Hellenic Bank Group

Condensed Consolidated Financial Statements

For the three-month period ended 31 March 2018

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HELLENIC BANK GROUP
Condensed Consolidated Income Statement
for the three-month period ended 31 March 2018

	Note	Three-month period ended 31 March 2018 €'000	2017 €'000
Turnover		**77.199**	67.018
Net interest income		**29.285**	33.777
Net income from fees, commissions, net gains on disposal and revaluation of foreign currencies and financial instruments and other income		**37.816**	22.347
Total net income		**67.101**	56.124
Total expenses		**(40.981)**	(39.049)
Profit from ordinary operations before impairment losses and provisions to cover credit risk		**26.120**	17.075
Impairment losses and provisions to cover credit risk	6	**3.236**	(27.314)
Profit/(loss) before share of results of associate company		**29.356**	(10.239)
Share of results of associate company net of taxation	14	**350**	-
Profit/(loss) before taxation		**29.706**	(10.239)
Taxation	7	**(1.142)**	159
Profit/(loss) for the the period		**28.564**	(10.080)
Profit/(loss) attributable to:			
Shareholders of the parent company		**28.081**	(10.512)
Non-controlling interests		**483**	432
Profit/(loss) for the the period		**28.564**	(10.080)
Basic and diluted earnings/(loss) per share (€cent)	8	**14,15**	(5,30)

The notes on pages 7 to 57 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
Condensed Consolidated Statement of Comprehensive Income
for the three-month period ended 31 March 2018

	Note	Three-month period ended 31 March 2018 €'000	2017 €'000
Profit/(loss) for the period		**28.564**	(10.080)
Other comprehensive income			
Items that will not be reclassified in the income statement			
Taxation relating to components of other comprehensive income	19	**11**	6
		11	6
Items that are or may be reclassified subsequently in the income statement			
Surplus on revaluation of investments in equity and other securities and collective investment units and debt securities available for sale	19	**N/A**	6.647
Surplus on revaluation of investments in equity and other securities and collective investment units and debt securities measured at fair value through other comprehensive income	19	**(5.558)**	N/A
Transfer due to the disposal of investments in debt securities	19	**(18.281)**	-
Amortisation of revaluation of reclassified debt securities available for sale	11	**-**	(73)
		(23.839)	6.574
Other comprehensive (expenses)/income for the period net of taxation		**(23.828)**	6.580
Total comprehensive income/(expenses) for the period		**4.736**	(3.500)
Total comprehensive income/(expenses) for the period attributable to:			
Shareholders of the parent company		**4.253**	(3.919)
Non-controlling interests		**483**	419
		4.736	(3.500)

The notes on pages 7 to 57 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
Condensed Consolidated Statement of Financial Position
at 31 March 2018

	Note	**31 March 2018 €'000**	31 December 2017 €'000
Assets			
Cash and balances with Central Banks		**2.304.898**	2.293.754
Placements with other banks		**357.057**	348.176
Loans and advances to customers	9	**2.772.758**	2.766.738
Debt securities	10	**860.002**	1.018.902
Equity and other securities and collective investment units	12	**29.922**	30.037
Investment in associate company	14	**7.950**	7.600
Property, plant and equipment	13	**102.277**	102.541
Intangible assets	13	**34.407**	34.254
Tax receivable		**501**	553
Deferred tax asset	15	**14.478**	12.286
Other assets	16	**236.880**	231.796
Total assets		**6.721.130**	6.846.637
Liabilities			
Deposits by banks		**109.989**	176.355
Customer deposits and other customer accounts		**5.785.403**	5.808.125
Tax payable		**5.432**	5.263
Deferred tax liability	15	**2.522**	2.498
Other liabilities		**144.769**	152.433
		6.048.115	6.144.674
Loan capital	17	**139.667**	139.667
Equity			
Share capital	18	**99.237**	99.237
Reserves		**430.217**	459.648
Equity attributable to shareholders of the parent company		**529.454**	558.885
Non-controlling interests		**3.894**	3.411
Total equity		**533.348**	562.296
Total liabilities and equity		**6.721.130**	6.846.637
Contingent liabilities and commitments		**935.618**	958.268

Dr Evripides A. Polykarpou Chairman of the Board of Directors	Ioannis A. Matsis Chief Executive Officer	Lambros Papadopoulos Chairman of the Audit Committee of the Board	Lars Kramer Chief Financial Officer

The notes on pages 7 to 57 form an integral part of the Financial Statements.

HELLENIC BANK GROUP

Condensed Consolidated Statement of Changes in Equity
for the three-month period ended 31 March 2018

	Attributable to shareholders of the parent company								
	Share capital (Note 18) €'000	**Reduction of share capital Reserve €'000**	**Share premium reserve €'000**	**Revenue reserve €'000**	**Translation reserve €'000**	**Revaluation reserves (Note 19) €'000**	**Total €'000**	**Non-controlling interests €'000**	**Total €'000**
Balance 1 January 2018	99.237	260.269	515.609	(394.579)	33	78.316	**558.885**	3.411	**562.296**
Changes on initial application of IFRS 9	-	-	-	(35.671)	-	1.987	**(33.684)**	-	**(33.684)**
Restated balance at 1 January 2018	99.237	260.269	515.609	(430.250)	33	80.303	**525.201**	3.411	**528.612**
Total comprehensive income/(expenses) for the period net of taxation									
Profit for the period	-	-	-	28.081	-	-	**28.081**	483	**28.564**
Other comprehensive expenses	-	-	-	-	-	(23.828)	**(23.828)**	-	**(23.828)**
Transfer due to the disposal of investments in equity and other securities and collective investment units and debt securities measured at fair value through other comprehensive income	-	-	-	49	-	(49)	**-**	-	**-**
Transfer of excess depreciation on revaluation surplus	-	-	-	105	-	(105)	**-**	-	**-**
	-	-	-	28.235	-	(23.982)	**4.253**	483	**4.736**
Balance 31 March 2018	99.237	260.269	515.609	(402.015)	33	56.321	**529.454**	3.894	**533.348**

The notes on pages 7 to 57 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
Condensed Consolidated Statement of Changes in Equity
for the three-month period ended 31 March 2018

	Attributable to shareholders of the parent company								
	Share capital €'000	Reduction of share capital Reserve €'000	Share premium reserve €'000	Revenue reserve €'000	Translation reserve €'000	Revaluation reserves €'000	Total €'000	Non-controlling interests €'000	Total €'000
Balance 1 January 2017	99.237	260.269	515.609	(349.168)	33	37.509	**563.489**	3.382	**566.871**
Total comprehensive (expenses)/income for the period net of taxation									
(Loss)/profit for the period	-	-	-	(10.512)	-	-	**(10.512)**	432	**(10.080)**
Other comprehensive income/(expenses)	-	-	-	-	-	6.593	**6.593**	(13)	**6.580**
Transfer of excess depreciation on revaluation surplus	-	-	-	73	-	(73)	**-**	-	**-**
	-	-	-	(10.439)	-	6.520	**(3.919)**	419	**(3.500)**
Balance 31 March 2017	99.237	260.269	515.609	(359.607)	33	44.029	**559.570**	3.801	**563.371**

The notes on pages 7 to 57 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
Condensed Consolidated Statement of Cash Flows
for the three-month period ended 31 March 2018

	Three-month period ended 31 March	
	2018	2017
	€'000	€'000
Cash flow from operating activities		
Profit/(loss) for the period	**28.564**	(10.080)
Adjustments to profit/(loss) for the period	**(25.960)**	19.290
Operating profit before working capital changes	**2.604**	9.210
Working capital changes	**(67.586)**	(144.635)
Net cash used in operating activities before taxation	**(64.982)**	(135.425)
Tax paid	**(42)**	(168)
Net cash used in operating activities	**(65.024)**	(135.593)
Cash flow from investing activities		
Income from investments in debt and equity and other securities and collective investment units	**7.479**	7.687
Net (additions)/disposals/maturity of investment in debt and equity and other securities and collective investment units	**155.149**	75.833
Additions less proceeds from disposal of property, plant and equipment and intangible assets	**(2.254)**	38.834
Net cash from investing activities	**160.374**	122.354
Cash flow from financing activities		
Interest paid on loan capital	**(60)**	(61)
Net cash used in financing activities	**(60)**	(61)
Net increase/(decrease) in cash and cash equivalents	**95.290**	(13.300)
Cash and cash equivalents at the beginning of the period	**2.475.071**	2.493.682
Cash and cash equivalents at the end of the period	**2.570.361**	2.480.382

The notes on pages 7 to 57 form an integral part of the Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Financial Statements for the three-month period ended 31 March 2018 have not been audited by the external auditors of the Group.

1. INCORPORATION AND PRINCIPAL ACTIVITY

Hellenic Bank Public Company Limited (the "Bank") was incorporated in Cyprus and is a public company in accordance with the provisions of the Companies Law (Cap. 113), the Cyprus Stock Exchange Laws and Regulations and the Income Tax Laws. The Bank's registered office is located at 200, Corner of Limassol and Athalassa Avenues, 2025 Strovolos, P.O. Box 24747, 1394 Nicosia. The Bank is the holding company of Hellenic Bank Group (the "Group").

The principal activity of the Group is the provision of a wide range of banking and financial services, which include financial, investment and insurance services, custodian and factoring services as well as management and disposal of properties.

The Condensed Consolidated Financial Statements for the three-month ended 31 March 2018 (hereafter refer to as "Financial Statements") comprise of the Financial Statements of Hellenic Bank Public Company Limited and its subsidiary companies, which together are referred to as the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

The Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union (EU) and should be read in conjunction with the Audited Consolidated Financial Statements for the year ended 31 December 2017.

The Financial Statements are presented in Euro (€), which is the functional currency of the Bank. All figures have been rounded to the nearest thousand, except when otherwise indicated.

2.2. Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations

The accounting policies adopted in respect of items considered material in relation to the Financial Statements are consistent with the accounting policies adopted in the Annual Report and Financial Statements for the year ended 31 December 2017, except for the adoption of new and revised standards, interpretations and amendments to existing standards with effect from 1 January 2018 and onwards.

(i) Recently adopted IFRSs and interpretations

The following Standards and interpretations are those standards and interpretations which are relevant to the Group and which have been applied in the preparation of these Condensed Consolidated three-month Financial Statements.

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018)

The Group has adopted IFRS 9 as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of 1 January 2018, which resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. The Group did not early adopt any of IFRS 9 requirements in the previous periods. Please refer to "IFRS 9 Transition Impact Analysis" section for the impact on the Group's Consolidated Financial Statements (Note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" which is effective for annual periods beginning on or after 1 January 2018. In April 2016, the IASB issued clarifying amendments to IFRS 15 which provide additional application guidance but did not change the underlying principles of the standard. The standard was endorsed by the EU in September 2016. IFRS 15, which replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts", provides a principles based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The recognition of such revenue is in accordance with five steps to: 1) identifying the contract with the customer; 2) identifying each of the performance obligations included in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognising revenue as each performance obligation is satisfied. The Group has elected the cumulative effect transition method with a transition adjustment calculated as of 1 January 2018 recognised in retained earnings without restating comparative periods. The adoption of this Standard did not have an impact on the retained earnings of the Group.

IFRS 4 (Amendments) Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018)

The amendments intend to address concerns about the different effective dates of IFRS 9 and the issued new insurance contracts standard (IFRS 17). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: a) an option permitting entities to reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets (overlay approach) or b) an optional temporary exemption from applying IFRS 9 whose predominant activity is issuing contracts within the scope of IFRS 4 (deferral approach). The adoption of this standard did not have a material effect on the Financial Statements of the Group.

IFRS 2 (Amendments) "Classification and Measurement of Share based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018)

The amendments cover three main accounting areas: a) the effects of vesting conditions on the measurement of cash settled share based payments; b) classification of a share based payment transaction settled net of tax withholdings; and c) accounting where a modification to the terms and conditions of a share based payment transaction changes its classification from cash settled to equity settled. The new requirements could affect the classification and/or measurements of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The adoption of this Standard did not have a material effect on the Financial Statements of the Group.

IAS 40 (Amendments) "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018)

The amendments clarify the requirements on transfers to, or from, investment property. A transfer is made when, and only when, there is an actual change in use i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer. In addition, the amendments clarify that the revised examples of evidence of a change in use included in the amended version of IAS 40 are not exhaustive. The adoption of this Standard did not have a material effect on the Financial Statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (IFRS 1 and IAS 28))

The annual improvements impact three standards. The amendments to IFRS 1 remove the outdated exemptions for first time adopters of IFRSs. The amendments to IAS 28 clarify that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment by investment basis, upon initial recognition. The adoption of these standards do not have a material effect on the Financial Statements of the Group.

(ii) New IFRS's and interpretations

The following Standards and interpretations have been issued but are not yet effective. The Group does not intend to adopt these standards prior to their effective date.

Standards and Interpretations adopted by the European Union

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)

In January 2016, the IASB issued IFRS 16 "Leases", which will replace existing leases guidance including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 introduces a single on balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The standard was endorsed by the EU in November 2017. The Group is currently evaluating the expected impact of adopting the Standard on its Financial Statements.

IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019)

In October 2017, the IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)".This amendment allows financial assets with such features to be measured at amortised cost or fair value through other comprehensive income provided that they meet the other relevant requirements of IFRS 9. The Group is currently evaluating the expected impact of adopting these amendments on its Financial Statements.

Standards and Interpretations not adopted by the European Union

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018)

The interpretation clarifies how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non monetary asset or non monetary liability (e.g. a non refundable deposit or deferred revenue). IFRIC 22 specifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation is not expected to have an impact on the Group's Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Comparatives

Comparatives presented in the Financial Statements are restated, where considered necessary, to conform with changes in the presentation of the current period.

