securities' dividend paid	27	**(1)**	(0)
(Purchase)/sale of treasury shares		**1**	(2)
Redemption of preference shares, net of expenses	24	**-**	(4)
Net cash from/(used in) continuing financing activities		**182**	42
Effect of exchange rate changes on cash and cash equivalents		**0**	(0)
Net increase/(decrease) in cash and cash equivalents from continuing operations		**92**	95
Net cash flows from discontinued operating activities		**-**	(104)
Net cash flows from discontinued investing activities		**-**	1
Net cash flows from discontinued financing activities		**-**	(51)
Effect of exchange rate changes on cash and cash equivalents		**-**	0
Net increase/(decrease) in cash and cash equivalents from discontinued operations		**-**	(154)
Cash and cash equivalents at beginning of period	29	**1,949**	2,143
Cash and cash equivalents at end of period	29	**2,041**	2,084

Notes on pages 6 to 44 form an integral part of these interim condensed consolidated financial statements

1. General information

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

These interim condensed consolidated financial statements were approved by the Board of Directors on 29 May 2019.

2. Basis of preparation and principal accounting policies

These interim condensed consolidated 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 consolidated financial statements for the year ended 31 December 2018. 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 interim condensed consolidated financial statements are consistent with those in the consolidated financial statements for the year ended 31 December 2018, 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:

a) The Group operates in an environment of positive growth rates both in Greece and the other countries, in which it has a substantial presence. Specifically, in 2019, real GDP for Greece (Group's main market) is expected to grow by 2.2% according to the May 2019 forecast by European Commission (2018: 1.9%, according to the Hellenic Statistical Authority's (ELSTAT) estimate). Based on ELSTAT and Ministry of Finance data, the unemployment rate in February 2019 was at 18.5% (February 2018: 20.6%) and the 2018 fiscal primary surplus was at 4.3% of GDP. The Budget fiscal primary surplus forecast for 2019 is at 3.6% of GDP. Following the successful conclusion of the third economic adjustment program (TEAP) in August 2018, Greece has entered into the Enhanced Post Program Surveillance (EPPS), which foresees quarterly reviews by the institutions (EC/ECB/ESM/IMF) and has completed the first and second review at the end of November 2018 and early March 2019, respectively. On 5 April 2019, the Eurogroup endorsed the release of the first set of policy-contingent debt measures of € 970 million. In the first quarter of 2019, the Greek sovereign demonstrated market access with the successful issuance of a 5-year bond of € 2.5 bn at a yield of 3.6% on 29 January 2019 and a 10-year reference bond of € 2.5 bn at a yield of 3.9% on 6 March 2019.

Regarding the outlook for the next 12 months, the major macroeconomic risks and uncertainties in Greece are associated with (i) the adherence to established reforms and the unimpeded implementation of the reforms' agenda in order to meet the EPPS targets and milestones, (ii) 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, (iii) the ability to attract new investments in the country and (iv) the geopolitical conditions in the near or in broader region and the external shocks from a slowdown in the regional and/ or global economy. Materialization of those risks would have potentially adverse effects on the liquidity and solvency of the Greek banking sector. The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk.

b) The Group's Common Equity Tier 1 (CET1) ratio stood at 13.6% at 31 March 2019, and the net profit attributable to shareholders amounted to € 20 million (€ 27 million net profit from continuing operations before € 4 million restructuring costs, after tax) for the first quarter of 2019. The merger with Grivalia in April 2019 has further enhanced the Eurobank capital and its earning capacity leading the pro forma CAD and CET1 to 18.2% and 15.7% respectively as at 31 March 2019.

c) The Bank has eliminated the use of ELA as of end January 2019 and reduced the dependency on Eurosystem financing facilities to € 1.3 bn at 31 March 2019 through the increase of deposits, interbank repos and debt issued. The Group's (net) loans to deposits (L/D) ratio stood at 91.7% end of March 2019.

d) As at 31 March 2019, the Group has reduced the stock of NPEs at amortised cost by € 3.1 bn since 31 March 2018 to € 16.5 bn, driving the NPE ratio to 36.7%. Going forward, the prime target is the acceleration of the NPE reduction plan through large scale securitizations of approximately € 9.5 bn, the entry of a strategic investor into the capital of Financial Planning Services S.A. ("FPS"), the licensed 100%-owned loan servicer of Eurobank and other initiatives leading the Group's NPE ratio at 16% in 2019 and a single digit by 2021 (note 15).

Going concern assessment

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

New and amended standards and interpretations adopted by the Group

The following new standards, amendments to standards and new interpretations as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2019:

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

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

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

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

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

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

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

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

IFRS 16, Leases
IFRS 16, which supersedes IAS 17 'Leases' and related interpretations, introduces a single, on-balance sheet lease accounting model for lessees, under which the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17.

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

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

- The right to direct the use of that asset.

IFRS 16 provides for the recognition of a 'right-of-use-asset' and a 'lease liability' upon lease commencement in case that there is a contract, or part of a contract, that conveys to the lessee the right to use an asset for a period of time in exchange for a consideration.

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

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

Adoption of IFRS 16

The Group implemented the requirements of IFRS 16 on 1 January 2019. The Group has chosen the modified retrospective application of IFRS 16 and therefore comparative information was not restated.

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

In accordance with IFRS 16, at the commencement date of the lease, the Group as a lessee recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments.

The Group applied this initial measurement principle to all leases, except for those with a lease term of 12 months or less, and leases of low value (i.e. less than € 5,000) - making use of the relevant short-term leases and leases of low-value assets exemptions. The Group also adopted the practical expedient not to separate non-lease components from lease components.

In applying the modified retrospective transition approach, the Group used the following main estimates and judgments:

- In determining the lease term for the leases in which the Group is the lessee, including those leases having an indefinite duration, all relevant facts and circumstances, such as future housing needs and expected use, were considered and judgment was exercised. Furthermore, options to extend or terminate the lease that are reasonably certain to exercise were considered. These estimates will be revisited on a regular basis over the lease term.
- The present value of the lease liabilities was measured by using the incremental borrowing rate on the transition date, since the interest rate implicit in the leases was not readily determinable. For the Bank and Greek subsidiaries ("Greek Operations") the incremental borrowing rate was derived from the estimated covered bonds yield curve, which is constructed based on observable Greek Government Bond yields. For Greek Operations, the weighted average discount rate was 2.6%. For international subsidiaries, the incremental borrowing rate was determined on a country basis, taking into consideration specific local conditions. The discount rate used to determine the lease liabilities will be recalculated on a regular basis, using updated input.
- Applicable taxes, Value Added Tax and stamp duties were excluded from the scope of IFRS 16 calculations.

On 1 January 2019, the Group recognised right-of-use assets of € 358 million and lease liabilities of an equivalent amount arising from leases of properties and vehicles, with no impact on shareholders' equity. The capital impact arising primarily from the increase in risk-weighted assets was a reduction of approximately 13 bps on the Group's common equity Tier I ratio by applying regulatory transitional arrangements (approximately -10 bps on the Group's CET1 ratio, on a fully loaded basis).

It is noted that € 132 million of the above mentioned right-of-use assets and of the corresponding lease liabilities are related to properties on lease from Grivalia.

Post balance sheet event: Following the merger of Eurobank with Grivalia (note 31), these assets and liabilities have been derecognized in the second quarter of 2019, as the related properties have become own used assets of the combined group.

With regard to subsequent measurement, the Group, acting as a lessee, applies the cost model for the measurement of right-of-use asset. Accordingly, the right-of-use asset is measured at cost less any accumulated depreciation and accumulated impairment losses as determined in accordance with IAS 36, and is adjusted for the remeasurement of the lease liability.

On the other hand, interest expense is recognized on the lease liabilities, while their carrying amount is reduced to reflect the lease payments made. In case of any reassessments or lease modifications specified, the carrying amount of the lease liabilities is remeasured to reflect revised lease payments. For the period ended 31 March 2019, the depreciation charge for right-of-use assets was € 12 million and the interest expense recognised on lease liabilities was € 2 million.

The following table presents the reconciliation between the operating lease commitments, as disclosed under IAS 17 in the financial statements for the year ended 31 December 2018 and the lease liabilities recognised under IFRS 16:

	€ million
Non-cancellable operating lease rentals payable under IAS 17	**134**
Plus: Future contractual lease payments (in excess of non-cancellable term)	206
Total future contractual operating lease payments	**340**
Plus: Re-estimation of lease term [1]	109
Adjusted total operating lease commitments as at 31 December 2018	**449**
Less: Recognition exemption for short term leases and leases of low value	(5)
Less: Exclusion of Stamp Duty, VAT and other applicable taxes from the lease payments	(20)
Undiscounted lease liabilities as at 31 December 2018	**424**
Less: Discounting effect of the lease liabilities using the incremental borrowing rate as at 1 January 2019	(66)
Total lease liabilities recognised as at 1 January 2019 under IFRS 16	**358**

[1] The re-estimation of total future contractual lease payments includes primarily:

a) contracts that expire in 2019 but the Group expects to renew and has reset their term,

b) contracts with indefinite duration for which the Group has determined the term that it expects to occupy the leased asset, and

c) re-assessment of extension and termination options.

There was no impact from the adoption of IFRS 16 for the leases in which the Group is a lessor.

Update to principal accounting policy – Leases

(i) Accounting for leases as lessee

When the Group becomes the lessee in a lease arrangement, it recognizes a lease liability and a corresponding right-of-use (RoU) asset at the commencement of the lease term when the Group acquires control of the physical use of the asset.

Lease liabilities are presented within Other liabilities and RoU assets within Property, plant and equipment. Lease liabilities are measured based on the present value of the future lease payments over the lease term, discounted using an incremental borrowing rate. The interest expense on lease liabilities is presented within Net interest income.

The RoU asset is initially recorded at an amount equal to the lease liability and is adjusted for rent prepayments, initial direct costs, or lease incentives received. Subsequently, the RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within Operating expenses.