3. IFRS 9 TRANSITION IMPACT ANALYSIS

3.1 Changes in accounting policies

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

The implementation of IFRS 9 as of 1 January 2018, led to a net reduction in the opening balance of the equity of the Group of €33,7 million (Bank: €33,6 million), (net of taxes), representing:

- An increase of €1,9 million related to classification and measurement requirements, other than impairment;
- A reduction of €38,6 million related to the new impairment requirements (expected credit losses (ECL) model); and
- An increase of €3,0 million related to deferred tax impacts.

Set out below are the aspects of the changes following the adoption of IFRS 9 with regards to classification and measurement and impairment as well as to provide an overview of the impact on opening shareholder's equity. A reconciliation between IAS 39 reported numbers as included in the year-end Financial Statements 2017 to IFRS 9 numbers as adopted from 1 January 2018 is also included below. Comparative periods in the disclosures of the Financial Statements are presented in accordance with IAS 39.

(a) Classification and measurement of financial instruments

On adoption of the standard on 1 January 2018, the impact of the changes related to the classification and measurement of financial assets held as at 1 January 2018 (excluding impairment) is €1,9 million and is analysed as follows:

3. IFRS 9 TRANSITION IMPACT ANALYSIS (continued)

	Classification under IAS 39	New classification under IFRS 9	The Group Carrying amount IAS 39 €'000	 New carrying amount IFRS 9 (before ECLs) €'000
Cash and balances with Central Banks	Loans and Receivables	Amortised cost	2.293.754	2.293.754
Placements with other banks	Loans and Receivables	Amortised cost	348.176	348.176
Loans and advances to customers	Loans and Receivables	Amortised cost	2.766.738	2.766.738
Debt securities	Held to maturity	Amortised cost	107.457	107.457
Debt securities	Held to maturity	FVOCI*	38.942	40.678
Debt securities	Loans and Receivables	Amortised cost	193.260	193.260
Debt securities	Available for sale	FVOCI	678.431	678.431
Debt securities	Available for sale	Amortised cost	812	724
Equity securities	Trading (FVTPL**)	FVOCI	450	450
Equity securities	Available for sale	FVOCI	6.250	6.452
Equity and other securities and collective investment units	Available for sale	FVTPL	23.337	23.337
Derivatives	Trading (FVTPL)	FVTPL	229	229
			6.457.836	**6.459.686**

*FVOCI: Fair value through other comprehensive income

**FVTPL: Fair value through profit and loss

There were no changes to the classification and measurement of financial liabilities.

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table provides a comprehensive overview of the impact to the total assets under changes in classification and measurement and changes in allowances from IAS 39 as of 31 December 2017 to IFRS 9 as of 1 January 2018.

3. IFRS 9 TRANSITION IMPACT ANALYSIS (continued)

	Reference	IAS 39 Carrying amount (i)	Reclassifications (ii)	Remeasurements (iii)	IFRS 9 carrying amount (iv) (iv=i+ii+iii)
		31 December 2017			1 January 2018
		€'000	€'000	€'000	€'000
Fair Value through profit or Loss (FVTPL)					
EQUITY AND OTHER SECURITIES AND COLLECTIVE INVESTMENT UNITS					
Opening balance under IAS 39		450	-	-	-
Addition: From FVOCI	(A)	-	23.337	-	-
Subtraction: To FVOCI	(B)	-	(450)	-	-
Closing balance under IFRS 9					23.337
DERIVATIVES					
Opening balance under IAS 39		229			
Closing balance under IFRS 9					229
Total financial assets measured at FVTPL		**679**	**22.887**	**-**	**23.566**
Fair Value through Other Comprehensive Income (FVOCI)					
EQUITY AND OTHER SECURITIES AND COLLECTIVE INVESTMENT UNITS					
Opening balance under IAS 39		29.587	-	-	-
Remeasurement: From AFS to FV		-	-	202	-
Addition: From FVTPL	(B)	-	450	-	-
Subtraction: To FVTPL	(A)	-	(23.337)	-	-
Closing balance under IFRS 9					6.902
DEBT SECURITIES					
Opening balance under IAS 39		679.243	-	-	-
Addition: From Amortised cost	(C)	-	38.942	-	-
Subtraction: To Amortised Cost	(D)	-	(812)	-	-
Remeasurement: from amortised cost to FV		-	-	1.736	-
Remeasurement: ECL allowance		-	-	(740)	-
Remeasurement: ECL allowance (FV adjustment)		-	-	740	-
Closing balance under IFRS 9					719.109
Total financial assets measured at FVOCI		**708.830**	**15.243**	**1.938**	**726.011**
Amortised Cost					
DEBT SECURITIES					
Opening balance under IAS 39		339.659	-	-	-
Subtraction: To FVOCI	(C)	-	(38.942)	-	-
Addition: From FVOCI	(D)	-	812	-	-
Remeasurement: from FVOCI to amortised cost		-	-	(88)	-
Remeasurement: ECL allowance		-	-	(634)	-
Closing balance under IFRS 9					300.807
LOANS AND ADVANCES TO CUSTOMERS					
Opening balance under IAS 39		2.766.738	-	-	-
Remeasurement: ECL allowance		-	-	(37.855)	-
Closing balance under IFRS 9					2.728.883
CASH AND BALANCES WITH CENTRAL BANKS					
Opening balance under IAS 39		2.293.754	-	-	-
Remeasurement: ECL allowance		-	-	(8)	-
Closing balance under IFRS 9					2.293.746
PLACEMENTS WITH OTHER BANKS					
Opening balance under IAS 39		348.176	-	-	-
Remeasurement: ECL allowance		-	-	(75)	-
Closing balance under IFRS 9					348.101

3. IFRS 9 TRANSITION IMPACT ANALYSIS (continued)

	Reference	IAS 39 Carrying amount (i)	Reclassifications (ii)	Remeasurements (iii)	IFRS 9 carrying amount (iv) (iv=i+ii+iii)
		31 December 2017			1 January 2018
		€'000	€'000	€'000	€'000
Total financial assets at amortised cost		**5.748.327**	**(38.130)**	**(38.660)**	**5.671.537**
TOTAL		**6.457.836**	**-**	**(36.722)**	**6.421.114**

	IAS 39 Carrying amount (i)	IFRS 9 carrying amount (iv)
	31 December 2017	1 January 2018
	€'000	€'000
Cash and balances with central banks	2.293.753	2.293.746
Placements with other banks	348.176	348.101
Loans and advances to customers	2.766.738	2.728.883
Debt securities	1.018.902	1.019.916
Equity securities and collective investment units and other securities	30.037	30.239
Derivatives	229	229

The total remeasurement loss of €36,7 million, which was recognised in opening reserves, consists of an increase in allowances of €38,6 million and a positive increase of €1,9 million from reclassifications of financial assets.

3.2 Summary of significant accounting policies

Classification and Measurement Implementation

IFRS 9 requires the classification of financial assets to be determined based on the Bank's business model used for managing financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). There was no change from IAS 39 for the classification and measurement of financial liabilities.

Business Model Assessment

Debt instruments that are held within a business model whose objective is to hold assets to collect contractual cash flows (the "hold to collect" business model) and their contractual terms meet the SPPI criterion will be classified at amortised cost. Those debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling the asset (the 'hold to collect and sell' business model) and their contractual terms meet the SPPI criterion will be classified at FVOCI. Financial assets with contractual terms that do not meet the SPPI criterion are classified as FVTPL.

The Group assessed the objective of the business model in which debt instruments are held at a portfolio level because this best reflects the way in which the business is managed, and information is provided to management. The assessment reflected:

- the stated policies and objectives for the portfolio and the operation of those policies in practice,
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's management,
- the risks that affect the performance of the business model and, in particular the way in which those risks are managed,

3. IFRS 9 TRANSITION IMPACT ANALYSIS (continued)

- the frequency, volume and timing of sales in prior periods, the reason for such sales and expectations about future sales activity, which should be considered as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are generated.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

The Group assessed whether contractual cash flows represent, on specified dates, solely payments of principal and interest (SPPI). "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Group considered the contractual terms of the instrument at product level.

Financial Assets at amortised cost

A financial asset is classified and subsequently measured at amortised cost, unless designated under the fair value option, if the financial asset is held in a "Hold to Collect" business model and the contractual cash flows are SPPI.

At initial recognition, the financial asset is measured at fair value including any directly attributable transaction costs and amortised using the effective interest method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured in accordance with IFRS 9 ECL model.

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

A financial asset is classified and measured at fair value through other comprehensive income (FVOCI), unless designated under the fair value option, if the financial asset is held in a Hold to Collect and Sell business model and the contractual cash flows are SPPI.

Upon subsequent measurement of FVOCI a gain or loss on financial asset shall be recognised in other comprehensive income, except for impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Financial Assets at Fair Value through Profit or Loss (FVTPL)

A financial asset that has been originated, acquired or incurred principally for the purpose of trading or that is not managed within a "hold to collect" or a "hold to collect and sell" business model shall be measured at FVTPL. Trading financial assets include debt and equity securities and derivatives held for trading.

Additionally, instruments for which the contractual cash flows do not meet the SPPI assessment must be measured at FVTPL even if they are managed within a business model whose objective is "hold to collect" or "hold to collect and sell".

At initial recognition, the Bank may also choose to irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

3. IFRS 9 TRANSITION IMPACT ANALYSIS (continued)

Upon subsequent measurement of FVTPL a gain or loss on financial asset shall be recognised in profit or loss.

Equity securities

An equity instrument is any instrument that meets the definition of equity from the issuer's perspective. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI. For equity securities at FVOCI, gain or loss on derecognition is not transferred to profit or loss. No impairment loss is recognised in profit or loss.

Derivatives

Derivatives are recognised initially and are subsequently measured at fair value. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument is assessed for classification in its entirety.

Financial Liabilities

For financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk may be presented in other comprehensive income.

Impairment Model Implementation

The IFRS 9 "Expected Credit Loss (ECL)" approach applies to all debt instruments that are measured at amortised cost or FVOCI, and to off balance sheet lending commitments such as loan commitments and financial guarantees. This contrasts to the IAS 39 impairment model which was not applicable to loan commitments and financial guarantee contracts, as these were covered by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Equity instruments are not in the scope of impairment.

IFRS 9 replaces the existing "incurred loss" impairment approach with a forward looking ECL model where provisions are taken upon initial recognition of the financial asset reflecting expectations of potential credit losses at the time of initial recognition. The Group recognise a loss allowance for such losses at each reporting date.

Measurement of ECL

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and considering reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group calculates ECL as the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). Refer to sections below for details on each of these components.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. At initial recognition, an impairment allowance is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). The ECL model has three stages which are based on the change in the credit quality of assets since initial recognition:

- Stage 1: Financial Instruments are classified as stage 1 when the credit risk has not increased significantly since initial recognition. The Group recognises a credit loss allowance at an amount equal to 12-month expected credit losses.

3. IFRS 9 TRANSITION IMPACT ANALYSIS (continued)

- Stage 2: Financial Instruments are classified as stage 2 when the credit risk has increased significantly since initial recognition but not to the point that the asset is credit impaired. The Group recognises a credit loss allowance at an amount equal to lifetime expected credit losses.

- Stage 3: Financial Instruments are classified as stage 3 when the credit quality of a financial asset deteriorates to the point that the asset is credit impaired. The Bank aligned Stage 3 classification with the NPE classification consistent with the definition used for internal credit risk management purposes. The Group recognises a credit loss allowance at an amount equal to lifetime expected credit losses.

Financial assets that are credit-impaired upon initial recognition are categorized within Stage 3 with a carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these purchased or originated credit-impaired (POCI) assets is discussed further below.

For accounts that meet the criteria to be individually assessed for provisions the Bank reviews and validates the Stage classification using a combination of backward looking, current and forward-looking indicators.

Probability of default (PD)

PD represents the likelihood of a borrower defaulting on their financial obligation in the following month, assuming it has not closed or defaulted since the reporting date. Projection of PDs is based on macro-economic scenarios and are differentiated based on segment (e.g. Retail, SME and Corporate), status (e.g. 0 dpd, Restructured) and staging. For the external rated exposures (e.g. Treasury and International lending), the historical default rates published by Moody's per segment are utilized. For the non-external rated facilities, i.e. local loan book, the PD is estimated based on the Bank's historical default rates.

Exposure at default (EAD)

EAD represents the amount expected to be owed if a default event was to occur. The EAD is determined by calculating the expected cash flows which vary depending on the product type (e.g. revolving products). By analyzing the behavior of the product types, the behavioral maturity of these products is estimated. The utilization of the off-balance sheet of revolving products is also considered in determining Credit Conversion Factor (CCF) allocation.

Loss given default (LGD)

LGD represents the percentage of the value of the exposure that the Bank expects to recover upon default. It is calculated as the expected loss at default divided by EAD. LGD is based on factors that impact the likelihood and value of any subsequent write-off, in which case it takes into account property prices, liquidation haircuts due to forced sale or market conditions, liquidation periods and other factors.

Forward looking information

In line with IFRS 9 impairment requirements, forward looking information, including current conditions and projections of macroeconomic and other factors, are incorporated in a range of unbiased future economic scenarios for ECL purposes. The ECL estimate incorporates the expected impact of all reasonable and supportable forward-looking information, taking into consideration the macroeconomic factors. The Bank incorporated three forward looking macroeconomic scenarios in its ECL calculations process: a baseline scenario, an optimistic scenario and a pessimistic scenario. Probability weights were attributed to each scenario.

3. IFRS 9 TRANSITION IMPACT ANALYSIS (continued)

Definition of default

IFRS 9 does not define default but requires the definition to be consistent with the definition of default used for internal credit risk management purposes. Under IFRS 9 default occurs when the borrower is unlikely to pay its credit obligations to the Group in full, and the borrower is more than 90 days past due on any material credit obligation to the Group. The Bank aligned Stage 3 classification with the European Banking Authority's (EBA) criteria for NPE classification.

Purchased or Originated Credit-Impaired Financial assets (POCI)

Financial assets are considered purchased or originated credit impaired (POCI) if upon initial recognition they are purchased or originated at a deep discount that reflects evidence of impairment. Since the asset is originated credit-impaired, the Bank only recognises the cumulative changes in lifetime ECL since initial recognition as a loss allowance in profit or loss until the POCI is derecognised.

Significant increase in credit risk

Under IFRS 9, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group’s historical experience, expert credit assessment and forward-looking information. The assessment of significant increase in credit risk is key in determining when to move from measuring an allowance based on 1-month ECLs to one that is based on lifetime ECLs.

The criteria for determining whether the exposure has experienced significant deterioration in credit risk since origination are in line with Stage 2 criteria and are as follows:

- Days in Arrears: Exposures with more than 30 days in arrears,
- Forbearance flag: A performing account with an active forbearance flag in line with the EBA definition,
- Accounts managed by recovery units (before default),
- A pooling effect is applied at a customer level which classifies as Stage 2 accounts not meeting the above criteria but fall under the same customer whose other accounts exhibit credit triggers such as those above,
- Behavioural Score: Retail and SME exposures with low behavioural score resulting from models developed by the Bank for predicting defaults/delinquencies.

Interest income recognition

Interest income is calculated on the gross carrying amount of the financial assets in Stages 1 and 2 by applying the effective interest rate (EIR). For financial assets at Stage 3, interest income is calculated by applying EIR to the amortised cost (i.e. gross carrying amount less credit loss allowance). For POCI financial assets, interest income is recognised by applying a credit-adjusted EIR (CAEIR) (based on an initial expectation of further credit losses) on the amortised cost of the financial asset.

3. IFRS 9 TRANSITION IMPACT ANALYSIS (continued)

Derecognition and contract modification

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, change in interest rates, payment holidays, payment forgiveness or exchange of debt instruments.

A forborne exposure may be derecognised and the renegotiated loan recognised as a new loan at fair value when the new terms are substantially different to the original terms. The renegotiation date is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the "new" financial asset recognised is deemed to be credit impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences between the gross carrying amount of the original terms and the fair value at initial recognition of the "new" loan are recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit impaired financial assets) and is compared to the gross carrying amount of the original loan. The Bank expects the impact from adopting these new requirements not to be significant.

Write-offs

The Group reduces, either partially or in full, the carrying amount of a financial asset when there is no reasonable expectation of recovery.

Regulatory capital position

On 12 December 2017, a new Regulation (EU) 2017/2395 of the European Parliament and of the Council was issued, amending Regulation (EU) No 575/2013, as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds.

According to the Regulation, the Bank had the option to add back in its CET1 capital a portion of the increased expected credit loss provisions over a transitional period or recognise the full impact of IFRS 9 on capital and leverage ratios from 1 January 2018. The transitional period has a maximum duration of five years and started in 2018. The portion of expected credit loss provisions that can be included in CET 1 capital should decrease over time down to zero to ensure the full implementation of IFRS 9 on the day immediately after the end of the transitional period.

The amount subject to transitional provisions which will be added back to the CET1 capital will be derived from the following:

- Increased credit loss provisions from the implementation of the IFRS 9 on 1 January 2018 compared to the credit loss provisions under IAS39 net of any tax impact.

- Additional credit loss provisions incurred after IFRS 9 implementation which rise unexpectedly due to a worsening macroeconomic outlook from non credit impaired financial assets.

The Bank adobted both above transitional arrangements and informed the competent authority accordingly. The impact on the Group's CET 1 ratio and leverage ratio is presented in Note 24.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements requires Management to make use of judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Therefore, they involve risks and uncertainties as they relate to events and depend on circumstances that will occur in the future. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and in future periods if the revision affects both current and future periods.

The accounting policies that are deemed critical to the Group's results and financial position and which involve significant estimates and judgments are set out below:

4.1. Measurement of expected credit loss (ECL) allowance

IFRS 9 replaced the existing "incurred loss" impairment approach with a forward-looking ECL model. The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires management's judgement in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The assumptions used are based, to the extent possible, on data and evidence. Whenever sufficient data is not available, the impairment calculation incorporates assumptions based on management judgement. Further information about the judgements involved is included in Note 3.2, sections "Measurement of ECL" and "Significant increase in credit risk" of IFRS 9.

The Group evaluates individually whether objective evidence of impairment exists for loans, including loans of economic groups, that are individually significant based on certain thresholds set by the Bank. It then collectively assesses loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under the individual assessment.

The amount of impairment loss on the value of loans and advances to customers which are examined on an individual basis, is measured as the difference between the carrying amount of the credit facility and the present value of estimated future cash flows, discounted at the credit facility's original effective interest rate. In cases where the interest rate of the loan is variable, the original effective interest rate is measured with reference to the initial margin corresponding to the current base rate of the interest rate and the value of the current base rate at the reporting date. The estimated future cash flows are based on assumptions about a number of factors and therefore the actual losses may be different. To determine the amount of impairment loss on the value of loans and advances to customers, judgment is involved regarding the amount and timing of estimated future cash flows. The estimated future cash flows include any expected cash flows from the borrowers operations, any other sources of funds and the expected proceeds from the liquidation of collateral, where applicable. The timing of these cash flows is estimated on a case by case basis.

For the calculation of impairment loss on a collective basis, loans and advances are grouped based on similar credit risk characteristics and appropriate models are applied that take into account the recent historical loss experience of each group with similar credit risk characteristics adjusted for current conditions using appropriate probabilities of default and loss given default. The grouping considers factors such as the customer type, industry, product, days in arrears and restructuring status. Restructured facilities are classified in a separate group.

4. USE OF ESTIMATES AND JUDGEMENTS (continued)

To measure ECL, the Group uses: (a) Exposure at default (EAD), (b) probability of default (PD), (c) Loss given default (LGD). These calculations include estimates and the use of judgment to supplement, assess and adjust accordingly the historical information and past experience events which determine the parameters and the measurement of ECL as at the reporting date. The main assumptions used to estimate loss given default relate to the treatment of property collateral such as the time needed for collateral liquidation and the liquidation discount at the point of sale. For loans and advances assessed individually, the specifics of each case are taken into consideration in determining the property parameters. In addition, management is required to exercise significant judgement in determining staging criteria, criteria for significant increase in credit risk as well as establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

The Bank has taken significant steps in enhancing its provisioning methodology. Since 2016, the Bank improved its property collateral database that allowed a more granular approach in provisioning. The new collateral information which was incorporated both in collective and individual provisioning takes into account the specificities of the properties by segmenting them into various property types and sub types as well as by classifying them by district and location within each district. Different liquidation discounts are applied depending on the type and location of each collateral with the liquidation discount including cost ranging from 15% for a limited number of prime property types to 40% for non prime properties. The resulting average liquidation discount for the collectively assessed portfolio is approximately 26% including costs.

Further improvements to the collective provisioning methodology relate to the alignment to the status of the portfolio and the NPL management strategies pursuit by the Bank with the collective provision assessment by differentiating the liquidation period assumptions. The average liquidation period of the collateralised non performing collectively assessed portfolio is currently approximately 4,6 years while for performing loans, the liquidation period assumption is 5 years.

In addition, since June 2017 the Bank has proceeded with certain amendments to the parameters and assumptions for estimating the recoverable amount of property collateral values used in its provisioning methodology, relating primarily to the elimination of forward looking indexation in its collateral prices and the adoption of higher liquidation discounts at the point of sale for selected categories of non prime properties. The amendments were made in the context of the International Financial Reporting Standards and take into account the Bank's accelerated plans for resolving problem loans, latest market developments, as well as the ongoing regulatory engagement with the European Central Bank (ECB) as part of the 2017 Supervisory Review and Evaluation Process (SREP).

Accumulated impairment losses of the Group's loans and advances are inherently uncertain due to their sensitivity to economic and credit conditions of the environment in which the Group operates. Conditions are affected by many factors with a high degree of interdependency and there is not one single factor to which these conditions are particularly sensitive. It is possible for the actual conditions in the next financial year to differ significantly from the assumptions made during the current year, so that the carrying amount of loans and advances to be adjusted significantly.

For the purposes of providing an indication of the change in accumulated impairment losses as a result of changes in key loan impairment assumptions, the Bank utilised the collective models on the total loan and advances portfolio with reference date 31 March 2018, to carry out a sensitivity analysis. The simulated impact on the provisions for impairment of loans and advances is presented below:

4. USE OF ESTIMATES AND JUDGEMENTS (continued)

Change on key assumptions	Increase/(decrease) on accumulated impairment losses on the total default loan and advances portfolio €' million
Increase the liquidation period by 1 year	26
Decrease the liquidation period by 1 year	(27)
Increase the liquidation discount (i.e. reduce the recoverable amount from collateral) by 5%	38
Decrease the liquidation discount (i.e. increase the recoverable amount from collateral) by 5%	(37)

4.2. Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings

In order to assess whether a provision must be recognised, the Group examines whether there is a present obligation (legal or constructive) as a result of a past event, for which an outflow of resources embodying economic benefits is probable and a reliable estimate for the amount of the obligation can be made.

The Group obtains legal advice on the value of the provision of specific complaints and/or claims and arbitration.

The amounts recognised as provisions are the best estimates of the expenditure required to settle the present obligation at the end of the reporting period. When a separate liability is measured, the most likely outcome may be considered the best estimate of the liability. Due to the risks and uncertainties surrounding the facts and circumstances of any pending litigations or complaints and/or claims or cases subject to arbitration proceedings, a significant degree of judgement is required for the estimation of the relevant outcome.

4.3. Impairment of goodwill and investments in subsidiaries and associated companies

The process of identifying and evaluating impairment of goodwill and investments in subsidiaries and associated companies, is inherently uncertain because it requires significant Management judgement in making a series of estimates, the results of which are highly sensitive to the assumptions used. The review of impairment represents Management's best estimate of the factors below.

Firstly, significant Management judgement is required in estimating the future cash flows of the acquired entities. The values are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter.

The cash flow forecasts are compared with actual performance and verifiable economic data in future years. However, the cash flow forecasts necessarily and appropriately reflect Management's view of future business prospects. Additionally, the cost of capital used to discount future cash flows, can have a significant effect on the entity's valuation. For Special Purpose Vehicles (SPVs), the principal indication of impairment is a decrease in the carrying value of the underlying properties established using valuations carried out by qualified valuers who apply internationally accepted valuation models, use their market knowledge and professional judgement.

Any impairment of goodwill of the acquired entities affects the Group's results while any impairment of investments in subsidiaries and associated companies affects the Bank's results. PVIF are tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement.

4. USE OF ESTIMATES AND JUDGEMENTS (continued)

4.4. Fair value of investments

The best evidence of fair value of investments is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Group use only observable market data and thus the reliability of the fair value measurement is relatively high. The Group uses models with unobservable inputs only for the valuation of non-listed investments. In these cases, the Group takes into account, amongst others, the net positions of the entities in which the investment has been made, as well as estimates of the Group's Management to reflect uncertainties in fair values resulting from the lack of data and significant adverse changes in technology, market, economic or legal environment in which the entity operates.

4.5. Business Models and SPPI

IFRS 9 requires the classification of financial assets to be determined based on both business model used for managing the financial assets and whether the contractual cash flows generated by an asset constitute solely payments of principal and interest (SPPI).

The assessment of the business model requires judgement based on the facts and circumstances at the date of the assessment. The Bank has considered both quantitative and qualitative factors in its assessment such as how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's management as well as the frequency, volume and timing of sales in prior periods. Detailed information about the basis of business model assessment are provided in Note 3.2.

If a financial asset is held in either a Hold to Collect or a Hold to Collect and Sell business model, then an assessment to determine whether the contractual cash flows are SPPI is required. In making this assessment the Group exercises judgement in considering whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and profit margin.

4.6. Properties held for sale/stock of properties held for sale

Properties held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment is considered both at the time of classification as held for sale and subsequently. Any impairment loss that arises is recognised in the income statement. A gain for any subsequent increase in the fair value less costs to sell of an asset can be recognised in the income statement to the extent that it is not in excess of the cumulative impairment loss that has been recognised.

Stock of properties is measured at the lower of cost and net realisable value. The estimated sales price is determined with reference to the fair value of properties. The best evidence of fair value is a quoted price in an active market. When the market is not active the fair value is established through valuations carried out by qualified valuers who apply internationally accepted valuation models, use their market knowledge and professional judgement. This exercise, depending on the nature of the underlying asset and available market information involves a degree of uncertainty. The determination of costs to sell may also require professional judgement which involves a degree of uncertainly due to the relatively low level of market activity.

4. USE OF ESTIMATES AND JUDGEMENTS (continued)

4.7. Taxation

The Group is subject to corporation tax in the countries in which it operates. Estimates are required in determining the provision for corporation taxes as at the date of the financial position. There is the possibility of a change in the tax treatment of impairment losses on the value of loans and advances other than those concerning customers individually assessed, as indicated in correspondence from the office of the Commissioner of Taxation and contrary to the policy applied by the Bank to date. Where the final tax is different from the amounts initially recognised in the income statement, such differences will impact the tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

Deferred tax assets arising from tax losses are recognised to the extent that it is probable that the Group will generate future taxable profits against which these losses can be utilised. The recognition of deferred tax asset in respect of tax losses is based on judgements made in relation to the probability, sufficiency and timing of future taxable profits as well as the applicability of future tax planning strategies. These judgements rely on historical available information and estimations regarding, among others, macroeconomic conditions, changes in interest rates, real estate prices and demand, the level of the non-performing exposures and the expected results of operations based on the business model and strategic plan of the Group. The parameters underlying the judgements made are subject to uncertainty and may result in changes in the measurement of deferred tax asset compared to initial estimates.