When a lease contains extension or termination options that the Group considers reasonably certain to be exercised, the expected future lease payments or costs of early termination are included within the lease payments used to calculate the lease liability.

(ii) Accounting for leases as lessor

At inception date of the lease, the Group, acting as a lessor, classifies each of its leases as either an operating lease or a finance lease based on certain criteria.

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

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

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

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

Subleases

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

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

IAS 28, Amendment – Long Term Interests in Associates and Joint Ventures
The amendment clarifies that IFRS 9 'Financial Instruments' including its impairment requirements, applies to long term interests in associates or joint ventures that form part of the entity's net investment in the associate or joint venture but are not accounted for using equity accounting.

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

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

IAS 19, Amendment –Plan Amendment, Curtailment or Settlement
The amendment clarifies that when a change to a defined benefit plan i.e. an amendment, curtailment or settlement takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment applies prospectively to plan amendments, curtailments or settlements that occur on or after the adoption date 1 January 2019.

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

Annual Improvements to IFRSs 2015-2017 Cycle
The improvements introduce key changes to several standards as set out below:

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

The improvement to IAS 12 'Income Taxes' clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, according to where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.

IAS 23 'Borrowing costs' amendment clarified that any borrowing originally performed to develop a qualifying asset should be treated as part of the funds that the entity borrowed generally, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

3. Significant accounting estimates and judgments in applying accounting policies

In preparing these interim condensed consolidated 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 financial statements for the year ended 31 December 2018, except for the accounting judgments that relate to the changes in accounting policies described in note 2, as a result of IFRS 16 adoption.

Further information about the key assumptions and sources of estimation uncertainty are set out in notes 12, 13, 25, 28, 30 and 31.

4. Capital Management

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

	31 March 2019 € million	31 December 2018 € million
Total equity	**5,079**	5,031
Add: Adjustment due to IFRS 9 transitional arrangements	**897**	1,003
Less: Preferred securities	**(42)**	(42)
Less: Goodwill	**(1)**	(1)
Less: Other regulatory adjustments	**(615)**	(482)
Common Equity Tier 1 Capital	**5,318**	5,509
Add: Preferred securities subject to phase-out	**13**	17
Total Tier 1 Capital	**5,331**	5,526
Tier 2 capital-subordinated debt	**950**	950
Add: Other regulatory adjustments	**40**	25
Total Regulatory Capital	**6,321**	6,501
Risk Weighted Assets	**39,149**	38,849
Ratios:	**%**	%
Common Equity Tier 1 [1]	**13.6**	14.2
Tier 1 [1]	**13.6**	14.2
Total Capital Adequacy Ratio [1]	**16.1**	16.7

[1] The pro-forma Common Equity Tier 1, Tier 1 and Total Capital Adequacy ratios as at 31 March 2019, with the completion of Grivalia Properties REIC merger (note 31) would be 15.7%, 15.7% and 18.2%, respectively.

Note: The Group's CET1 as at 31 March 2019, based on the full implementation of the Basel III rules in 2024 (fully loaded CET1), would be 11.2% (31 December 2018: 11.3%), while the respective pro-forma ratio with the completion of Grivalia Properties REIC merger (note 31) would be 13.4%.

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

Based on Council Regulation No 1024/2013, the European Central Bank (ECB) conducts annually a Supervisory Review and Evaluation Process (SREP) in order to define the prudential requirements of the institutions under its supervision. The key purpose of the SREP is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks, to which they are or might be exposed, including those revealed by stress testing and risks the institution may pose to the financial system. According to the 2018 SREP decision, starting from 1 March 2019, the Bank is required to meet on a consolidated basis a Common Equity Tier 1 ratio of at least 10.25% and a Total Capital Adequacy Ratio of at least 13.75% (Overall Capital Requirements including the Capital Conservation Buffer and the Other Systemically Important Institutions Buffer).

5. Operating segment information

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

The Group is organized in the following reportable segments:

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

Other operations of the Group comprise mainly investing activities, including property management and investment.

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 three months ended 31 March 2019						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
Net interest income	127	76	3	50	89	(2)	343
Net commission income	13	16	7	5	22	0	63
Other net revenue	0	3	0	6	3	5	17
Total external revenue	140	95	10	61	114	3	423
Inter-segment revenue	4	3	1	(6)	(1)	(1)	-
Total revenue	144	98	11	55	113	2	423
Operating expenses	(107)	(31)	(6)	(19)	(51)	(4)	(218)
Impairment losses relating to loans and advances to customers	(119)	(27)	(0)	-	(19)	-	(165)
Other impairment losses and provisions (note 11)	(1)	(1)	(0)	0	(1)	(3)	(6)
Share of results of associates and joint ventures	(0)	(0)	1	-	(0)	(0)	1
Profit/(loss) before tax from continuing operations before restructuring costs	(83)	39	6	36	42	(5)	35
Restructuring costs (note 11)	(5)	(0)	(0)	-	-	(1)	(6)
Profit/(loss) before tax from continuing operations	(88)	39	6	36	42	(6)	29
Loss before tax from discontinued operations	-	-	-	-	(5)	(0)	(5)
Non controlling interests	-	-	-	-	(0)	(0)	(0)
Profit/(loss) before tax attributable to shareholders	(88)	39	6	36	37	(6)	24

	31 March 2019						
	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center [(1)] € million	Total € million
Segment assets	21,360	12,999	215	10,746	12,640	874	58,834
Segment liabilities	24,504	5,635	1,895	8,883	11,209	1,629	53,755

The International segment is further analyzed as follows:

	For the three months ended 31 March 2019					
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Luxembourg € million	Total € million
Net interest income	2	40	15	25	7	89
Net commission income	(0)	11	3	6	2	22
Other net revenue	1	1	0	1	0	3
Total external revenue	3	52	18	32	9	114
Inter-segment revenue	-	0	(0)	(0)	(1)	(1)
Total revenue	3	52	18	32	8	113
Operating expenses	(2)	(23)	(12)	(10)	(4)	(51)
Impairment losses relating to loans and advances to customers	(6)	(8)	(2)	(3)	(0)	(19)
Other impairment losses and provisions	-	(1)	0	(0)	0	(1)
Share of results of associates and joint ventures	(0)	-	(0)	-	-	(0)
Profit/(loss) before tax from continuing operations	(5)	20	4	19	4	42
Loss before tax from discontinued operations	(5)	-	-	-	-	(5)
Non controlling interests	-	(0)	(0)	-	-	(0)
Profit/(loss) before tax attributable to shareholders	(10)	20	4	19	4	37

	31 March 2019					
	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Luxembourg € million	International € million
Segment assets[(2)]	420	4,167	1,470	5,601	1,271	12,640
Segment liabilities[(2)]	579	3,682	1,062	5,094	1,081	11,209

	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center € million	Total € million
	For the three months ended 31 March 2018						
Net interest income	144	85	2	51	81	(8)	355
Net commission income	10	20	7	4	20	0	61
Other net revenue	1	1	1	26	5	2	36
Total external revenue	155	106	10	81	106	(6)	452
Inter-segment revenue	3	4	1	(6)	(1)	(1)	-
Total revenue	158	110	11	75	105	(7)	452
Operating expenses	(117)	(28)	(6)	(18)	(48)	(2)	(219)
Impairment losses relating to loans and advances to customers	(99)	(51)	(0)	-	(17)	-	(167)
Other impairment losses and provisions (note 11)	(1)	1	(0)	8	(2)	(8)	(2)
Share of results of associates and joint ventures	0	0	12	-	(0)	-	12
Profit/(loss) before tax from continuing operations before restructuring costs	(59)	32	17	65	38	(17)	76
Restructuring costs (note 11)	(18)	(1)	(0)	(0)	-	(17)	(36)
Profit/(loss) before tax from continuing operations	(77)	31	17	65	38	(34)	40
Profit before tax from discontinued operations	-	-	-	-	4	-	4
Non controlling interests	-	-	-	-	(0)	0	(0)
Profit/(loss) before tax attributable to shareholders	(77)	31	17	65	42	(34)	44

	Retail € million	Corporate € million	Wealth Management € million	Global & Capital Markets € million	International € million	Other and Elimination center [(1)] € million	Total € million
	31 December 2018						
Segment assets	21,330	13,079	222	10,291	12,395	667	57,984
Segment liabilities	24,582	6,054	1,773	8,021	11,004	1,519	52,953

	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Luxembourg € million	Total € million
	For the three months ended 31 March 2018					
Net interest income	3	38	15	20	5	81
Net commission income	(1)	10	3	6	2	20
Other net revenue	1	1	1	1	1	5
Total external revenue	3	49	19	27	8	106
Inter-segment revenue	(0)	0	0	(0)	(1)	(1)
Total revenue	3	49	19	27	7	105
Operating expenses	(1)	(22)	(12)	(9)	(4)	(48)
Impairment losses relating to loans and advances to customers	(3)	(10)	(2)	(2)	-	(17)
Other impairment losses and provisions	(1)	(2)	(0)	1	(0)	(2)
Share of results of associates and joint ventures	(0)	-	(0)	-	-	(0)
Profit/(loss) before tax from continuing operations	(2)	15	5	17	3	38
Profit before tax from discontinued operations	4	-	-	-	-	4
Non controlling interests	(0)	(0)	(0)	-	-	(0)
Profit before tax attributable to shareholders	2	15	5	17	3	42

	Romania € million	Bulgaria € million	Serbia € million	Cyprus € million	Luxembourg € million	International € million
	31 December 2018					
Segment assets[(2)]	425	4,017	1,442	5,457	1,343	12,395
Segment liabilities[(2)]	580	3,550	1,039	4,969	1,155	11,004

[(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.

6. 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 27).

		Three months ended 31 March	
		2019	2018
Net profit for the period attributable to ordinary shareholders [(1)]	*€ million*	**19**	34
Net profit for the period from continuing operations attributable to ordinary shareholders [(1)]	*€ million*	**23**	31
Weighted average number of ordinary shares in issue for basic earnings per share	*Number of shares*	***2,185,308,934***	*2,182,877,869*
Weighted average number of ordinary shares in issue for diluted earnings per share	*Number of shares*	***2,218,883,314***	-
Earnings per share			
- Basic and diluted earnings per share	€	**0.01**	0.02
Earnings per share from continuing operations			
- Basic and diluted earnings per share	€	**0.01**	0.01

[(1)] *After deducting dividend attributable to preferred securities holders (note 27).*

Basic and diluted losses per share from discontinued operations for the period ended 31 March 2019 amounted to € 0.002 (31 March 2018: € 0.001 basic and diluted earnings per share).

Post balance sheet event

In April 2019, the issuer of the Series D preferred securities, ERB Hellas Funding, announced its intention for their redemption on 29 October 2019 in accordance with the relevant terms (note 27).

7. Net interest income

	31 March 2019 € million	31 March 2018 € million
Interest income		
Customers	**363**	393
Banks and other assets	**15**	8
Securities	**44**	41
Derivatives	**109**	109
	531	551
Interest expense		
Customers	**(46)**	(43)
Banks and other liabilities	**(16)**	(37)
Debt securities in issue	**(26)**	(17)
Derivatives	**(100)**	(99)
	(188)	(196)
Total from continuing operations	**343**	355

8. Net banking fee and commission income

The following tables include net banking fees and commission income from contracts with customers in the scope of IFRS 15, disaggregated by major type of services and operating segments (note 5).

	31 March 2019					
	Retail	**Corporate**	**Wealth Management**	**Global & Capital Markets**	**International**	**Total**
	€ million	**€ million**	**€ million**	**€ million**	**€ million**	**€ million**
Lending related activities	**1**	**10**	**0**	**1**	**3**	**15**
Mutual funds and assets under management	**3**	**0**	**7**	**0**	**2**	**12**
Network activities and other [1]	**9**	**3**	**(0)**	**3**	**16**	**31**
Capital markets	**-**	**3**	**0**	**1**	**1**	**5**
Total from continuing operations	**13**	**16**	**7**	**5**	**22**	**63**

	31 March 2018					
	Retail	Corporate	Wealth Management	Global & Capital Markets	International	Total
	€ million	€ million	€ million	€ million	€ million	€ million
Lending related activities	2	14	0	1	1	18
Mutual funds and assets under management	2	0	7	1	2	12
Network activities and other [1]	6	2	(0)	2	16	26
Capital markets	-	4	0	(0)	1	5
Total from continuing operations	10	20	7	4	20	61

[1] *Including income from credit cards related services.*

9. Operating expenses

	31 March 2019	31 March 2018
	€ million	€ million
Staff costs	**(120)**	(123)
Administrative expenses	**(51)**	(49)
Contributions to resolution and deposit guarantee funds	**(17)**	(17)
Depreciation of real estate properties and equipment	**(10)**	(9)
Depreciation of right of use assets [1]	**(12)**	-
Amortisation of intangible assets	**(7)**	(7)
Operating lease rentals	**(1)**	(14)
Total from continuing operations	**(218)**	(219)

[1] *Following the adoption of IFRS 16 as of 1 January 2019 (note 2).*

The average number of employees of the Group's continuing operations during the period was 13,130 (31 March 2018: 13,367). As at 31 March 2019, 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 losses – ECL) for the period ended 31 March 2019:

	31 March 2019			
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired-Stage 3 [(1)] € million	Total € million
Impairment allowance as at 1 January	146	711	7,943	8,800
Transfers between stages	31	29	(60)	-
Impairment loss for the period	(2)	(3)	163	158
Recoveries from written - off loans	-	-	3	3
Loans and advances derecognised during the period [(2)]	-	-	(47)	(47)
Amounts written off	-	-	(22)	(22)
Unwinding of Discount	-	-	(58)	(58)
Foreign exchange and other movements	(29)	(27)	44	(12)
Impairment allowance as at 31 March	**146**	**710**	**7,966**	**8,822**

[(1)] *As at 31 March 2019 it includes impairment allowance for POCI loans of € 0.1 million (31 December 2018: € 0.1 million).*

[(2)] *Impairment allowance in relation to loans sold or loans modified (where the modification resulted in a derecognition) during the period, are presented in line "Loans and advances derecognized during the period".*

The impairment losses relating to loans and advances to customers recognized in the Group's income statement for the period ended 31 March 2019 amounted to € 165 million and are analyzed as follows:

	31 March 2019 € million
Impairment loss on loans and advances to customers	**(158)**
Modification loss on loans and advances to customers	**(17)**
Impairment (loss)/ reversal for credit related commitments	**10**
Total	**(165)**

11. Other impairments, restructuring costs and provisions

	31 March 2019 € million	31 March 2018 € million
Impairment losses and valuation losses on real estate properties	**(4)**	(9)
Impairment (losses)/ reversal on bonds	**1**	9
Other impairment losses and provisions [(1)]	**(3)**	(2)
Other impairment losses and provisions	**(6)**	(2)
Voluntary exit schemes and other related costs (note 25)	**(5)**	(36)
Other restructuring costs	**(1)**	(0)
Restructuring costs	**(6)**	(36)
Total from continuing operations	**(12)**	(38)

[(1)] *Includes impairment losses on other assets and provisions on litigations and other operational risk events.*

12. Income tax

	31 March 2019 € million	31 March 2018 € million
Current tax	**(12)**	(9)
Deferred tax	**6**	1
Total income tax from continuing operations	**(6)**	(8)

For the year 2019, according to Law 4172/2013 currently in force, the nominal Greek corporate tax rate for credit institutions is 29%, while for the other legal entities is 28% (for the year 2018: 29% corporate tax rate for all legal entities). According to article 23 of Law 4579/2018, which was enacted in December 2018 and amended Law 4172/2013, the Greek corporate tax rate for legal entities other than credit institutions will decrease annually by 1% for each of the next four years starting from 2019, resulting to 25% for the year 2022 and onwards. In addition, dividends distributed as of 1 January 2019 other than intragroup dividends, which under certain preconditions are relieved from both income and withholding tax, are subject to 10% withholding tax.

In October 2018, the Greek Council of State communicated its decisions to the Bank and another Greek banking institution, ruling against their refund right in reference to taxes prepaid (by way of withholding) on interest arising from bonds and treasury bills for the year 2008 (amounting to € 4 million for the Bank). The said decisions interpreted the Greek tax law applicable for the year 2008 (i.e. Law 2238/1994) and stated that such withholding taxes are allowed to be offset against the banks' annual corporate income tax and any excess part is not refundable. However, in respect of such withholding taxes, two previous favorable decisions for different years (the one related to the Bank for the year 2010 and a second to another banking institution) have been issued by the same Council of State body. The Bank challenged the respective Council of State decision at the European Court. In addition to the above, the Bank has similar pending tax cases in the context of the interpretation of Law 2238/1994, amounting to € 46 million for the year 2012.

Law 4605/2019 (article 93) voted on 29 March 2019 provided clarifications regarding the treatment of both the withholding tax amounts mentioned above under Law 2238/1994 (i.e. € 4 million and € 46 million) in a manner that safeguards the said tax amounts by providing for their offsetting with the Bank's corporate income tax whenever this becomes due.

Law 4605/2019 further addresses the treatment of tax receivables of Law 4046/2012 (for years 2010, 2011 and 2012), which provides for a five year settlement of tax withheld on interest from GGBs/Tbills/corporate bonds with the Greek State's guarantee against the banks' corporate income tax. Law 4605/2019 clarified that any remaining amounts (i.e. not offsettable withholding taxes within the set five year period) will be then offset against all taxes within ten years in equal installments starting from 1 January 2020. The said Law clarification addresses the treatment of the Bank's receivable of € 13 million arising in 2012 from tax withheld on interest from Greek sovereign bonds, Greek T-bills and corporate bonds with Greek State guarantee.

In reference to its total uncertain tax positions, the Group assesses all relevant developments (e.g. legislative changes, case law, ad hoc tax/legal opinions, administrative practices) and raises adequate provisions.

Tax certificate and open tax years

The Bank and its subsidiaries, associates and joint ventures, which operate in Greece (notes 17 and 18) have in principle 1 to 6 open tax years. For the open tax years 2013-2015 the Bank and the Group's Greek companies whose annual financial statements were audited compulsorily, were required to obtain an 'Annual Tax Certificate' pursuant to the Law 4174/2013, which is issued after a tax audit is performed by the same statutory auditor or audit firm that audits the annual financial statements. For fiscal years starting from 1 January 2016 and onwards, the 'Annual Tax Certificate' is optional, however, the Bank and (as a general rule) the Group's Greek companies will continue to obtain such certificate.

The Bank has obtained by external auditors unqualified tax certificates for the open tax years 2013-2017. For the year ended 31 December 2018, the tax audit from external auditors is in progress. In addition, New TT Hellenic Postbank and New Proton Bank, which were merged with the Bank in 2013, have obtained by external auditors unqualified tax certificates with a matter of emphasis for their unaudited by tax authorities periods/tax years 18/1-30/6/2013 and 9/10/2011-31/12/2012, respectively, with regards to potential tax obligations resulting from their carve out. For both cases the Bank has formed adequate provisions.

The tax certificates, which have been obtained by the Bank's subsidiaries, associates and joint ventures, which operate in Greece, are unqualified for the open tax years 2013-2017. For the year ended 31 December 2018, the tax audit from external auditors is in progress.

In accordance with the Greek tax legislation and the respective Ministerial Decisions issued, additional taxes and penalties may be imposed by the Greek tax authorities following a tax audit within the applicable statute of limitations (i.e. in principle five years as from the end of the fiscal year within which the relevant tax return should have been submitted), irrespective of whether an unqualified tax certificate has been obtained from the tax paying company. In light of the above, as a general rule, the right of the Greek State to impose taxes up to tax year 2012 (included) has been time-barred for the Bank and the Group's Greek companies at 31 December 2018.