Aiming at fulfillment of undertakings concerning harmonisation with EU VAT legislation given by the Republic on accession to the EU, the House of the Representatives approved amendments to the Cyprus VAT Legislation which were published in the Official Gazette on 13 November 2017, and provide that:

- With effect from 2 January 2018, transactions involving supply of land apparently intended to be built on, which are carried out as an economic activity will be subject to VAT.
- With effect from 2 January 2018, VAT imposed on supply of property involved in the loan restructuring process and transfers to the lender following a court order, will be settled through the reverse charge mechanism.
- With effect from 13 November 2017, VAT is imposed on lease and/or rental income from immovable property used in the exercise of economic activities that are subject to VAT. The “option not to tax” may be exercised under certain prerequisites published by the Commissioner of Taxation in the Government Gazette.

The above amendments may affect the value of the portfolio of immovable property either owned by the Group or held as collateral, depending on the location of each property, the legal status and nature of activities carried out by its owner and prevailing market conditions.

5. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operating segments based on the provision of services, as follows:

- Banking and financial services segment-principally providing banking and financial services, including financing and investment services, custodian and factoring services as well as management and disposal of properties. Banking and financial services segment also includes the share of results of associate company.
- Insurance services segment - principally providing life and general insurance services.

The table below presents income, expenses, impairment losses and provisions to cover credit risk, profit/(loss) before share of results of associate company and information on assets, liabilities regarding the Group's operating segments.

5. Segmental analysis (continued)

	Banking & Financial services		Insurance Services		Intersegment transactions/balances		Total	
	Three-month period ended 31 March		Three-month period ended 31 March		Three-month period ended 31 March		Three-month period ended 31 March	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Turnover	**72.245**	62.564	**6.197**	6.061	**(1.564)**	(1.607)	**76.878**	67.018
Net interest income	**29.231**	33.707	**54**	70	**-**	-	**29.285**	33.777
Net income from fees, commissions, net gains on disposal and revaluation of foreign currencies and financial instruments and other income	**34.279**	18.697	**4.551**	4.739	**(1.014)**	(1.089)	**37.816**	22.347
Total net income	**63.510**	52.404	**4.605**	4.809	**(1.014)**	(1.089)	**67.101**	56.124
Total expenses	**(38.891)**	(37.300)	**(2.133)**	(1.779)	**43**	30	**(40.981)**	(39.049)
Profit/(loss) from ordinary operations before impairment losses and provisions to cover credit risk	**24.619**	15.104	**2.472**	3.030	**(971)**	(1.059)	**26.120**	17.075
Impairment losses and provisions to cover credit risk	**3.236**	(27.314)	**-**	-	**-**	-	**3.236**	(27.314)
Profit/(loss) before share of results of associate company	**27.855**	(12.210)	**2.472**	3.030	**(971)**	(1.059)	**29.356**	(10.239)
Share of results of associate company net of taxation	**350**	-	**-**	-	**-**	-	**350**	-
Profit/(loss) before taxation	**28.205**	(12.210)	**2.472**	3.030	**(971)**	(1.059)	**29.706**	(10.239)
Total assets	**6.641.194**	6.766.825	**96.188**	91.483	**(16.252)**	(11.671)	**6.721.130**	6.846.637
Total liabilities	**6.141.978**	6.237.226	**61.104**	59.100	**(15.300)**	(11.985)	**6.187.782**	6.284.341

6. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

	31 March 2018 €'000	31 March 2017 €'000
Impairment losses on the value of loans and advances	**N/A**	27.428
Provisions to cover credit risk for contractual commitments and guarantees (refer to Note 9)	**N/A**	(114)
12 month expected credit losses on the value of loans and advances (refer to Note 9)	**(820)**	N/A
Lifetime expected credit losses (Stage 2) on the value of loans and advances (refer to Note 9)	**(4.228)**	N/A
Lifetime expected credit losses (Stage 3) on the value of loans and advances (refer to Note 9)	**1.322**	N/A
12 month expected credit losses on the value of debt securities	**(294)**	N/A
12 month expected credit losses on the value of Placements with other banks	**121**	N/A
12 month expected credit losses on the value of contractual commitments and guarantees	**(212)**	N/A
Lifetime expected credit losses (Stage 2) on the value of contractual commitments and guarantees	**(264)**	N/A
Lifetime expected credit losses (Stage 3) on the value of contractual commitments and guarantees	**1.139**	N/A
	(3.236)	27.314

7. TAXATION

	31 March 2018 €'000	31 March 2017 €'000
Corporation tax	**263**	233
Taxes withheld at source	**-**	12
Deferred tax	**879**	(404)
	1.142	(159)

According to the Income Tax Law 118(I)/2002 as amended, the Bank's taxable profit and that of its subsidiaries in Cyprus, is subject to corporation tax at the rate of 12,5%. Tax losses of Group companies in Cyprus, other than companies affected by article 13(8)(d)(i) of the Income Tax Law, can be offset against taxable profits of other Group companies in Cyprus and any tax losses not utilised can be carried forward and offset against the same entity's taxable profits of the next five years. Article 13(8)(d)(i) of the Income Tax Law provides that in the case where the disposal of shares held by one company in another company member of the same group is taxed as a trading transaction then the two companies are not considered group companies for loss relief purposes.

Profits earned by subsidiary companies and permanent establishments outside Cyprus are subject to taxation at the rates applicable in the country in which the operations are carried out.

Tax exemptions, allowances, deductions and offsets pursuant to Articles 8, 9, 10 and 13 of the Income Tax Law 118(I)/2002 are taken into consideration for the calculation of the tax liability.

According to the provisions of the Special Contribution for the Defence of the Republic Law, Companies that do not distribute 70% of their profits after tax, as these profits are defined by this Law, during the two years following the end of the year to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the shareholders (individuals and companies), at the end of the period of two years from the end of the fiscal year to which the profits refer, are Cyprus residents and in the case of individuals, Cyprus domiciles as well. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed in respect of the year to which the profits refer. The special contribution for defence is paid by the Bank on behalf of the shareholders.

7. TAXATION (continued)

Other developments on taxation issues

- Loan Restructuring Exemption – An exemption from Capital gains tax (CGT)/Income Tax/Corporate Tax/Land Registry Fees/Stamp Duties is available on all transfers of immovable property (IP) or shares of companies owning IP as a result of loan restructuring arrangements concluded between Credit Institutions and borrowers. Following an amendment to the Laws this exception has been extended and will be available until 31 December 2019.
- Bank Special Levy – The provisions of the Law have been amended in order to allow each Bank to deduct from the annual payable amount of Special Levy its contribution to the Single Resolution Fund and or the Resolution Fund as the case may be. As from 1 January 2018 and for every subsequent year, 35/60 of the special levy paid in accordance with the Law, will be transferred to the Recapitalisation Fund within 45 days of their deposit in the Government General Account and the remaining 25/60 will remain in that Account. All transfers to the Recapitalisation Fund will cease upon accumulation of a total amount of €175 million in that Fund.

The carrying amount of the deferred tax asset is based on judgements of the Management of the Bank on its ability to generate future taxable profits. These judgements are based on available information including historical data, improved macroeconomic estimates, the reduction in deposit rates, the stabilisation of the non performing loans, the Bank's impairment process and the results of operations.

8. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

	31 March 2018 €'000	31 March 2017 €'000
Basic and diluted earnings/(loss) per share		
Profit/(loss) attributable to owners of the parent company (€ thousand)	**28.081**	(10.512)
Average number of shares in issue during the period (thousand)	**198.475**	198.475
Basic and diluted earnings/(loss) per share (€cent)	**14,15**	(5,30)

As at 31 March 2018 and 2017 there were no options or instruments convertible into new shares therefore basic and diluted earnings/(loss) per share are the same.

9. LOANS AND ADVANCES TO CUSTOMERS

	31 March 2018 €'000	31 December 2017 €'000
Loans and advances to customers	**4.086.494**	4.054.913
Accumulated impairment losses	**(1.313.736)**	(1.288.175)
	2.772.758	2.766.738

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

The table below discloses the changes in the gross carrying amount of loans and advances under IFRS 9 by staging:

	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	**Total €'000**
1 January 2018	1.443.067	445.647	2.166.199	**4.054.913**
Transfer from Stage 1 to Stage 2	(60.118)	60.118	-	**-**
Transfer from Stage 1 to Stage 3	(103)	-	103	**-**
Transfer from Stage 2 to Stage 3	-	(7.705)	7.705	**-**
Transfer from Stage 3 to Stage 2	-	19.013	(19.013)	**-**
Transfer from Stage 2 to Stage 1	57.754	(57.754)	-	**-**
Transfer from Stage 3 to Stage 1	136	-	(136)	**-**
Net movement during the period	77.156	(16.924)	(23.682)	**36.550**
Exchange difference	(2.031)	(264)	(2.674)	**(4.969)**
31 March 2018	1.515.861	442.131	2.128.502	**4.086.494**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

The table bellow discloses the accumulated impairment losses on the value of loans and advances as per IFRS 9:

	31 March 2018				31 December 2017		
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	**Total €'000**	Individually measured allowances €'000	Collectively measured allowances €'000	Total €'000
1 January	5.823	23.800	1.296.483	**1.326.106**	1.346.528	27.556	1.374.084
Transfer from Stage 1 to Stage 2	(372)	372	-	**-**	-	-	-
Transfer from Stage 1 to Stage 3	(1)	-	1	**-**	-	-	-
Transfer from Stage 2 to Stage 3	-	(519)	519	**-**	-	-	-
Transfer from Stage 3 to Stage 2	-	7.805	(7.805)	**-**	-	-	-
Transfer from Stage 2 to Stage 1	2.330	(2.330)	-	**-**	-	-	-
Transfer from Stage 3 to Stage 1	40	-	(40)	**-**	-	-	-
Net write-offs of loan impairment losses	(345)	(471)	(32.881)	**(33.697)**	(140.928)	(6.917)	(147.845)
Contractual interest on impaired loans	-	-	36.700	**36.700**	154.304	-	154.304
Unwinding of discount	-	-	(10.313)	**(10.313)**	(43.366)	-	(43.366)
Charge for the period/year	(820)	(4.228)	1.322	**(3.726)**	90.242	(4.112)	86.130
Transfer to other assets	-	-	-	**-**	(124.745)	(2)	(124.747)
Exchange difference	(12)	(7)	(1.315)	**(1.334)**	(10.069)	(316)	(10.385)
31 March/31 December	6.643	24.422	1.282.671	**1.313.736**	1.271.966	16.209	1.288.175

Unwinding of discount amounting to €10,3 million (31 December 2017: €43,4 million) relates to interest income on impaired loans and advances to customers and is recognised in the income statement.

During the second quarter of 2017 the Bank proceeded with certain amendments to the parameters and assumptions used for estimating the recoverable amount of property collateral values used in its provisioning methodology, relating primarily to the elimination of forward looking indexation in its collateral prices and the adoption of higher liquidation discounts at the point of sale. The amendments were made in the context of the International Financial Reporting Standards and take into account the Bank's accelerated plans for resolving problematic loans, latest market developments, as well as the ongoing regulatory engagement with the ECB as part of the 2017 SREP (refer to Note 24).

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

Collateral

On the basis of the Group's policy, the amount of credit facilities granted should be based on the repayment capacity of the relevant counterparties. Furthermore, policies are applied for the hedging and mitigation of credit risk through the holding of collateral. These policies define the types of collaterals held and the methods for estimating their fair value.

The main collaterals held by the Group include mortgage interests over property, pledging of cash, government and bank guarantees, charges over business assets as well as personal and corporate guarantees.

Property collateral relates to immovable commercial, residential and land real estate collateral. The Bank maintains a Property Valuations Policy which provides a standardized approach for acceptable property valuations from independent professional valuers, the selection criteria and the processes to evaluate the performance of property valuers. The Policy outlines the frequency for revaluations, establish the criteria for monitoring collateral values and introduces the use of indexation. The open market value of property is indexed to present, using appropriate property indices (CBC and RICS). Indices are monitored, validated and back tested in order to accurately reflect the current market values of the property collaterals of the Bank.

The value of tangible collateral for loans and advances classified as impaired both under Collective and Individual assessments amounted to €1.406 million as at 31 March 2018 (31 December 2017: €1.384 million). The value of tangible collateral for loans and advances past due but not impaired amounted to €182,8 million as at 31 March 2018 compared to €229,3 million as at 31 December 2017. The decreases are in line with the decrease on the respective portfolios.

Aiming at fulfillment of undertakings concerning harmonization with EU VAT legislation given by the Republic on accession to the EU, the House of the Representatives approved amendments to the Cyprus VAT Legislation which were published in the Official Gazette on the 13 November 2017. These amendments may affect the value of the portfolio of immovable property either owned by the Group or held as collateral, depending on the location of each property, the legal status and nature of activities carried out by its owner and prevailing market conditions.

Forborne Exposures

According to the European Banking Authority's (EBA) technical standards, forborne exposures are (i) exposures which involve changes in their terms and/or conditions and (ii) the forbearance measures consist of concessions towards a debtor which aim to address existing or anticipated difficulties on the part of the borrower to service debt in accordance with the current repayment schedule. Changes in the terms and conditions of a contract that do not occur because the customer is not able to meet the terms and conditions of the contract due to financial difficulties do not constitute forbearance measures.

The most significant prerequisite for the forbearance of an exposure is the existence of customer repayment ability i.e. the customer is viable. The Bank's Restructuring Policy includes the terms and conditions on which the Bank determines whether or not a renegotiated repayment schedule shall be granted.

The forbearance measures to be taken and their duration thereof are determined on the basis of specific customer information, based on the prevailing economic conditions and in accordance with relevant legislation or regulatory Directives.

The monitoring of forborne loans is performed by both, Business Units and the Credit Risk Management Department.

Every effort is taken by the Bank for the proper assessment of the new repayment schedule on the basis of the forbearance measures, in order to avoid a new default.

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

Non-performing exposures (NPEs) according to the EBA's technical standards

The EBA published in 2014 its technical standards with respect to non-performing and forborne exposures which were adopted by the European Commission (EC) through the Commission Implementation Regulation (EU) 2015/1278. Exposures include all debt instruments (loans and advances and debt securities) and off-balance sheet exposures, except those held for trading exposures.

As per the above regulation, the following are considered as NPEs:

(i) Material exposures that are over 90 days past due,

(ii) The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due,

(iii) Exposures in respect of which a default is considered to have occurred in accordance with Article 178 of Regulation (EU) No 575/2013,

(iv) Exposures of debtors against whom legal action has been taken by the Bank or exposures of bankrupt debtors,

(v) Exposures that are found impaired as per the applicable accounting framework,

(vi) Forborne exposures that were NPE at forbearance or became NPE after forbearance and which are re-forborne while under probation (the probation period for forborne exposures begins once the contract is considered as performing and lasts for two years minimum),

(vii) Forborne exposures reclassified from NPE status i.e. that were NPE at forbearance or became NPE after forbearance and present more than 30 days past due while under probation,

(viii) Further to the above the all-embracing criteria apply as follows: (a) for debtors classified as retail debtors as per the Regulation (EU) No 575/2013, when the Bank has on-balance sheet exposures to a debtor that are material and are past due by more than 90 days the gross carrying amount of which represents more than 20% of the gross carrying amount of all on-balance sheet exposures to that debtor, all on and off-balance sheet exposures to that debtor shall be considered as non-performing, else only exposures that are non-performing will be classified as such and (b) for debtors classified as non-retail debtors as per the Regulation (EU) No 575/2013, when any on-balance sheet exposure to that debtor is non-performing, all on and off-balance sheet exposures to that debtor shall be considered as NPE.

The below materiality thresholds apply only for the NPE criterion of arrears over 90 days past due.

For exposures to debtors classified as Retail as per the Regulation (EU) No 575/2013:

- For term loans: if the past due amount of each exposure is over €500 the exposure shall be classified as material.
- For overdrafts/current accounts: if the past due amount or the excess of the exposure exceeds €500 or 10% of the limit approved by the Bank the exposure shall be classified as material.

For exposures to debtors not classified as Retail as per the Regulation (EU) No 575/2013:

- If the total excesses/past dues of debtors exceed €1.000 or exceed 10% of their total on balance sheet exposures then all the exposures of the debtor shall be classified as material.

If as per the above the exposures are not classified as material, then they may be classified as performing NPE even if they present arrears over 90 days past due.

Exposures may be considered to have ceased being non-performing when all of the following conditions are met:

(a) the situation of the debtor has improved to the extent that full repayment, according to the original or when applicable the modified conditions, is likely to be made,

(b) the debtor does not have any amount past-due by more than 90 days.

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

When forbearance measures are extended to non-performing exposures or to exposures which had been non-performing at forbearance or became non-performing after forbearance, the exposures may be considered to have ceased being non-performing only when all the following conditions are met:
(a) the extension of forbearance measures do not lead to the recognition of impairment or default,
(b) one year has passed since the forbearance measures were extended,
(c) there is not, following the forbearance measures, any past-due amount or concerns regarding the full repayment of the exposure according to the post-forbearance conditions,
(d) the debtor does not have any amount past due by more than 90 days.

As per EBA technical standards evidence of a concession towards a debtor which aim to address existing or anticipated difficulties on the part of the borrower to service debt in accordance with the current repayment schedule, includes:
(a) the modification of the previous terms and conditions of a contract would not have been granted had the debtor not been in financial difficulties,
(b) a difference in favour of the debtor between the modified and the previous terms of the contract,
(c) cases where a modified contract includes more favourable terms than other debtors with a similar risk profile could have obtained from the same institution.

Examples of exposures that should be classified as forborne as per the EBA technical standards include:
(a) Exposures that were non-performing at forbearance,
(b) Exposures that were past due more than 30 days anytime within 3 months prior to forbearance,
(c) Forbearance measures such as partial write-offs.

The forbearance classification shall be discontinued when all of the following conditions are met:
(a) the contract is considered as performing, including if it has been reclassified from the non-performing category after an analysis of the financial condition of the debtor showed it no longer met the conditions to be considered as non-performing,
(b) a minimum 2 year probation period has passed from the date the forborne exposure was considered as performing,
(c) regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period,
(d) none of the exposures to the debtor is more than 30 days past due at the end of the probation period.

The Group’s loans and advances with forbearance measures are analysed below:

	Gross Loans		After individual impairment	
	31 March 2018	31 December 2017	**31 March 2018**	31 December 2017
	€'000	€'000	**€'000**	€'000
Trade	**163.727**	164.794	**113.675**	112.925
Construction and Real Estate	**474.676**	475.757	**265.124**	263.545
Manufacturing	**51.130**	51.602	**31.919**	28.448
Tourism	**42.122**	37.641	**32.074**	29.587
Other sectors	**163.363**	163.755	**113.926**	114.472
Retail	**188.637**	187.024	**136.816**	136.374
	1.083.655	1.080.573	**693.534**	685.351

The tangible collateral relating to loans and advances with forbearance measures amounted to €1.156 million as at 31 March 2018 (31 December 2017: €1.101 million).

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

Non-Performing Exposures (NPEs)

According to the CBC Directive on Loan Impairment and Provisions Practices (2014 and 2015), the credit institutions are obliged to announce Table A as presented below. The non performing exposures portfolio of the Group as at 31 March 2018 amounted to €2.128 million (31 December 2017: €2.162 million).

The ratio of NPEs to gross loans was 52,1% (31 December 2017: 53,3%). The gross book value of NPEs include contractual interest not recognised in the income statement.

The NPEs provision coverage was 61,7% as at 31 March 2018 (31 December 2017 adjusted with IFRS 9 initial application impact: 61,3%, 31 December 2017: 59,6%).

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loan portfolio according to the counterparty sector as at 31 March 2018
Table A

	Total loan portfolio				Cumulative Impairment losses			
		of which non-performing exposures	of which exposures with forbearance measures			of which non-performing exposures	of which exposures with forbearance measures	
				of which on non-performing exposures				of which on non-performing exposures
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances*	**4.081.283**	**2.128.452**	**1.083.655**	**841.813**	**1.313.736**	**1.282.671**	**402.851**	**390.121**
General Governments	528	66	-	-	57	1	-	-
Other financial corporations	104.924	29.288	25.876	20.671	16.927	16.112	10.555	10.092
Non-financial corporations	2.620.444	1.425.750	849.250	685.261	849.200	828.877	329.691	322.382
of which: Small and Medium-sized enterprises	2.441.417	1.389.231	820.881	668.905	830.942	813.883	325.458	319.185
of which: Commercial real estate	1.751.837	925.349	622.129	483.371	474.098	461.027	200.115	194.299
By sector								
1. Construction	642.752	495.660			291.810			
2. Wholesale and retail trade	652.418	377.750			227.730			
3. Real estate activities	214.601	121.574			73.073			
4. Accommodation and food service activities	318.897	113.415			58.042			
5. Manufacturing	254.461	98.611			63.153			
6. Other sectors	537.315	218.740			135.392			
Households	1.355.387	673.348	208.529	135.881	447.552	437.681	62.605	57.647
of which: Residential mortgage loans	810.830	330.421	128.315	76.008	175.315	170.312	30.298	27.361
of which: Credit for consumption	252.733	149.668	17.301	11.225	124.483	122.405	4.468	3.909

*Excluding loans and advances to central banks and credit institutions.

9. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loan portfolio according to the counterparty sector as at 31 December 2017
Table A

	Total loan portfolio				Cumulative Impairment losses			
		of which non-performing exposures	of which exposures with forbearance measures			of which non-performing exposures	of which exposures with forbearance measures	
				of which on non-performing exposures				of which on non-performing exposures
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances*	**4.049.627**	**2.161.772**	**1.080.573**	**849.381**	**1.288.175**	**1.271.965**	**400.121**	**395.222**
General Governments	983	131	-	-	1	-	-	-
Other financial corporations	104.909	29.069	25.384	20.492	15.817	15.289	9.595	9.553
Non-financial corporations	2.597.920	1.464.438	848.823	694.717	847.116	836.971	332.299	329.633
of which: Small and Medium-sized enterprises	2.413.986	1.416.401	819.829	678.091	818.835	810.365	327.000	324.407
of which: Commercial real estate	484.979	190.107	163.388	119.145	86.649	83.823	46.861	46.108
By sector								
1. Construction	628.536	499.366			290.036			
2. Wholesale and retail trade	672.430	408.296			240.372			
3. Real estate activities	217.151	122.104			70.489			
4. Accommodation and food service activities	293.416	113.676			56.175			
5. Manufacturing	248.798	102.340			65.738			
6. Other sectors	537.589	218.656			124.306			
Households	1.345.815	668.134	206.366	134.172	425.241	419.705	58.227	56.036
of which: Residential mortgage loans	590.344	183.947	90.883	47.399	86.499	84.260	16.358	15.248
of which: Credit for consumption	251.399	148.708	17.027	11.225	120.462	119.130	3.973	3.721

*Excluding loans and advances to central banks and credit institutions.

10. DEBT SECURITIES

	31 March 2018 €'000	31 December 2017 €'000
Securities classified at fair value through other comprehensive income		
Listed	**564.643**	N/A
12 month expected credit losses	**(454)**	N/A
	564.189	N/A
Securities classified at amortised cost		
Listed	**296.439**	N/A
12 month expected credit losses	**(626)**	N/A
	295.813	N/A
Securities held to maturity		
Listed	**N/A**	146.399
Securities classified as loans and receivables		
Listed	**N/A**	193.260
Securities available for sale		
Listed	**N/A**	679.243
	860.002	1.018.902

Analysis of Debt securities by sector:

	31 March 2018 €'000	31 December 2017 €'000
Concentration by sector:		
Governments	**512.130**	729.854
Banks	**85.794**	40.015
Other sectors	**262.078**	249.033
	860.002	1.018.902

As at 31 March 2018 the Group's exposure in Cyprus Government Bonds amounted to €500.100 thousand (31 December 2017: €678.475 thousand), and as per Moody's their credit ratings are rated at Ba3.

The category "Other sectors" mainly consists of debt securities of supranational organisations.

The Group closely monitors developments in the international markets so that any measures needed are promptly taken to reduce credit risk.

The monitoring of exposures in countries of high risk is centralised through systems that fully and on an ongoing basis cover all material exposures to these countries such as interbank placements, debt securities, other investments, etc. Also, maximum acceptable levels are specified according to the rankings of the countries and taking into account their credit ratings, in addition to political, economic and other factors.

For the classification of a country as "High Risk" country, the Non-Investment Grade status of countries which as per the Regulation (EU) No 575/2013 (CRR) is the worst, out of the best two ratings from Moody's, Fitch and S&P as well as the Euromoney Score of countries are primarily considered.

10. DEBT SECURITIES (continued)

The table below shows the Group's exposure to investments in Cyprus Goverment Bonds at the reporting date:

	Nominal value €'000	Book value €'000	Market value €'000
Cyprus:			
Government Bonds	470.439	500.100	532.365

11. RECLASSIFICATION OF DEBT SECURITIES

On 1 January 2009, the Group proceeded with a review of its intention for the holding of debt securities and consequently of its policy for classifying them under the various categories. As a result of this review, a number of debt securities, which were included in the held for trading and available for sale categories, were reclassified to the held to maturity and loans and receivables categories. In accordance with the provisions of the amended IAS 39, the Group had reclassified certain available for sale debt securities to loans and receivables, in view of the fact that there was no active market for these debt securities and the Group did not have the intention to sell these securities in the foreseeable future.

All reclassified held for trading debt securities and all reclassified available for sale debt securities matured. On 1 January 2009, the Group reclassified certain available for sale debt securities, that intended to hold to maturity, to the held to maturity category. The carrying amount of these debt securities transferred on 1 January 2009 amounted to €1.019 million. As at 31 December 2016 these remaining bonds matured.

As a result of the above decision, for the period ended 31 March 2017, an amount of €73 thousand being amortisation of revaluation of reclassified debt securities available for sale, was transferred from the investment revaluation reserve to the income statement. This amount was the final since all bonds have matured.