The open tax years of the foreign banking entities of the Group are as follows: (a) Eurobank Cyprus Ltd, 2014-2018, (b) Eurobank Bulgaria A.D., 2013-2018, (c) Eurobank A.D. Beograd (Serbia), 2013-2018, and (d) Eurobank Private Bank Luxembourg S.A., 2014-2018. The remaining foreign entities of the Group (notes 17 and 18), 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:

	31 March 2019 € million
Balance at 1 January	**4,912**
Income statement credit/(charge) from continuing operations	**6**
Investment securities at FVOCI	**(6)**
Cash flow hedges	**3**
Discontinued operations (note 13)	**1**
Balance at 31 March	**4,916**

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

	31 March 2019 € million	31 December 2018 € million
Impairment/ valuation relating to loans and accounting write-offs	**2,837**	3,132
PSI+ tax related losses	**1,139**	1,151
Losses from disposals and crystallized write-offs of loans	**572**	265
Other impairments/ valuations through the income statement	**246**	248
Unused tax losses	**68**	63
Costs directly attributable to equity transactions	**22**	23
Cash flow hedges	**18**	15
Defined benefit obligations	**13**	13
Real estate properties and equipment	**(20)**	(20)
Investment securities at FVOCI	**(30)**	(24)
Other	**51**	46
Net deferred income tax	**4,916**	4,912

The net deferred income tax is analyzed as follows:

	31 March 2019 € million	31 December 2018 € million
Deferred tax assets	**4,920**	4,916
Deferred tax liabilities	**(4)**	(4)
Net deferred income tax	**4,916**	4,912

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

	31 March 2019 € million	31 March 2018 € million
Impairment/ valuation relating to loans, disposals and write-offs	**12**	10
Unused tax losses	**5**	7
Tax deductible PSI+ losses	**(13)**	(13)
Change in fair value and other temporary differences	**2**	(3)
Deferred income tax (charge)/credit from continuing operations	**6**	1

As at 31 March 2019, the Group recognized net deferred tax assets amounting to € 4.9 bn as follows:

(a) € 2,837 million refer to deductible temporary differences arising from impairment/ valuation relating to loans including the accounting debt write-offs according to the Greek tax law 4172/2013, as in force. These temporary differences can be utilized in future periods with no specified time limit and according to current tax legislation of each jurisdiction;

(b) € 1,139 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;

(c) € 572 million refer to the unamortized part of the crystallized tax losses arising from write-offs and disposals of loans, which are subject to amortization (i.e. 1/20 of losses per year), according to the Greek tax law 4172/2013, as in force;

(d) € 68 million refer to unused tax losses of which € 62 million resulted from the Bank's operations in 2018. The ability for the Bank to utilize tax losses carried forward expires in five tax years after the year of their recognition;

(e) € 22 million mainly refer to deductible temporary differences related to the (unamortized for tax purposes) costs directly attributable to Bank's share capital increases, subject to 10 years' amortization according to tax legislation in force at the year they have been incurred; and

(f) € 278 million refer to other deductible temporary differences (i.e. valuation losses, provisions for pensions and other post-retirement benefits, etc.) the majority of which can be utilized in future periods with no specified time limit and according to the applicable tax legislation of each jurisdiction.

Assessment of the recoverability of deferred tax assets

The recognition of the above presented deferred tax assets is based on management's assessment, as at 31 March 2019, 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 2018 and the extrapolated tax results for the year ended 31 December 2019 using the actual tax results for the period ended 31 March 2019. 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 31 March 2019, 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 March 2019 and provided outlook of its profitability and capital position for the period up to the end of 2021. The said Business Plan has also been submitted to the Hellenic Financial Stability Fund (HFSF) and to the Single Supervisory Mechanism (SSM).

For the years beyond 2021, the forecast of operating results was based on the management projections considering the growth opportunities of the Greek economy, the banking sector and the Group itself.

The level of the abovementioned projections adopted in the Group's Business Plan is mainly based on assumptions and estimates regarding (a) the further reduction of its funding cost driven by the gradual repatriation of customer deposits replacing more expensive funding sources, (b) the lower loan impairment losses as a result of the gradual improvement of the macroeconomic conditions in Greece and the strategic initiatives for the accelerated reduction of Non-Performing Exposures (NPEs), in line with the NPEs strategy that the Group has committed to the SSM, (c) the merger with Grivalia Properties R.E.I.C, the acquisition of Piraeus Bank Bulgaria A.D. ('PBB') and the disposal of 80% stake of Financial Planning Services S.A. ('FPS'), (d) the effectiveness of the continuous cost containment initiatives, and (e) 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 Group's 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).

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

As at 31 March 2019, pursuant to the Law 4172/2013, as in force, the Bank's eligible DTAs/deferred tax credits (DTCs) against the Greek State amounted to € 3,909 million. The DTCs will be converted into directly enforceable claims (tax credit) against the Greek State provided that the Bank's after tax accounting result for the year is a loss. In particular, DTCs are accounted for on: (a) the losses from the Private Sector Involvement (PSI) and the Greek State Debt Buyback Program and (b) on the sum of (i) the unamortized part of the crystallized loan losses from write-offs and disposals, (ii) the accounting debt write-offs and (iii) the remaining accumulated provisions and other losses in general due to credit risk recorded up to 30 June 2015.

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

As of May 2017, according to article 82 of Law 4472/2017, which further amended article 27A of Law 4172/2013, an annual fee of 1.5% is imposed on the excess amount of deferred tax assets guaranteed by the Greek State, stemming from the difference between the current tax rate for credit institutions (i.e. 29%) and the tax rate applicable on 30 June 2015 (i.e. 26%). For the period ended 31 March 2019, an amount of € 1.7 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.

The Romanian disposal group was the major part of the Group's operations in Romania, which were presented in the International segment. For the period ended 31 March 2018, the net profit of the Romanian disposal group attributable to the shareholders amounted to € 3 million, while the gain recognized in other comprehensive income (mainly currency translation differences) attributable to shareholders, amounted to € 1 million.

On 3 April 2018, Eurobank Group (the Seller) and Banca Transilvania (BT) (the Purchaser), in line with their pre-sale agreement in November 2017, 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 resulting loss of € 72 million after tax, which has been recognized in the income statement until the year ended 31 December 2018, includes the recyclement to the income statement of € 46 million cumulative losses previously recognized in other comprehensive income.

According to the relevant Sale Purchase Agreement (SPA), there are specific indemnity clauses based on which the Purchaser could claim specific amounts, subject to certain limitations on total claims.

Tax audit

According to the tax audit assessment communicated to Bancpost S.A. within July 2018, following the completion of the tax audit for the years 2011-2015, the additional taxes to be paid amount in total to € 40 million, approximately.

The Group is in close cooperation with BT, which is in the process of challenging the tax audit assessment in courts.

In respect of the above, in the first quarter of 2019, the Group has recognized an additional provision of € 5 million (€ 3.6 million after tax), while the accumulated provisions, which have been recognized up to 31 March 2019 amount to € 20 million.

Romanian National Authority for Consumer Protection (ANPC)

In addition in the second half of 2018, the Romanian National Authority for Consumer Protection (ANPC) imposed three fines totaling € 72 thousand on Bancpost S.A. in connection with complaints raised by certain Bancpost S.A. lending clients, related to portfolios of performing loans which were assigned by Bancpost S.A. to ERB New Europe Funding II (an entity in the Netherlands controlled by Eurobank) in 2008.

In April and May 2019 the first instance court admitted BT's complaints against ANPC in two out of three aforementioned cases (third case is still pending), ruling that the relevant penalties imposed on Bancpost are cancelled.

The aforementioned court rulings are appealable; the Group continues to be in close cooperation with BT on this matter.

Further information in relation to the sale of Romanian disposal group is provided in note 17 of the consolidated financial statements for the year ended 31 December 2018.

14. Derivative financial instruments

	31 March 2019		31 December 2018	
	Fair values		Fair values	
	Assets	**Liabilities**	Assets	Liabilities
	€ million	**€ million**	€ million	€ million
Derivatives for which hedge accounting is not applied/ held for trading	**1,984**	**1,647**	**1,805**	1,385
Derivatives designated as fair value hedges	**0**	**508**	**1**	349
Derivatives designated as cash flow hedges	**73**	**135**	**65**	159
Total derivatives assets/liabilities	**2,057**	**2,290**	**1,871**	1,893

As at 31 March 2019, the derivative assets and liabilities increased by € 186 million and € 397 million, respectively, compared to 31 December 2018, mainly as a result of the downward movement of the euro interest rate curve. On the same date, the carrying value of the derivatives with the Hellenic Republic amounted to € 1,321 million (31 December 2018: € 1,189 million).

15. Loans and advances to customers

	31 March 2019 € million	31 December 2018 € million
Loans and advances to customers at amortised cost		
- Gross carrying amount	44,976	44,973
- Impairment allowance	(8,822)	(8,800)
Carrying Amount	**36,154**	36,173
Loans and advances to customers at FVTPL	**60**	59
Total	**36,214**	36,232

The table below presents the carrying amount of loans and advances to customers per business unit and per stage as at 31 March 2019:

	31 March 2019				31 December 2018
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Lifetime ECL credit-impaired-Stage 3 [(1)] € million	Total amount € million	Total amount € million
Loans and advances to customers at amortised cost					
Mortgage lending:					
- Gross carrying amount	6,698	3,498	5,989	16,185	16,262
- Impairment allowance	(38)	(285)	(2,286)	(2,609)	(2,547)
Carrying Amount	6,660	3,213	3,703	13,576	13,715
Consumer lending:					
- Gross carrying amount	2,203	346	1,399	3,948	3,988
- Impairment allowance	(39)	(96)	(1,090)	(1,225)	(1,235)
Carrying Amount	2,164	250	309	2,723	2,753
Small Business lending:					
- Gross carrying amount	1,665	1,215	3,582	6,462	6,421
- Impairment allowance	(16)	(214)	(1,624)	(1,854)	(1,858)
Carrying Amount	1,649	1,001	1,958	4,608	4,563
Wholesale lending:					
- Gross carrying amount	10,903	1,948	5,530	18,381	18,302
- Impairment allowance	(53)	(115)	(2,966)	(3,134)	(3,160)
Carrying Amount	10,850	1,833	2,564	15,247	15,142
Total loans and advances to customers at AC					
- Gross carrying amount	21,469	7,007	16,500	44,976	44,973
- Impairment allowance	(146)	(710)	(7,966)	(8,822)	(8,800)
Carrying Amount	**21,323**	**6,297**	**8,534**	**36,154**	36,173
Loans and advances to customers at FVTPL					
Carrying Amount				**60**	59
Total				**36,214**	36,232

[(1)] As at 31 March 2019 it includes POCI loans of € 5 million gross carrying amount and € 0.1 million impairment allowance (31 December 2018: € 5 million gross carrying amount and € 0.1 million impairment allowance).

As at 31 March 2019, the Group's non performing exposures included in loans and advances to customers at amortised cost were reduced to € 16,500 million (31 December 2018: € 16,653 million) driving the Group NPE ratio to 36.7% (31 December 2018: 37%).

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. Following the submissions of 2017 and 2018, Eurobank and all Greek systemic banks responded to the new regulatory framework and SSM requirements and submitted in March 2019 their new NPE Management Strategy for 2019-21, along with NPE Stock Annual Targets at both bank and, for the first time, group level. Specifically for Eurobank, the new submission has taken into account the NPE reduction acceleration plan that was announced in the context of its transformation plan and aims to achieve a Group NPE ratio of 16% in 2019 and a single digit by 2021.

The mix of solutions to be used is differentiated versus the previous submission, involving mainly securitization of NPEs, as well as organic reduction, including collateral liquidations.

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

Legal framework

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

In addition, a new protection scheme on primary residence was voted by the Greek Parliament on 29 March 2019, which is expected to bolster the Banks' efforts to reduce NPEs through a more effective mechanism to work out troubled loans, a restriction of strategic defaulters and, ultimately, an improvement in payment discipline.

Post balance sheet event

Law on the conversion of mortgage loans indexed in Swiss Francs, Serbia

As of 25 April 2019, the parliament of Republic of Serbia has adopted a new law on the conversion of mortgage loans indexed in Swiss Francs. Pursuant to the aforementioned law, the Serbian banks are obligated to offer the conversion of the remaining debt indexed in CHF into debt indexed in EUR within 30 days from the law's enforcement. The law envisages a 38% haircut of the converted debt, of which 15% will be reimbursed by the Republic of Serbia, while the banks will also be entitled to a tax credit of 2% on the amount of the remaining debt. The said debt reduction is considered tax deductible pursuant to the local corporate income tax law. The debtors have 30 days to inform the banks if they accept the above offer, which includes the application of the interest rate valid on 31 March 2019 for EUR indexed loans.

As of 31 March 2019, Eurobank's banking subsidiary in Serbia "Eurobank A.D. Beograd" had CHF mortgage loans of € 95 million eligible for conversion under the law, while the maximum haircut to be born by the subsidiary for the entire eligible portfolio as stipulated by the law (i.e. 21% on the eligible loan exposure) is approximately € 20 million. The Group closely monitors the developments in order to estimate the impact from the new law, depending on the consent of the debtors.

16. Investment securities

	31 March 2019 € million	31 December 2018 € million
Investment securities at FVOCI	**6,052**	6,248
Investment securities at amortised cost	**1,419**	1,420
Investment securities at FVTPL	**97**	104
Total	**7,568**	7,772

The tables below disclose the carrying amount and the exposure to credit risk of investment securities:

	31 March 2019		
	12-month ECL-Stage 1 € million	**Lifetime ECL-Stage 2 € million**	**Total € million**
Investment securities at amortised cost			
- Gross carrying amount	692	759	1,451
- Impairment allowance	(2)	(30)	(32)
Carrying Amount	690	729	1,419
Investment securities at FVOCI			
Carrying Amount	6,047	5	6,052
Total	**6,737**	**734**	**7,471**
Investment securities at FVTPL			
Carrying amount			97
Total Investment securities			**7,568**

	31 December 2018		
	12-month ECL-Stage 1 € million	Lifetime ECL-Stage 2 € million	Total € million
Investment securities at amortised cost			
- Gross carrying amount	697	754	1,451
- Impairment allowance	(3)	(28)	(31)
Carrying Amount	694	726	1,420
Investment securities at FVOCI			
Carrying Amount	6,222	26	6,248
Total	6,916	752	7,668
Investment securities at FVTPL			
Carrying amount			104
Total Investment securities			7,772

During the period ended 31 March 2019, the impairment allowance of the investment securities of the Group decreased by € 2 million (31 March 2018: € 9 million decrease).

The investment securities per category are analyzed as follows:

	31 March 2019			
	Investment securities at FVOCI € million	**Investment securities at amortised cost € million**	**Investment securities at FVTPL € million**	**Total € million**
Debt securities				
- Greek government bonds[1]	**2,376**	**945**	**-**	**3,321**
- Other government bonds	**2,864**	**474**	**-**	**3,338**
- Other issuers	**812**	**-**	**4**	**816**
	6,052	**1,419**	**4**	**7,475**
Equity securities	**-**	**-**	**93**	**93**
Total	**6,052**	**1,419**	**97**	**7,568**

	31 December 2018			
	Investment securities at FVOCI € million	Investment securities at amortised cost € million	Investment securities at FVTPL € million	Total € million
Debt securities				
- Greek government bonds[1]	2,229	940	-	3,169
- Other government bonds	3,162	480	-	3,642
- Other issuers	857	-	4	861
	6,248	1,420	4	7,672
Equity securities	0	-	100	100
Total	6,248	1,420	104	7,772

[1] As at 31 March 2019, it includes Greek government treasury bills of € 1 million (31 December 2018: € 0.1 million).

During the period ended 31 March 2019, the Group recognized € 12 million gains presented in line 'Gains less losses from investment securities', of which € 7 million resulted from debt securities at FVOCI sale transactions and € 5 million mainly from the increase in the fair value of equity instruments. In the comparative period, the Group had recognized € 24 million gains, mainly as a result of bonds' sale transactions.

17. Shares in subsidiaries

The following is a listing of the Bank's subsidiaries at 31 March 2019, included in the interim condensed consolidated financial statements for the period ended 31 March 2019:

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.	b	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
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.		99.99	Bulgaria	Real estate services
IMO 03 E.A.D.		100.00	Bulgaria	Real estate services
IMO Property Investments Sofia E.A.D.		100.00	Bulgaria	Real estate services
ERB Leasing Bulgaria EAD		100.00	Bulgaria	Leasing
ERB Hellas (Cayman Islands) Ltd		100.00	Cayman Islands	Special purpose financing vehicle
Berberis Investments Ltd		100.00	Channel Islands	Holding company
ERB Hellas Funding Ltd		100.00	Channel Islands	Special purpose financing vehicle
Eurobank Cyprus Ltd		100.00	Cyprus	Banking
CEH Balkan Holdings Ltd [(1)]		100.00	Cyprus	Holding company
Chamia Enterprises Company Ltd [(1)]		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 Property Holdings Ltd		100.00	Cyprus	Holding company
Lenevino Holdings Ltd		100.00	Cyprus	Real estate
Rano Investments Ltd		100.00	Cyprus	Real estate
Neviko Ventures Ltd		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.		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.	b	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

Name	Note	Percentage holding	Country of incorporation	Line of business
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	b	100.00	Serbia	Real estate services
IMO Property Investments A.D. Beograd		100.00	Serbia	Real estate services
ERB Istanbul Holding A.S.		100.00	Turkey	Holding company
ERB Hellas Plc		100.00	United Kingdom	Special purpose financing vehicle
Anaptyxi SME I Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Karta II Plc		-	United Kingdom	Special purpose financing vehicle
Themeleion II Mortgage Finance Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Themeleion III Mortgage Finance Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Themeleion IV Mortgage Finance Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Themeleion Mortgage Finance Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Tegea Plc [(1)]		-	United Kingdom	Special purpose financing vehicle
Maximus Hellas Designated Activity Company		-	Ireland	Special purpose financing vehicle
Astarti Designated Activity Company		-	Ireland	Special purpose financing vehicle

[(1)] Entities under liquidation at 31 March 2019.

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

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

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

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

(a) NEU BG Central Office Ltd, Cyprus

In the fourth quarter of 2018, the liquidation of the company was decided. In the first quarter of 2019, the final distribution of the property of the company to its shareholder NEU Property Holdings Ltd was completed and accordingly it was not included in the consolidated financial statements for the period ended 31 March 2019. The relevant procedure for the dissolution of the company is expected to be completed in the second quarter of 2019.

(b) Eurobank Property Services S.A., Greece, Eurobank Property Services S.A., Romania and ERB Property Services d.o.o. Beograd, Serbia

In January 2019, the Bank and Cerved Credit Management Group S.r.l. (Cerved) signed a binding agreement in the context of which Cerved would acquire the entire share capital of Eurobank Property Services S.A. in Greece (EPS) and its subsidiaries Eurobank Property Services S.A. in Romania and ERB Property Services d.o.o. Beograd in Serbia from Eurobank. EPS Greece has also been appointed as real estate servicer for Eurobank for the next five years with respect to all real estate valuation activities and other services. The transaction was completed in April 2019 via the acquisition from Cerved, for a consideration of € 8 million, of the entire share capital of EPS. Further consideration of up to € 5 million in the form of earn – out will be due upon reaching certain economic results and conditions in the timeframe until 2023. The transaction was in line with the Bank's strategy to focus on its core operations, adopting an outsourcing business model in relation to real estate services.