12. EQUITY AND OTHER SECURITIES AND COLLECTIVE INVESTMENT UNITS

	31 March 2018 €'000	31 December 2017 €'000
Other secuirities at fair value through profit ot loss		
Unlisted securities	**2.758**	N/A
Collective investment units	**20.385**	-
	23.143	N/A
Securities classified at fair value through other comprehensive income		
Listed securities	**1.330**	N/A
Unlisted securities	**5.449**	N/A
	6.779	N/A
Securities held for trading		
Listed securities	**N/A**	450
Securities available for sale		
Listed securities	**N/A**	1.313
Provisions for impairment	**N/A**	(370)
	N/A	943
Unlisted securities	**N/A**	8.808
Provisions for impairment	**N/A**	(970)
	N/A	7.838
Collective investment units	**N/A**	20.806
Total securities available for sale	**N/A**	29.587
	29.922	30.037

12. EQUITY AND OTHER SECURITIES AND COLLECTIVE INVESTMENT UNITS (continued)

Other secuirities at fair value through profit ot loss include the Bank's stakeholding of Series C Visa Inc. shares convertible into Class A Common Stock which are valued based on the stock price of the underlying shares on each reporting date. Due to the conversion of the shares taking place on the twelfth anniversary of the closing date of the agreement (21 June 2016) after settling any unresolved and outstanding cover claims, it was considered prudent to apply a haircut of 50% on the calculated value of the shares. As per IAS 39 they were previously classified as secuirties available for sale. As at 31 March 2018, the value of the shares was estimated at €2.758 thousand (31 December 2017: €2.531 thousand).

During 2018, the Group continued investing in collective investments units which are shares/units in well diversified investments funds.

13. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment €'000	Intangible assets €'000
Net book value 1 January 2018	102.541	34.254
Additions less disposals	1.162	1.001
Depreciation/amortisation	(1.426)	(848)
Net book value 31 March 2018	102.277	34.407

14. INVESTMENT IN ASSOCIATE COMPANY

Within the framework of the Bank’s "Fix" strategy and the efforts of tackling assets quality, the Bank signed an agreement with APS Holding a.s (APS Holding) in January 2017 for the management of real estate assets and servicing of the NPEs portfolio. The agreement entailed the disposal of the operations of the Bank’s Arrears Management Division (AMD) to a newly established entity APS Debt Servicing Cyprus Ltd (APS Cyprus), while the ownership of the real estate and loan portfolio remains with the Bank. The new entity is owned 51% by APS Holding and 49% by Hellenic Bank. The completion of the transaction and the transfer of business was effected on 30 June 2017 while APS Cyprus commenced operations on 3 July 2017. By creating the first debt servicing and real estate asset management platform in the Cypriot market, the Bank will be able to effectively deal with its non performing exposures (NPEs) in an accelerated and effective way through leveraging on the knowhow and expertise of APS Holding. Furthermore, it will allow the Bank to better allocate its resources on managing and growing the performing loan book by using its excess liquidity to the benefit of the market.

APS Cyprus acquired the operations of the Bank’s internal AMD, including the necessary resources to independently carry out the servicing of NPLs and REO portfolio. Simultaneously, the Bank has executed a 10-year service level agreement with APS Cyprus for the management of the Bank’s NPLs and REO Portfolio. It is noted that the Bank retains the ownership of the said NPLs and REO portfolio. The contract was priced at arms’ length basis following a two stage competitive auction process.

APS Cyprus has assumed all operating expenses associated with the management of the Bank’s NPLs and REO portfolio including but not limited to the costs of payroll, IT licenses, processes, products, services and other operations related overheads. 129 employees from the Bank’s AMD moved to APS Cyprus while additional resources, expertise and knowhow were brought in as needed to further enhance the capabilities and capacity of the operation.

NPLs with a value of approximately €2,0 billion and REO portfolio with a market value of approximately €220 million are managed by APS Cyprus in consideration for an administration fee payable by the Bank. The administration fee paid to APS Cyprus comprises of both a fixed and a variable element. The level of fees payable to APS Cyprus varies according to the progress of collections with the majority of the fees being driven by the successful resolution of the portfolio.

14. INVESTMENT IN ASSOCIATE COMPANY (continued)

Movement in the investment in associate company:

	31 March 2018	31 December 2017
	€'000	€'000
1 January	**7.600**	-
Initial recognition of investment in associate	**-**	6.811
Share of profit of investment in associate	**350**	789
31 March/31 December	**7.950**	7.600

The main financial highligths of the associate company as at 31 March 2018:

	€'000
Total assets	**22.796**
Total liabilities	**(6.570)**
Net assets	**16.226**

Transactions between the associate company and the Group recognised in the income statement for the period ended 31 March 2018:

	€'000
Servicer's administration fees (including VAT)	**4.794**
License to use services	**(117)**

License to use services relate to the use of premises, parking spaces and services provided by the Bank to APS Cyprus.

Balances between associate company and the Group for the period ended 31 March 2018:

	€'000
Deferred cash consideration receivable by the Bank	**6.408**
Deposits held with the Bank	**(1.451)**
Unutilised overdraft limit	**500**
Servicer's administration fees payable by the Group (including VAT)	**(4.782)**

15. DEFERRED TAX ASSET/DEFERRED TAX LIABILITY

Deferred tax asset arises from:

	31 March 2018	31 December 2017
	€'000	€'000
Tax losses	**11.442**	12.286
IFRS 9- Deferred tax impact	**3.036**	N/A
	14.478	12.286

Movement of Deferred tax asset:

31 March 2018

	Balance 1 January	Effect on income statement	Effect on revenue reserve	Balance 31 March
	€'000	€'000	€'000	€'000
Tax losses	12.286	(844)	N/A	11.442
IFRS 9- Deferred tax impact	N/A	N/A	3.036	3.036
	12.286	(844)	3.036	14.478

15. DEFERRED TAX ASSET/DEFERRED TAX LIABILITY (continued)

31 December 2017	Balance 1 January €'000	Effect on income statement €'000	Balance 31 December €'000
Property revaluation differences and differences between depreciation and capital allowances	1	(1)	-
Tax losses	8.464	3.822	12.286
	8.465	3.821	12.286

Deferred tax liability arose as follows:

	31 March 2018 €'000	31 December 2017 €'000
Property revaluation differences and differences between depreciation and capital allowances	**2.522**	2.498

Movement of Deferred tax liability:

31 March 2018

	Balance 1 January €'000	Effect on revaluation reserve €'000	Effect on income statement €'000	Balance 31 March €'000
Property revaluation differences and differences between depreciation and capital allowances	2.498	(11)	35	2.522

31 December 2017

	Balance 1 January €'000	Effect on revaluation reserve €'000	Effect on income statement €'000	Balance 31 December €'000
Property revaluation differences and differences between depreciation and capital allowances	1.975	236	287	2.498
Other temporary differences	5	-	(5)	-
	1.980	236	282	2.498

An analysis of accumulated tax losses is presented below:

	Tax losses €'000	Tax losses for which deferred tax was not recognised €'000	Tax losses for which deferred tax was recognised €'000
Expiring within the current year	14.754	14.754	-
Expiring within 3 years	372.500	306.742	65.758
Expiring between 4 and 5 years	25.784	-	25.784
	413.038	321.496	91.542

The carrying amount of the deferred tax asset is based on judgements of the Management of the Bank on its ability to generate future taxable profits. These judgements are based on available information including historical data, improved macroeconomic estimates, the reduction in deposit rates, the stabilisation of the non performing loans, the Bank's impairment process and the results of operations.

15. DEFERRED TAX ASSET/DEFERRED TAX LIABILITY (continued)

The applicable tax rate is 12,5%.The tax losses relate to the same jurisdiction with the deferred tax asset.

16. OTHER ASSETS

As at 31 March 2018, other assets amounting to €236.880 thousand (31 December 2017: €231.796 thousand) included among others:

Stock of properties held for sale

The carrying amount of stock of properties held for sale as at 31 March 2018 amounted to €159.578 thousand (31 December 2017: €148.186 thousand).

The stock of properties include residential, offices and other commercial properties, industrial buildings and land (fields and plots). As at 31 December 2017, properties were revalued by independent professional valuers based on open market value for their existing use. The fair value of these assets for the Group amounted to €203.527 thousand.

The Bank, as part of its non performing exposures management, is entering into a number of debt to asset swap transactions. Assets acquired in satisfaction of debt are acquired either directly or indirectly through wholly owned Special Purpose Vehicles (SPVs) which are formed with the purpose of holding and managing these immovable properties. For liquidation optimisation the SPVs are owned either directly by the Bank or indirectly through a wholly owned holding company (D4A2 Ltd). For properties held through SPVs and for which the titles have not yet been issued, the ownership is ensured via filing of the Sales/Purchases agreement with the Land Registry. As at 31 March 2018, properties held for sale indirectly through SPVs amounted to €146,1 million (31 December 2017: €135,5 million).

Assets held for sale

During the fourth quarter of 2017, another step within the context of the Bank's "Fix" strategy, was the agreement to sell a non performing loan portfolio of predominantly non retail unsecured exposures to B2Kapital Cyprus Ltd, a wholly owned subsidiary of B2Holding ASA, a Norwegian corporation listed on the Oslo Stock Exchange ("the Transaction"/ the NPE trade agreement).

The gross contractual outstanding balance of the portfolio was €145 million comprising of 1.158 borrowers and 1.977 facilities (in each case as at September 2017). The NPE trade agreement is not expected to have a material impact on the income statement and capital position of the Bank due to existing provisions taken against these assets.

The NPE trade agreement is in line with the European Central Bank and International Monetary Fund guidelines on the management of non-performing loans. In addition to organic reduction of the problematic portfolio, the Bank continues to explore the process of de-risking its non-performing exposures through portfolio disposals and other transactions.

The finalisation of the transaction is subject to the completion of the required procedures under the relevant legislation, the obtaining of applicable approvals and clearances from the relevant regulatory authorities and is targeted to be achieved during the second quarter of 2018. During May 2018 the Central Bank of Cyprus granted license to B2Kapital Cyprus Ltd to act as a Credit Acquiring Company.

16. OTHER ASSETS (continued)

The Group's movement of assets from customers' debt settlement held for sale is presented as follows:

	Banking & Financial services €'000	Insurance Services €'000	**Total €'000**
1 January 2018	146.057	730	**146.787**
Additions	14.093	-	**14.093**
Disposals	(2.884)	-	**(2.884)**
Impairment losses	(19)	-	**(19)**
31 March 2018	157.247	730	**157.977**

	Banking & Financial services €'000	Insurance Services €'000	**Total €'000**
1 January 2017	115.477	793	**116.270**
Additions	94.986	-	**94.986**
Disposals	(64.144)	-	**(64.144)**
Impairment losses	(262)	(63)	**(325)**
31 December 2017	146.057	730	**146.787**

17. LOAN CAPITAL

	31 March 2018 €'000	31 December 2017 €'000
Tier 1 Capital		
Convertible Capital Securities 1	**1.597**	1.597
Convertible Capital Securities 2	**128.070**	128.070
	129.667	129.667
Tier 2 Capital		
Non-Convertible Bonds 2018	**10.000**	10.000
	10.000	10.000
	139.667	139.667

Full details/terms of issue of the Bonds and Securities of the Bank are included in the Prospectus and the Supplementary Prospectuses of each issue.

Convertible Capital Securities 1 (CCS 1)/ Convertible Capital Securities 2 (CCS 2)

Pursuant to the terms of the Prospectus dated 30 September 2013, CCS1/CCS2 holders may exercise the right to convert the CCS1/CCS2 into ordinary shares, during the periods between 15-31 January and 15-31 July of each year ("the Conversion Period") with the first Conversion Period commencing on 15 January 2016 and the last Conversion Period commencing on 15 July 2023. If a CCS1/CCS2 holder exercises his Right to convert, any interest accrued ceases to be calculated and becomes due until the end of the conversion period duringwhich the holder has exercised voluntary conversion, according to the provisions of Paragraph 10.B.(d) of Part IV/B/III and 11.B.(d) of Part IV/C/III of the prospectus.

The first Conversion Period for CCS1/CCS2 commenced on 15 January 2016 and ended on 29 January 2016, the second Conversion Period commenced on 15 July 2016 and ended on 29 July 2016, the third Conversion Period commenced on 16 January 2017 and ended on 31 January 2017 and the fourth Conversion Period commenced on 17 July 2017 and ended on 31 July 2017. During the four conversion periods the Bank did not receive a Voluntary Conversion Application from any CCS1 /CCS2 holder.

18. SHARE CAPITAL

	31 March 2018 €'000	**Number of shares (thousand)**	31 December 2017 €'000	Number of shares (thousand)
Authorised				
1.032 million shares €0,50 each	**516.000**	**1.032.000**	516.000	1.032.000

	31 March 2018 €'000	**Number of shares (thousand)**	31 December 2017 €'000	Number of shares (thousand)
Issued share capital	**99.237**	**198.475**	99.237	198.475

During the three-month period ended 31 March 2018 there was no movement to the Bank's issued or authorised share capital. At 31 March 2018, 198.474.712 fully paid shares were in issue, with a nominal value of €0,50 each (31 December 2017: 198.474.712 shares with a nominal value €0,50 each).

19. REVALUATION RESERVES

	31 March 2018 €'000	31 December 2017 €'000
Property revaluation reserve		
1 January	**37.298**	29.400
Surplus on revaluation of land and buildings	**-**	8.731
Deferred taxation on property revaluation	**11**	(236)
Transfer to revenue reserve due to excess depreciation	**(105)**	(168)
Transfer to revenue reserve due to disposal of immovable property	**-**	(429)
	37.204	37.298
Revaluation reserve of available for sale securities		
1 January	**41.018**	8.109
Changes on initial application of IFRS 9	**1.987**	N/A
Restated balance at 1 January 2018	**43.005**	8.109
Revaluation surplus of investments in equity and other securities and collective investment units at fair value through other comprehensive income	**(70)**	N/A
Revaluation of investments in debt securities at fair value through other comprehensive income	**(5.558)**	N/A
Revaluation surplus of investments in equity and other securities and collective investment units available for sale	**70**	509
Transfer due to the disposal of investments in equity and other securities and collective investment units and debt securities measured at fair value though other comprehensive income	**(49)**	N/A
Transfer due to the disposal of investments in debt securities	**(18.281)**	-
Revaluation of investment in debt securities available for sale	**N/A**	32.474
Amortisation of revaluation of reclassified debt securities available for sale	**N/A**	(74)
	19.117	41.018
Total revaluation reserves 31 March/31 December	**56.321**	78.316

20. CONTINGENT LIABILITIES AND COMMITMENTS

Capital Commitments

At 31 March 2018, the Group's commitments for capital expenditure, not recognised in the statement of financial position, amounted to €8.559 thousand (31 December 2017: €7.199 thousand).

Contingent liabilities for pending litigations or complaints and/or claims

The Group is engaged in various legal proceedings and regulatory matters arising out of its normal business operations, where an obligation may be created for which an outflow of resources embodying economic benefits is possible. The existence of these obligations will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group.

Hence the effect of the outcome of these matters cannot be predicted with certainty but may impact the Group's financial results. The Group is of the opinion that there are adequate defences in place for a successful outcome, in the course of the relevant proceedings. It is not practicable to provide an aggregate estimate of potential liability for such legal proceedings to be disclosed as a class of contingent liabilities.

Consumer Protection Service

On 12 October 2017 the director of the Consumer Protection Service (CPS) issued a decision in relation to specific terms included in the Bank's standard housing loan agreements used in the period 2007-2008. The CPS's decision provides that these contracts contain certain unfair/non-transparent terms and has invited the Bank to inform the CPS of any actions it intends to take in relation to such findings. The Bank has provided a response describing the proposed actions pursuant to the relevant decision and is currently in discussions with the CPS to reach an agreeable solution to any concerns of the CPS.

21. RELATED PARTY TRANSACTIONS

Members of the Board of Directors and connected persons

Connected persons include the spouse, the children, the parents and the companies in which Directors hold, directly or indirectly, at least 20% of the voting rights at a general meeting.

	31 March 2018 €'000	31 December 2017 €'000
Loans and advances	**19**	18
Tangible securities	**6**	6
Deposits	**2.045**	1.953

Additionally, as at 31 March 2018, there were contingent liabilities and commitments in respect of Members of the Board of Directors and their connected persons in the form of documentary credits, guarantees and unused limits amounting to €65 thousand which did not exceed 1% of the Bank's net assets (31 December 2017: €60 thousand).

For the period ended 31 March 2018 there was no interest income in relation to Members of the Board of Directors and their connected persons (31 March 2017: nil), while interest expense in respect of Members of the Board of Directors and their connected persons amounted to €3 thousand (31 March 2017: €3 thousand).

21. RELATED PARTY TRANSACTIONS (continued)

Emoluments and fees of Members of the Board of Directors

	31 March 2018 €'000	31 March 2017 €'000
Emoluments and fees of Members of the Board of Directors:		
Emoluments and benefits in executive capacity	**248**	56
Employer's contributions for social insurance, etc	**7**	2
Retirement benefits	**-**	4
Total emoluments for Executive Directors	**255**	62
Fees	**266**	246

Other transactions with Members of the Board of Directors and their connected persons

The sales of insurance policies for the period ended 31 March 2018 by the Group's subsidiary, Pancyprian Insurance Ltd, to Members of the Board and their connected persons as defined above, amounted to €5 thousand (31 March 2017: €637 thousand), while sales of insurance policies by the Group's subsidiary, Hellenic Alico Life Insurance Company amounted to €353 (31 March 2017: €216).

For the period ended 31 March 2018 non interest income which relates to Members of the Board of Directors and their connected persons was nil (31 March 2017: nil).

Key Management personnel who are not Directors and their connected persons

Key Management personnel are those persons who have the authority and the responsibility for the planning, management and control of the Banks' operations, directly or indirectly. The Group, according to the provisions of IAS 24 considers as Key Management personnel the General Managers of the Bank who were not Directors, the members of the Asset and Liability Committee (ALCO) as well as management personnel who refer directly to the Chief Executive Officer.

Connected persons include spouses, minor children and companies in which the Key Management personnel who were not Directors hold, directly or indirectly, at least 20% of the voting rights at a general meeting.

	31 March 2018 €'000	31 December 2017 €'000
Loans and advances	**678**	686
Tangible securities	**343**	349
Deposits	**3.384**	3.311

Emoluments of Key Management personnel of the Group

The emoluments of Key Management personnel who were not Directors were:

	31 March 2018 €'000	31 March 2017 €'000
Emoluments of Key Management personnel who were not Directors:		
Salaries and other short term benefits	**555**	439
Employer's contributions for social insurance, etc	**35**	30
Retirement benefits	**42**	38
	632	507

The number of Key Management personnel as at 31 March 2018 was 14 (31 December 2017: 13).

21. RELATED PARTY TRANSACTIONS (continued)

As at 31 March 2018, there were contingent liabilities and commitments to Key Management personnel who were not Directors and their connected persons amounting to €351 thousand (31 December 2017: €308 thousand).

Interest income in relation to Key Management personnel and their connected persons for the period ended 31 March 2018 amounted to €3 thousand (31 March 2017: €4 thousand), while interest expense in relation to Key Management personnel and their connected persons amounted to €8 thousand (31 March 2017: €11 thousand).

The sales of insurance policies for the period ended 31 March 2018 by the Group's subsidiary, Pancyprian Insurance Ltd, to Key Management personnel and their connected persons, as defined above, amounted to €11 thousand (31 March 2017: €4 thousand) while the sales of insurance policies by the Group's subsidiary, Hellenic Alico Life Insurance Company amounted to €6 thousand (31 March 2017: €16 thousand).

Shareholders with significant influence and their connected persons

Pursuant to the provisions of IAS 24, related parties are considered, among others, the Shareholders who have significant influence to the Bank or/and hold directly or indirectly more than twenty percent (20%) of the nominal value of the issued capital of the Bank.

Connected persons include the entities controlled by Shareholders with significant influence as they are defined above.

	31 March 2018 €'000	31 December 2017 €'000
Loans and advances	**1**	3
Tangible securities	**398**	398
Deposits	**28.813**	26.181

On 31 March 2018, there were contingent liabilities and commitments in relation to Shareholders with significant influence and connected persons in the form of documentary credits, guarantees and unused limits amounting to €715 thousand (31 December 2017: €712 thousand).

Interest income in relation to Shareholders and connected persons for the period ended 31 March 2018 amounted to nil (31 March 2017: nil) while the corresponding interest expense was €1 thousand (31 March 2017: €1 thousand).

Other transactions with Shareholders with significant influence and their connected persons

During the period ended 31 March 2018, there were no purchases of goods and services by Shareholders with significant influence and their connected persons as defined above (31 March 2017: nil). In addition, the sales of insurance policies by the Group's subsidiary, Pancyprian Insurance Ltd, to Shareholders with significant influence and their connected persons as defined above, amounted to €15 thousand (31 March 2017: €6 thousand).

For the period ended 31 March 2018 non-interest income amounting to €29 thousand (31 March 2017: €44 thousand) was received which relates to Shareholders with significant influence and their connected persons.

On 31 March 2018 shareholders holding more than 5% of the share capital, had in their possession CCS2 amounting to €8,0 million (31 December 2017: €8,0 million).

21. RELATED PARTY TRANSACTIONS (continued)

All transactions with Members of the Board of Directors, Key Management personnel, Shareholders with significant influence and their connected persons are at an arm's length basis. Regarding the Key Management personnel, facilities have been granted based on current terms as those applicable to the rest of the Group's personnel.

22. FAIR VALUE

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 at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market, when available, for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the main factors that market participants would take into account in pricing a transaction.

Fair value of financial instruments

The table below presents the analysis of the Group's financial instruments measured at fair value on the basis of the three-level hierarchy by reference to the source of data used to derive the fair values. The levels of hierarchy of fair value are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Data other than quoted prices included within level 1 that is observable for the asset or liability, either directly or indirectly.
- Level 3: Import data for the asset or liability that is not based on observable market data (non-observable import data).

22. FAIR VALUE (continued)

31 March 2018	Level 1 €'000	Level 2 €'000	Level 3 €'000	**Total €'000**
Financial assets				
Derivatives:				
Foreign currency forwards	-	3	-	**3**
Currency swaps	-	1.667	-	**1.667**
	-	1.670	-	**1.670**
Other financial assets at fair value through profit or loss				
Debt securities:				
Banks	-	-	-	**-**
Other issuers	-	-	-	**-**
Equity and other securities and collective investment units	20.385	-	2.758	**23.143**
	20.385	-	2.758	**23.143**
Investments at fair value through other comprehensive income				
Debt securities:				
Government	216.145	-	-	**216.145**
Banks	85.794	-	-	**85.794**
Other issuers	252.119	9.960	-	**262.079**
Equity and other securities and collective investment units	1.330	-	5.449	**6.779**
	555.388	9.960	5.449	**570.797**
Total	**575.773**	**11.630**	**8.207**	**595.610**

31 March 2018	Level 1 €'000	Level 2 €'000	Level 3 €'000	**Total €'000**
Financial liabilities				
Derivatives:				
Treasury forwards	-	1	-	**1**
Interest rate swaps	-	470	-	**470**
Foreign currency swaps	-	986	-	**986**
Total	**-**	**1.457**	**-**	**1.457**

22. FAIR VALUE (continued)

31 December 2017	Level 1 €'000	Level 2 €'000	Level 3 €'000	**Total €'000**
Financial assets				
Derivatives:				
Foreign currency forwards	-	1	-	**1**
Interest rate swaps	-	228	-	**228**
Foreign currency swaps	-	-	-	**-**
	-	229	-	**229**
Other financial assets at fair value through profit or loss				
Debt securities:				
Banks	-	-	-	**-**
Other issuers	-	-	-	**-**
Equity and other securities and collective investment units	450	-	-	**450**
	450	-	-	**450**
Investments available for sale				
Debt securities:				
Government	390.195	-	-	**390.195**
Banks	40.015	-	-	**40.015**
Other issuers	237.157	11.876	-	**249.033**
Equity and other securities and collective investment units	21.749	-	7.838	**29.587**
	689.116	11.876	7.838	**708.830**
Total	**689.566**	**12.105**	**7.838**	**709.509**

31 December 2017	Level 1 €'000	Level 2 €'000	Level 3 €'000	**Total €'000**
Financial liabilities				
Derivatives:				
Foreign currency forwards	-	-	-	**-**
Interest rate swaps	-	467	-	**467**
Foreign currency swaps	-	4.745	-	**4.745**
Total	**-**	**5.212**	**-**	**5.212**

22. FAIR VALUE (continued)

The tables below present the movement of fair value of financial instruments categorised at level 3 hierarchy:

	Investments at fair value through other comprehensive income €'000	Other financial assets at fair value through profit or loss €'000	**Total €'000**
1 January 2018	7.838	-	**7.838**
Reclassified	(2.531)	2.531	**-**
Gains recognised in consolidated income statement in the category "Net income from fees, commissions, net gains on disposal and revaluation of foreign currencies and financial instruments and other income"	-	227	**227**
Gains recognised in consolidated statement of comprehensive income in the category "Surplus on revaluation of investments in equity & Other securities & Collective Investment Units and debt securities measured at fair value though other comprehensive income"	142	-	**142**
31 March 2018	5.449	2.758	**8.207**

	Investments available for sale			
	Debt securities €'000	Equity securities €'000	Shares held for sale €'000	Total €'000
1 January 2017	-	7.228	-	7.228
Gains recognised in consolidated income statement in the category "Net gains on disposal and revaluation of foreign currencies and financial instruments"	-	610	-	610
31 December 2017	-	7.838	-	7.838

For the valuation at fair value of the investments in equity securities which are classified as Level 3, a valuation method based on the company's equity at which the investment in shares is held as well as estimates of the Management of the Group have been used.

At 31 March 2018 the fair value of investments in debt securities classified in the category "Investments at amortised cost" and which are not measured at fair value amounted to €327.447 thousand and in the three level hierarchy an amount of fair value of €112.333 thousand would be classified as level 1 and an amount of fair value of €215.114 thousand would be classified as level 2.

At 31 December 2017 the fair value of investments in debt securities classified in the category "Assets held to maturity" and which are not measured at fair value amounted to €157.840 thousand and in the three level hierarchy would be classified as level 1. Also the fair value of investments in debt securities classified in the category "Loans and receivables" and which are not measured at fair value, as at 31 December 2017 amounted to €220.101 thousand and in the three level hierarchy would be classified as level 2.

The fair value of loans and advances to customers is based on the present value of expected future cash flows.

22. FAIR VALUE (continued)

The level of subjectivity and degree of management judgment required is significant in these discounted cash flow models given that management is required to exercise judgment in the selection and application of parameters and assumptions where some or all of the parameter inputs are less observable. Future cash flows have been based on the future expected loss rate per loan category, taking into account expectations in the credit quality of the borrowers. The discount rate includes components that capture: the Group's funding cost, cost of capital and an adjustment for the future cost of risk.

The fair value of loans and advances to customers not measured at fair value at 31 March 2018 amounted to €2.675 million (31 December 2017: €2.654 million) for the Group and have been classified at level 3.

23. ECONOMIC ENVIRONMENT

Economic Environment and Group operations in Cyprus

Cyprus has achieved an impressive turnaround following the 2013 economic crisis as the recovery continued strengthening for twelve consecutive quarters. The broad-based economic recovery gathered pace in 2017, with real GDP increasing by an annual 3,9%; the best growth performance for almost a decade. Cyprus real GDP increased by 3,8% year-on-year in the first quarter of 2018 when seasonally adjusted. The recovery has been broad-based and has contributed to the increase of employment in almost all sectors and to the reduction of unemployment, though still remaining high.