(c) Modern Hoteling, Greece

In February 2019, the Bank signed a pre- agreement with third party for the disposal of its participation (100%) in Modern Hoteling. Based on the above agreement, a share capital increase took place in March 2019, which was covered by the purchaser in order for the company's debt to be fully repaid to the Bank. Upon completion of the share capital increase, the Bank's participation in the company decreased to 41% and based on the relevant share purchase agreement signed in the same month, the disposal of the company was completed, with a resulting gain of € 2.1 million recognized in "other income/expenses".

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

On 7 November 2018, the Bank announced that it has concluded an agreement with Piraeus Bank S.A. for the acquisition of Piraeus Bank Bulgaria A.D. ("PBB"), a subsidiary of Piraeus Bank, by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria A.D. ("Postbank") (the "Transaction") for a consideration of € 75 million. As of December 2018, PBB had total assets of € 1.5 bn, including total loans of € 838 million and deposits of € 1.1 bn.

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

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

Post balance sheet event

Grivalia Properties REIC S.A., subsidiaries

On 5 April 2019, the General Meetings of the Shareholders of Eurobank and Grivalia Properties REIC approved the merger of the two companies (note 31). As of that date, the Bank has obtained control of Grivalia subsidiaries as follows:

- Cloud Hellas Ktimatiki S.A., Greece – 100%
- Staynia Holdings Ltd, Cyprus – 100%
- Grivalia New Europe S.A., Luxembourg – 100%
- Reco Real Property A.D. Beograd, Serbia – 100%
- Eliade Tower S.A., Romania – 99.99%
- Retail Development S.A., Romania – 99.99%
- Seferco Development S.A., Romania – 99.99%
- Piraeus Port Plaza 1 Development S.A., Greece – 100%

18. Investments in associates and joint ventures

As at 31 March 2019, the carrying amount of the Group's investments in associates and joint ventures amounted to € 129 million (31 December 2018: € 113 million). The following is the listing of the Group's associates and joint ventures as at 31 March 2019:

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	25.34
Alpha Investment Property Kefalariou S.A.		Greece	Real estate	41.67
Global Finance S.A. (2)		Greece	Investment financing	33.82
Rosequeens Properties Ltd (3)		Cyprus	Special purpose investment vehicle	33.33
Famar S.A. (1)		Luxembourg	Holding company	23.55
Odyssey GP S.a.r.l.		Luxembourg	Special purpose investment vehicle	20.00
Eurolife ERB Insurance Group Holdings S.A. (2)		Greece	Holding company	20.00
Alpha Investment Property Commercial Stores S.A.		Greece	Real estate	30.00
Peirga Kythnou P.C.	b	Greece	Real estate	50.00
Unisoft S.A.	c	Greece	Software development	29.06

(1) Entities under liquidation at 31 March 2019.

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

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

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

During the period ended 31 March 2019, the Group's participation in Singidunum decreased from 27.06% to 25.34%, following a share capital increase in favor of the other shareholder, Lamda Development B.V. in accordance with the terms of the relevant shareholders agreement.

(b) Peirga Kythnou P.C., Greece

In February 2019, in the context of a debt restructuring, Eurobank and Piraeus Bank S.A. established Peirga Kythnou S.A., to operate as a real estate company in Greece. Based on the contractual terms of the shareholders' agreements and the substance of the arrangement, Peirga Kythnou S.A. will be accounted as a joint venture of the Group.

(c) Unisoft S.A., Greece

In March 2019, the Bank increased its participation in Unisoft S.A from 18.02% to 29.06%, as a result of the share capital increase performed in the context of the company's debt restructuring scheme.

Post balance sheet events

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

In April 2019, the Group's participation in Singidunum decreased from 25.34% to 25.15%, following an additional share capital increase in favor of the other shareholder, Lamda Development B.V., in accordance with the relevant shareholders agreement.

Unisoft S.A., Greece

In April 2019, an agreement was signed for the disposal of the entire share capital of Unisoft S.A.

Grivalia Properties REIC S.A., joint ventures

On 5 April 2019, the General Meetings of the Shareholders of Eurobank and Grivalia Properties REIC approved the merger of the two companies (note 31). As of that date, the Bank has obtained control of Grivalia group and consequently joint control to its joint ventures as follows:

- Piraeus Port Plaza 2, Greece – 49%
- Piraeus Port Plaza 3, Greece – 49%
- Value Touristiki S.A., Greece – 49%
- Grivalia Hospitality S.A., Luxembourg – 25%

19. Property, plant and equipment and Investment property

The carrying amounts of property, plant and equipment and investment property are analyzed as follows:

	31 March 2019 € million	31 December 2018 € million
Land, buildings, leasehold improvements	**266**	266
Furniture, equipment, motor vehicles	**36**	35
Computer hardware, software	**56**	52
Right of use of assets [(1)]	**350**	-
Total property, plant and equipment	**708**	353
Investment property	**309**	316
Total	**1,017**	669

[(1)] *Following the adoption of IFRS 16 as of 1 January 2019 (note 2).*

The movement of investment property is as follows:

	31 March 2019 € million
Cost:	
Balance at 1 January	**343**
Disposals and write-offs	**(5)**
Impairments	**(1)**
Balance at 31 March	**337**
Accumulated depreciation:	
Balance at 1 January	**(27)**
Disposals and write-offs	**1**
Charge for the year	**(2)**
Balance at 31 March	**(28)**
Net book value at 31 March	**309**

20. Other assets

	31 March 2019 € million	31 December 2018 € million
Receivable from Deposit Guarantee and Investment Fund	**708**	707
Repossessed properties and relative prepayments	**562**	555
Pledged amount for a Greek sovereign risk financial guarantee	**239**	240
Income tax receivable [(1)]	**53**	53
Prepaid expenses and accrued income	**105**	83
Other guarantees	**68**	76
Balances under settlement [(2)]	**116**	122
Other assets	**122**	98
Total	**1,973**	1,934

[(1)] *Includes withholding taxes, net of provisions.*

[(2)] *Includes settlement balances with customers, balances under settlement relating to the auction process and brokerage activity.*

As at 31 March 2019, other assets net of provisions, amounting to € 122 million include, among others, receivables related to (a) prepayments to suppliers, (b) public entities and (c) legal cases.

21. Due to central banks

	31 March 2019 € million	31 December 2018 € million
Secured borrowing from ECB and BoG	**1,250**	2,050

As at 31 March 2019, the Bank had eliminated the use of ELA, with the dependency on Eurosystem financing facilities decreasing to € 1.3 bn, mainly due to deposits inflows, increased market repos on Greek Government securities and covered bonds and the upsize of an asset backed securities issue sold via a private placement to an international institutional investor (note 24) (31 December 2018: € 2.1 bn, of which € 0.5 bn funding from ELA).

22. Due to credit institutions

	31 March 2019 € million	31 December 2018 € million
Secured borrowing from credit institutions	**5,924**	5,652
Borrowings from international financial and similar institutions	**607**	591
Current accounts and settlement balances with banks	**110**	115
Interbank takings	**21**	18
Total	**6,662**	6,376

As at 31 March 2019, the majority of secured borrowing transactions with other banks were conducted with foreign financial institutions with collaterals Greek government securities and covered bonds issued by the Bank (notes 16 and 24). As at 31 March 2019, borrowings from international financial and similar institutions include borrowings from European Investment Bank, European Bank for Reconstruction and Development and other similar institutions.

23. Due to customers

	31 March 2019 € million	31 December 2018 € million
Savings and current accounts	**21,714**	21,875
Term deposits	**17,497**	16,990
Repurchase agreements	**201**	200
Other term products (note 24)	**12**	18
Total	**39,424**	39,083

The other term products relate to senior medium-term notes held by the Bank's customers, amounting to € 12 million (31 December 2018: € 18 million).

For the period ended 31 March 2019, due to customers for the Greek and International operations amounted to € 29,011 million and € 10,413 million, respectively (31 December 2018: € 28,785 million and € 10,298 million, respectively).

24. Debt securities in issue

	31 March 2019 € million	31 December 2018 € million
Securitisations	**1,436**	1,245
Subordinated notes (Tier 2)	**962**	947
Covered bonds	**502**	499
Medium-term notes (EMTN) (note 23)	**18**	16
Total	**2,918**	2,707

Securitisations

On 18 March 2019, the Bank, through its special purpose financing vehicle Maximus Hellas DAC, proceeded with the upsize of the asset backed securities issue to a total face value of € 1,338 million (31 December 2018: total face value € 1,093 million, of which € 438 million held by the Bank). Class A notes were held by an international institutional investor and amounted to € 910 million, while € 428 million Class B notes were retained by the Bank.

The asset backed securities issued by the Bank’s special purpose financing vehicle Astarti DAC, held by an international institutional investor (class A notes) as at 31 March 2019, amounted to € 527 million.

Tier 2 Capital instruments

In January 2018, the Bank issued Tier 2 capital instruments of face value of € 950 million, in replacement of the preference shares which had been issued in the context of the first stream of Hellenic Republic's plan to support liquidity in the Greek economy under Law 3723/2008. The aforementioned 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, and as at 31 March 2019, they amounted to € 962 million, including € 4 million unamortized issuance costs and € 15 million accrued interest.

Medium-term notes (EMTN)

In January 2019, the Group issued medium term notes of face value of € 2 million.

Covered bonds

In February 2019, the Bank proceeded with the partial cancellation of covered bonds of face value of € 50 million, previously retained by the Bank.

Post balance sheet event

In April 2019, the Bank proceeded with the cancellation of covered bonds of face value of € 100 million, previously 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).

25. Other liabilities

	31 March 2019 € million	31 December 2018 € million
Lease liabilities [(1)]	**351**	-
Balances under settlement [(2)]	**298**	297
Deferred income and accrued expenses	**128**	96
Other provisions	**108**	106
ECL allowance for credit related commitments	**57**	58
Standard legal staff retirement indemnity obligations	**49**	49
Sovereign risk financial guarantee	**42**	43
Income taxes payable	**12**	8
Deferred tax liabilities (note 12)	**4**	4
Other liabilities	**162**	183
Total	**1,211**	844

[(1)] *Following the adoption of IFRS 16 as of 1 January 2019 (note 2).*

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

As at 31 March 2019, other liabilities amounting to € 162 million mainly consist of payables relating with (a) suppliers and creditors, (b) contributions to insurance organizations, (c) duties and other taxes and (d) trading liabilities.

As at 31 March 2019, other provisions amounting to € 108 million (31 December 2018: € 106 million) mainly include: (a) € 56 million for outstanding litigations and claims in dispute (note 30), (b) € 5 million for restructuring costs (mainly related to the Voluntary Exit Scheme (VES)) and (c) € 44 million for other operational risk events, of which € 37 million is related to Romanian disposal group (note 13).

In respect of the Voluntary Exit Scheme (VES) that was initiated the previous years, the Group recognised an additional cost of € 5 million in the first quarter of 2019.

Further information in respect of the VES is provided in note 38 of the consolidated financial statements for the year ended 31 December 2018.

Post balance sheet event

In May 2019, Eurobank decided to launch a new VES, which will be offered to employees over an age limit as well as to employees of specific eligible Bank units independent of age. The estimated cost of the new VES, which will be implemented through either lump-sum payments or long term leaves during which they will be receiving a percentage of a monthly salary, or a combination thereof, amounts to ca. € 25 million.

26. Ordinary share capital, share premium and treasury shares

As at 31 March 2019, the par value of the Bank's shares was € 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	-	-	-	-	-	-
Sale of treasury shares	-	1	1	-	1	1
Balance at 31 March	**656**	**(0)**	**656**	**8,056**	**(0)**	**8,056**

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**	**(1,194,032)**	**2,184,804,733**
Purchase of treasury shares	-	-	-
Sale of treasury shares	-	874,196	874,196
Balance at 31 March	**2,185,998,765**	**(319,836)**	**2,185,678,929**

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.

Post balance sheet event

On 5 April 2019, the Extraordinary General Meeting of the Bank’s Shareholders approved the merger of the Bank with Grivalia Properties REIC (note 31) by absorption of the latter by the former and resolved the increase of the share capital of the Bank by:

a) € 165 million, which corresponds to the share capital of Grivalia Properties REIC; and
b) € 32 million, derived from taxed profits for rounding reasons of the nominal value of the new common share of the Bank, which is amended from € 0.30 to € 0.23.

Following the above increases, the Bank's total share capital will amount to € 853 million divided into 3,709,161,852 common voting shares of nominal value of € 0.23 each.

27. Preferred securities

The carrying amount of preferred securities issued by the Group through its Special Purpose Entity, ERB Hellas Funding Limited, as at 31 March 2019 is analyzed as follows:

	Series A € million	Series B € million	Series C € million	Series D € million	Total € million
Balance at 31 March	**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 24) on 17 January 2018, and in accordance with the terms of the preferred securities, ERB Hellas Funding Ltd declared and paid the non-cumulative dividends of € 0.7 million (€ 0.6 million after tax) in total on the Series A, B, C and D. As at 31 March 2019, the dividend attributable to preferred securities holders amounted to € 0.7 million (€ 0.6 million, after tax).

Post balance sheet events

ERB Hellas Funding proceeded with the payment of non-cumulative dividends of € 0.7 million in total on series C, D and B on 9 April, 30 April and 2 May 2019, respectively.

In April 2019, the Board of Directors of ERB Hellas Funding decided to proceed with the redemption of all four series of the preferred securities issued. The relevant regulatory announcement of its intention was released on 23 April 2019. Accordingly, on 29 May 2019, a notice of the redemption of series C preferred securities on 9 July 2019, was given to the holders. Pursuant to the terms of each issue, the next available call dates for the redemption of series B, D and A preferred securities are 2 August 2019, 29 October 2019 and 18 March 2020, respectively.

28. 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 measured at fair value or at amortized cost for which fair value is disclosed are categorized into the three levels of the fair value hierarchy based on whether the inputs to the fair values are observable or unobservable, as follows:

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

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

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

Financial instruments measured at fair value

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

	31 March 2019			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Securities held for trading	54	-	-	54
Investment securities at FVTPL	32	8	57	97
Derivative financial instruments	0	2,057	0	2,057
Investment securities at FVOCI	5,944	108	-	6,052
Loans and advances to customers mandatorily at FVTPL	-	-	60	60
Financial assets measured at fair value	**6,030**	**2,173**	**117**	**8,320**
Derivative financial instruments	0	2,290	-	2,290
Trading liabilities	23	-	-	23
Financial liabilities measured at fair value	**23**	**2,290**	**-**	**2,313**

	31 December 2018			
	Level 1 € million	Level 2 € million	Level 3 € million	Total € million
Securities held for trading	43	0	-	43
Investment securities at FVTPL	39	7	58	104
Derivative financial instruments	0	1,870	1	1,871
Investment securities at FVOCI	6,130	118	-	6,248
Loans and advances to customers mandatorily at FVTPL	-	-	59	59
Financial assets measured at fair value	6,212	1,995	118	8,325
Derivative financial instruments	0	1,893	-	1,893
Trading liabilities	4	-	-	4
Financial liabilities measured at fair value	4	1,893	-	1,897

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. There were no material transfers between levels during the period ended 31 March 2019, while in the same period, Level 3 financial instruments decreased by € 1 million.

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.

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

Loans and advances to customers which contractual cash flows do not represent solely payments of principal and interest (SPPI failures), are measured mandatorily at fair value through profit or loss. Quoted market prices are not available as there are no active markets where these instruments are traded. Their fair values are estimated on an individual loan basis by discounting the future expected cash flows over the time period they are expected to be recovered, using an appropriate discount rate. Expected cash flows, which incorporate credit risk, represent significant unobservable input in the valuation and as such, the entire fair value measurement is categorized as Level 3 in the fair value hierarchy. A reasonably possible increase/decrease in those recovery rates by +5%/-5% would increase/decrease the total fair value measurement by € 1.6 million.

Financial instruments not measured at fair value

The fair value hierarchy categorization of the Group’s financial assets and liabilities not measured at fair value on the balance sheet, is presented in the following tables:

	31 March 2019	
	Carrying amount € million	Fair value € million
Loans and advances to customers	36,154	35,953
Investment securities at amortised cost	1,419	910
Financial assets not measured at fair value	**37,573**	**36,863**
Debt securities in issue	2,918	2,732
Financial liabilities not measured at fair value	**2,918**	**2,732**

	31 December 2018	
	Carrying amount € million	Fair value € million
Loans and advances to customers	36,173	35,940
Investment securities at amortised cost	1,420	889
Financial assets not measured at fair value	37,593	36,829
Debt securities in issue	2,707	2,495
Financial liabilities not measured at fair value	2,707	2,495

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

29. 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:

	31 March 2019 € million	31 December 2018 € million
Cash and balances with central banks (excluding mandatory and collateral deposits with central banks)	**1,538**	1,429
Due from credit institutions	**502**	520
Securities held for trading	**1**	-
Total	**2,041**	1,949

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

	31 March 2019 € million	31 March 2018 € million
Amortisation of premiums/discounts and accrued interest	**77**	(20)
(Gains)/losses from investment securities	**(12)**	(24)
Total	**65**	(44)

As of 1 January 2019, following the adoption of IFRS 16, cash payments for the principal portion of the lease liabilities are classified within financing activities.

30. Contingent liabilities and commitments

The Group presents the credit related commitments it has undertaken within the context of its lending related activities into the following three categories: a) financial guarantee contracts, which refer to guarantees and standby letters of credit that carry the same credit risk as loans (credit substitutes), b) commitments to extend credit, which comprise firm commitments that are irrevocable over the life of the facility or revocable only in response to a material adverse effect and c) other credit related commitments, which refer to documentary and commercial letters and other guarantees of medium and low risk according to the Regulation No 575/2013/EU.

Credit related commitments are analyzed as follows:

	31 March 2019 € million	31 December 2018 € million
Financial guarantee contracts	**683**	715
Commitments to extend credit	**621**	580
Other credit related commitments	**441**	406
Total	**1,745**	1,701

The credit related commitments within the scope of IFRS 9 impairment requirements amount to € 4.7 bn, including revocable loan commitments of € 3 bn, while the corresponding allowance for impairment losses amounts to € 57 million (31 December 2018: € 58 million).

In addition, the Group has issued a sovereign risk financial guarantee of € 0.24 bn (31 December 2018: € 0.24 bn) for which an equivalent amount has been deposited under the relevant pledge agreement (note 20).

Legal Proceedings

As at 31 March 2019, a provision of € 56 million has been recorded for a number of legal proceedings outstanding against the Group (31 December 2018: € 56 million), as set out in note 25. The said amount includes € 34 million for an outstanding litigation related to the acquisition of New TT Hellenic Postbank S.A. in 2013 (31 December 2018: € 34 million).

Furthermore, in the normal course of its business, the Group has been involved in a number of legal proceedings, which are either at still a premature or at an advanced trial instance. The final settlement of these cases may require the lapse of a certain time so that the litigants exhaust the legal remedies provided for by the law. The Management, having considered the advice of the Legal Services General Division, does not expect that there will be an outflow of resources and therefore does not acknowledge the need for a provision.

Against the Bank various legal remedies and redresses have been filed amongst others in the form of lawsuits, applications for injunction measures, motions to vacate payment orders and appeals in relation to the validity of clauses for the granting of loans in Swiss Francs. A class action has also been filed by a consumer union. To date the vast majority of the judgments issued by the first instance and the appellate Courts have found in favor of the Bank's positions. On the class action, a judgment of the Athens Court of Appeals was issued in February 2018, which was in favour of the Bank and rejected the lawsuit on its merits. The judgment has been challenged by the consumer unions with an appeal which was scheduled to be heard before the Supreme Court on 20 May 2019. The hearing was cancelled due to the elections held on 26 May 2019, while a new date has not been set. As to certain aspects of Swiss Francs loans there was also a pending lawsuit before the Supreme Court at plenary session which was initiated from an individual lawsuit. The Decision issued on 18 April 2019 was in favour of the Bank.

In any event, the Management of the Bank is closely monitoring the developments to the relevant cases so as to ascertain potential accounting implications in accordance with the Group's accounting policies.

31. Post balance sheet events

Merger of Eurobank with Grivalia

On 26 November 2018, the Boards of Directors ("BoD") of Eurobank Ergasias S.A. ("Eurobank") and Grivalia Properties REIC ("Grivalia") announced that they unanimously decided to commence the Merger of the two companies by absorption of Grivalia by Eurobank (the "Merger"). Grivalia was a real estate investment company under Law 2778/1999, as in force, incorporated in Greece. The business of Grivalia along with its subsidiaries (Grivalia group, note 17) and its joint ventures (note 18) was the acquisition, management and leasing out of investment property portfolio located in Greece, in Central Eastern Europe and in Central America.

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

On 22 February 2019, the BoD of Eurobank and Grivalia approved the Draft Merger Agreement for the absorption of Grivalia by Eurobank according to the provisions of Greek laws 2166/1993 and 2515/1997, as in force, as well as the applicable Company Law. The proposed share exchange ratio was 15.80000000414930 new Eurobank ordinary registered shares for every 1 Grivalia ordinary registered share, while Eurobank shareholders retain the number of Eurobank ordinary shares they held before the Merger. Accordingly, with respect to the new share capital of Eurobank, 2,185,998,765 shares are allocated to the shareholders of Eurobank and 1,523,163,087 to the shareholders of Grivalia.

On 5 April 2019, the Extraordinary General Meeting of the shareholders of Eurobank resolved, among others (a) the approval of the Merger of the Bank with Grivalia by absorption of the latter by the former, (b) the approval of the Draft Merger Agreement, as it was approved by the BoD of the merging companies and (c) the increase of the share capital of the Bank by € 197 million (note 26).

The above Merger has been effected by applying the acquisition method in accordance with IFRS 3 "Business Combinations". The date on which the Shareholders General Meetings of both companies approved the merger, i.e. 5 April 2019 has been determined as the acquisition date as it is considered the date that Eurobank obtained control of Grivalia.

The consideration of the transaction amounting to € 1,093.9 million has been calculated as the fair value of the 1,523,163,087 Eurobank new ordinary shares with reference to Eurobank's share market price on the acquisition date (i.e. € 0.7185) less the fair value of the new Eurobank shares issued corresponding to the Grivalia shares held by the Bank's subsidiary ERB Equities.

The fair value measurement of the assets acquired and liabilities assumed has not yet been finalized. As at 31 March 2019, their provisional fair values are presented in the table below:

	Fair value (Provisional values) € million
Assets	
Due from credit institutions [(1)]	**30**
of which intercompany balances with Eurobank Group	***24***
Property, plant and equipment and investment property	**1,016**
Investment in associates and joint ventures	**61**
Other assets	**15**
Total assets	**1,122**
Liabilities	
Due to credit institutions	**221**
of which intercompany balances with Eurobank Group	***147***
Other liabilities	**23**
of which intercompany balances with Eurobank Group	***4***
Total liabilities	**244**
Shareholders' equity	**878**
Total equity and liabilities	**1,122**

[(1)] *It includes € 3 million cash and cash equivalents (third parties).*

The difference between: (a) the total consideration of € 1,093.9 million and the fair value of the Group's previously held equity interest in Grivalia of € 0.4 million, and (b) the net identifiable assets acquired (provisional fair values of assets and liabilities as stated above) of € 878 million, results to the recognition of a temporary goodwill of € 216 million. The Merger enhances Eurobank's capital position (note 4) and its earnings capacity, which in turn will enable the acceleration of its NPEs reduction plan. With the completion of the Merger the Group will also deploy Grivalia's best in class real estate management skills to the Bank's real estate assets, in particular to its repossessed assets, which is critical for the management of NPEs.

The results of Grivalia will be incorporated in the Group's financial statements prospectively, as of the acquisition date. If the acquisition had occurred on 1 January 2019, the Grivalia would have contributed net profit of ca. € 5 million to the Group for the period from 1 January 2019 up to the date of acquisition.

The Merger was approved on 17 May 2019 by the Ministry of Finance and Development and was registered, on the same day, in the General Commercial Registry. The trading of the 1,523,163,087 new common voting shares of nominal value € 0.23 each was initiated at Athens Exchange on 23 May 2019.

Following the completion of the Merger, Fairfax group, which held 18.40% and 54.02% in Eurobank and Grivalia, respectively, before the Merger, becomes the largest shareholder in the merged entity with a 33.03% shareholding (note 32).

Agreement with the Real estate management company

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

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

Further information on the above transactions is provided in the regulatory announcements on the Bank's website dated 26 November 2018 and 8 February, 25 February, 1 March, 5 April and 17 May 2019.

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

Note 2 - Basis of preparation and principal accounting policies
Note 6 - Earnings per share
Note 15 - Loans and advances to customers
Note 17 - Shares in subsidiaries
Note 18 - Investments in associates and joint ventures
Note 24 - Debt securities in issue
Note 25 - Other liabilities
Note 26 – Ordinary share capital, share premium and treasury shares
Note 27 – Preferred securities
Note 30 - Contingent liabilities and commitments
Note 32 - Related parties
Note 33 - Board of Directors

32. Related parties

As of November 2015, the percentage of the Bank's ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 2.38%. The HFSF is considered to have significant influence over the Bank pursuant to the provisions of the Law 3864/2010, as in force, and the Relationship Framework Agreement (RFA) the Bank has entered into with the HFSF. Further information in respect of the HFSF rights based on the aforementioned framework is provided in the section "Report of the Directors and Corporate Governance Statement" of the Annual Financial Report for the year ended 31 December 2018.

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

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

	31 March 2019		31 December 2018	
	KMP[1] and Entities controlled or jointly controlled by KMP € million	Associates and joint ventures € million	KMP[1] and Entities controlled or jointly controlled by KMP € million	Associates and joint ventures € million
Loans and advances to customers	**6.83**	**20.36**	7.20	18.74
Other assets	**-**	**3.24**	-	6.88
Due to customers	**14.69**	**39.77**	14.79	45.13
Other liabilities	**0.03**	**4.15**	0.03	2.52
Guarantees received	**0.03**	**-**	0.03	-
	Three months ended 31 March 2019		Three months ended 31 March 2018	
Net interest income	**(0.00)**	**(1.08)**	0.01	(1.39)
Net banking fee and commission income	**0.00**	**2.69**	0.01	2.13
Net trading income	**-**	**0.10**	-	0.10
Gains less losses from investment securities	**-**	**-**	-	0.09
Impairment losses relating to loans and advances including relative fees	**-**	**(1.70)**	-	(9.37)
Other operating income/(expenses)	**-**	**(6.29)**	-	(6.00)

[1] Includes the key management personnel of the Group and their close family members.

For the period ended 31 March 2019, there were no material transactions with the HFSF. In addition, as at 31 March 2019 the loans, net of provisions, granted to non consolidated entities controlled by the Bank pursuant to the terms of the relevant share pledge agreements amounted to € 3.2 million (31 December 2018: € 3.3 million).

For the period ended 31 March 2019, a reversal of impairment of € 0.3 million (31 March 2018: an impairment loss of € 8 million) has been recorded against loan balances with Group's associates and joint ventures, while the respective impairment allowance amounts to € 1.1 million (31 December 2018: € 0.6 million). In addition, as at 31 March 2019, 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 € 1.51 million (31 March 2018: € 1.53 million) and long-term employee benefits of € 0.21 million (31 March 2018: € 0.21 million). In addition, the Group has formed a defined benefit obligation for the KMP amounting to € 1.6 million as at 31 March 2019 (31 December 2018: € 1.7 million), while the respective cost for the period amounts to € 0.02 million (31 March 2018: € 0.02 million).

Post balance sheet event

Following the completion of the merger of Eurobank with Grivalia Properties REIC (note 31), Fairfax group holds 33.03% in Eurobank and is expected to have the ability to exercise significant influence over the Bank, subject to the required regulatory approvals in relation to the increase of its shareholding as a result of the merger.

33. 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.

Further to that:

- The BoD by its decisions dated 29 March and 1 April 2019, appointed Mr. George Zanias as new non-executive Director and Chairman of the BoD in replacement of the resigned Chairman Mr. N. Karamouzis. The appointment of Mr. George Zanias was announced to the Extraordinary General Meeting of the Shareholders of the Bank (EGM) held on 5 April 2019 and his term of office will expire concurrently with the term of office of the other members of the BoD.

- Following the resignation of Ms. Lucrezia Reichlin, effective as of 1 April 2019, the BoD of the Bank decided on 1 April 2019 not to replace her and the continuation of the management and representation of the Bank by the BoD without her replacement.
- The EGM of the Shareholders of the Bank held on 5 April 2019 approved the appointment of Mr. Nikolaos Bertsos as new independent non-executive member of the Bank's BoD, whose term of office will expire concurrently with the term of office of the other members of the BoD. Same day (5 April 2019), the BoD decided its constitution as a body.

Following the above, the BoD is as follows:

G. Zanias	Chairman, Non-Executive
G. Chryssikos	Vice 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
B. P. Martin	Non-Executive
N. Bertsos	Non-Executive Independent
R. Boucher	Non-Executive Independent
R. Kakar	Non-Executive Independent
J. Mirza	Non-Executive Independent
G. Myhal	Non-Executive Independent
A. Beritsi	Non-Executive (HFSF representative under Law 3864/2010)

Athens, 29 May 2019

Georgios P. Zanias	**Fokion C. Karavias**	**Harris V. Kokologiannis**
I.D. No AI - 414343	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