The recovery phase, accompanied by positive surprises, has passed and the economy is settling into its growth phase. In absolute terms, the value of all final goods and services produced domestically at constant prices, i.e, real GDP, stood at €16,6 billion recovering to the pre-crisis level. Correspondingly, nominal GDP, the value of all final goods and services produced domestically at current prices, reached €19,2 billion in 2017, up from €18,2 billion in the previous year.

While consumption continued to be a key recovery driver, investment demand also rebounded, particularly for large construction and infrastructure projects. The main factor driving the increase in private consumption was the rise in labour income, which resulted from the growth in the number of employed people, rather than higher wages. Private consumption was also supported by the flourishing tourism sector with positive spillover effects in other sectors of the economy. During 2017, private consumption grew an annual 4,3%. Over the same period, investment grew by 28%, primarily due to investment in construction, equipment (metal product and machinery) and transport equipment.

From a sectoral point of view, growth was supported by resilient export performance in the services sectors of tourism and professional business. Specifically, for the year 2017, revenue from tourism is estimated at €2,63 billion compared to €2,36 billion in the corresponding period of 2016, recording an increase of 12%. For 2017 arrivals of tourists totaled 3,65 million compared to 3,18 million in 2016, recording an increase of 15%. For the period of January – February 2018, arrivals of tourists recorded an annual increase of 22,5%. Revenue from tourism reached €38,4 million in January 2018 compared to €35,4 million in the corresponding month of the previous year, recording an increase of 8,5%.

Public finances have been consolidated to a large extent to secure the sustainability of public debt. Significant progress has been made to restructure and restore confidence in the Cypriot banking system. The level of non performing exposures (NPEs) is declining but remains very high, which has led to the increase of provision for loan impairments during 2017, ensuring collateral valuations are reliable and enhancing provisioning levels.

23. ECONOMIC ENVIRONMENT (continued)

The better than expected economic recovery, along with the improved domestic financial conditions, have created and maintained an environment of improved confidence. This is reflected in higher credit rating for the country and the largest domestic banks by international rating agencies. In March 2018, Standard and Poor's affirmed Cyprus' long-term credit rating at 'BB+', one notch below investment grade. In October 2017, Fitch upgraded the rating for the Cyprus sovereign to BB from BB-, two notches below investment grade. At the same time, the country's current credit rating reflects the associated risks to the economic outlook which relate to the high NPE level and the high public and private debt.

The course of the steady recovery path is reflected in the labor market, which tends to follow the recovery with a time lag. The gradual de-escalation of the unemployment rate in Cyprus is mainly due to the increased employment rate of the last year. In 2017, the unemployment rate stood at 11,1% recording a decrease from 13,0% in the previous year. In February 2018, the unemployment rate declined further to 9,6% of the labor force, recording a decrease compared to the same month of the previous year (12,6%).

The housing market continued its adjustment during the third quarter of 2017 (latest available data), bringing the cumulative fall in prices since mid-2008 to 30% (Central Bank of Cyprus's Property Price Index (PPI)). In the third quarter of 2017, the PPI recorded a positive growth rate (1,4%). During 2017 property sales recorded a new increase according to Land Registry data. Specifically, the sales contracts submitted in 2017 increased to 8.734 versus 7.063 in the previous year, recording an annual increase of 24%. Also, sales contracts submitted during the first quarter of 2018 increased an annual 41%.

During the period January – December 2017, 5.728 building permits were issued compared to 5.354 in the corresponding period of the previous year. The total value of these permits increased by 49% and the total area by 47%. The number of dwelling units recorded an increase of 35%. In January 2018, the number of building permits issued increased an annual 8,2%. The total value of these permits increased by 34,0% and the total area by 42,8%. The number of dwelling units recorded an increase of 24,9%.

Cyprus' macroeconomic outlook is positive and is accompanied by a significant increase in real gross domestic product during 2017, a robust employment growth and further improvement in key domestic indicators. Growth is expected to be supported by private consumption and investment and by an improving and robust labour market.

Despite the important steps taken towards restoring the positive economic climate, some degree of uncertainty remains, as the country still has certain issues to resolve, such as the high level of NPEs, high unemployment, the high ratio of public debt to GDP, which together render Cyprus vulnerable to negative shocks and delays in the advancement of structural reforms. The high private indebtedness levels that have led to deleveraging including the high level of NPEs, continue to pose significant risks to the stability of the domestic banking system and to the outlook for the economy. The improved macroeconomic environment is expected to support banks' efforts to tackle the high level of delinquent loans. The modernization of the legislation on insolvency and foreclosure framework which is now in place will be an invaluable tool towards this direction.

From an exogenous perspective, the economic outlook may be negatively influenced due to a slower than expected growth in the UK, the uncertainty effects of Brexit and a weaker pound, including the developments in Russia (sanctions) and the depreciation of the rouble against the euro. Also, increased geopolitical tensions in the Middle East and Eastern Mediterranean, could trigger adverse spillovers to economic confidence, tourism and consequently to the aggregate economic activity. On the other hand, geopolitical tensions in neighbouring countries render Cyprus as a safer tourist destination and could therefore counterbalance, to a significant extent, any potential reduction in tourist traffic from the UK. Additionally, developments over a potential reunification of Cyprus along with the exploitation of Cyprus' natural resources are being closely monitored to assess potential prospects and risks as they are evolving.

23. ECONOMIC ENVIRONMENT (continued)

In spite of these challenges, Cyprus' macroeconomic outlook is positive. Official forecasts by the Central Bank of Cyprus anticipate growth of 3,4% in 2018 and 3,2% in 2019. The pick-up in domestic demand is expected to be reflected in improved labor market conditions, with unemployment starting to ease gradually. Inflation is expected to turn positive, but remain relatively low, at around 0,5% in 2018.

Consequences of the recent developments

The Cyprus banking sector has gone through a reformation phase and is now in a strengthened capital and liquidity position. Its size has been reduced to a moderate 3,5 times the GDP or about the EU average. Foreign exposures have been eliminated and domestic operations form the main focus. While decisive steps were taken and swift progress has been achieved throughout the banking sector, the high share of NPEs continues to impact banks' balance sheets.

The Bank has managed to navigate successfully through the banking crisis. It has retained throughout the crisis its reputation for stability and confidence and is now focusing on strengthening and improving its market position within the Group's strategy of reorganizing and reforming its business model. The main pillars of the strategy is the reduction of NPEs, the expansion of new lending, thus increasing the Bank's market share, and the increase of its revenues through other banking activities.

The Bank, advancing towards decisive actions to tackle its loan portfolio quality, Hellenic Bank Public Company Ltd has sold its NPEs and real estate management business, to a newly established entity APS Debt Servicing Cyprus Ltd ("APS Cyprus") which is a member of the APS Holding a.s. ("APS Holding") group of companies. Through the creation of the first debt servicing platform in the Cypriot market, the Bank will be able to effectively tackle its NPEs in an accelerated way and with higher recoveries, leveraging on the knowhow, proven expertise and technical experience of APS Holding. Furthermore, it will allow the Bank to better allocate its resources on managing and growing the performing loan portfolio, by using its excess liquidity to the benefit of the market, as well as on continuing its digital transformation journey, the optimisation of corporate governance and the adaptation to the expanding compliance framework.

Also, the Bank has entered into an agreement to sell a non performing loan portfolio and remains focused on accelerating the de-risking of its non performing exposures. The completion of the transaction is subject to the completion of the required procedures under the relevant legislation, the obtaining of applicable approvals and clearances from the relevant regulatory authorities and is targeted to be achieved by second quarter of 2018.

The Bank maintains sufficient liquidity which allows the exploitation of opportunities, maintaining its focus on organic growth. The focus of new loans will be to companies that increase the competitiveness and productivity of the country, such as in the sectors of retail and commercial activities, manufacturing, tourism and on shipping by targeting specific customer profiles. At the same time, loans to the retail sector will be geared toward mortgages, small loans to new customers and supporting current customers who are deemed viable.

24. CAPITAL BASE AND ADEQUACY

The proforma[1] Capital Adequacy Ratios of the Group and the Bank under Pillar I, which are above the minimum regulatory requirements, were as follows:

Capital Adequacy Ratios	Group (transitional basis)			Group (fully loaded basis)		Bank (Transitional basis)	Minimum regulatory capital requirements (Phase-in)[2]
	31.03.2018	31.12.2017[3]	Δ	31.03.2018	31.12.2017[4]	31.03.2018	2018
Capital Adequacy Ratio	17,63%	17,68%	-5 bps	16,73%	17,67%	17,56%	13,075%
Tier 1 Ratio	17,60%	17,64%	-4 bps	16,71%	17,63%	17,54%	11,075%
Common Equity Tier 1 (CET 1) Ratio (%)	13,85%	13,85%	+0 bps	12,91%	13,84%	13,79%	9,575%
Common Equity Tier 1 capital (€million)	479	473	1%	441	473	477	N/A
Risked Weighted Assets (RWAs) (€million)	3.456	3.419	1%	3.416	3.420	3.461	N/A

The CET 1 ratio[1] (transitional basis) remained at the same levels compared to 31 December 2017[3], was mainly the result of the below:

(i) overall decrease in CET1 ratio, mainly due to:

- current period profits (effect of 80 basis points increase), out of which the €18,3 million relates to the gain on disposal of the CGBs (effect of 53 basis points increase)
- a decrease in other comprehensive income (effect of 70 basis points decrease), due to the decrease in revaluation reserve from bonds mainly as result of the disposal of CGBs
- the increase in IFRS 9 transitional arrangements due to Q1 ECL provisions and the decrease in deferred tax asset arising from tax losses (effect of 5 basis points increase),

(ii) overall increase in RWAs, mainly due to the increase in net funded exposures due to new lending (effect of 15 basis points decrease).

As at 31 March 2018 the Leverage Ratio[1, 5] for the Group was 8,77% (Bank: 8,74%) compared to 8,57% as at 31 December 2017[3]. The Leverage Ratio[1, 5] on a fully loaded basis for the Group was formed at 8,27% (Bank: 8,25%) compared to 8,09% as at 31 December 2017[3] (fully loaded basis under IAS 39 Group: 8,56%, Bank : 8,54%).

Supervisory Review and Evaluation Process (SREP) 2017

In December 2017, following ECB's final decision in establishing prudential requirements, the Bank is required to maintain for 2018 (SREP 2017), on a consolidated basis, a phase in Capital Adequacy Ratio of 13,075%, which includes:

1. Including 1Q2018 unaudited profits.
2. Excluding Pillar II capital guidance.
3. Full phase-in adjusted with IFRS 9 initial application impact and applying transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposure treatment of certain public-sector exposures denominated in the domestic currency of any Member state as per Regulation (EU) 2017/2395 of the European Parliament and Council of 12 December 2017.
4. Under IAS 39.
5. According to the Regulation (EU) No 2015/62 of the European Parliament and Council dated 10 October 2014.

24. CAPITAL BASE AND ADEQUACY (continued)

- the minimum Pillar I own funds requirements of 8% in accordance with Article 92(1) of Regulation (EU) No 575/2013 (of which up to 1,5% can be met with Additional Tier 1 Capital and up to 2% with Tier 2 Capital),
- an own funds Pillar II requirement of 3,2% required to be held in excess of the minimum own funds requirement (to be made up entirely of CET 1 Capital) (SREP 2016: 3,5%),
- and a phased in combined buffer requirement which for 2018 includes the capital conservation buffer (CCB) of 1,875% (SREP 2016: 1,25%), which have to be made up with CET 1 capital.

Additionally, applicable for Hellenic Bank, the combined buffer requirement includes:

- an O-SII buffer of 1% fully loaded and is phased in over a period of four years with application starting from 1 January 2019,
- a Counter Cyclical Capital Buffer (CCyB) for which the CBC has set the level at 0% for exposures located in Cyprus for 2016, 2017 and for the first and second quarter of 2018 (the Institution specific CCyB for 2016 and 2017 was 0%),
- a Systemic Risk Buffer (currently applicable only for exposures located in Estonia of credit institutions authorised in Cyprus, for which the CBC reciprocated the macroprudential Estonian measure. For Hellenic Bank these exposures are immaterial).

Furthermore, the Bank shall refrain from making distributions to its shareholders.Taking into account the above, the Group's minimum CET 1 and Tier 1 ratios effective as from 1 January 2018 are set at 9,575% and 11,075% respectively.

In addition to the above, effective as from 1 January 2018 the ECB has provided on a consolidated basis, a revised Pillar II capital guidance to be made up entirely of CET 1 capital, which has been reduced.

25. BANK RECOVERY AND RESOLUTION DIRECTIVE (BRRD)

The Bank within the framework of the Bank Recovery and Resolution Directive (BRRD) is subject to the minimum requirement for own funds and eligible liabilities (MREL). The framework, which entered into effect on 1 January 2016, provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. This is achieved by requiring banks to have a funding structure with a certain proportion of liabilities that can be written off or converted into equity in the event of a bank failure (that is: "bailed-in"). Such liabilities, in combination with equity, are known as MREL.

The Bank's MREL requirement, as well as the time framework for compliance, have not be finalised. Nevertheless, the Bank is closely monitoring the developments on this front.

The BRRD, also provides for the Member States to be prepared to handle situations involving both systemic crises and failures of individual institutions, with significant funding implications for credit institutions, which include the establishment of pre-funded resolution funds of 1% of deposits covered under the EU Deposit Guarantee Schemes Directive (DGSD) 2014/49 to be built up by 31 December 2024. Further details are presented in Note 26.

26. DEPOSIT INSURANCE SCHEMES

European Deposit Insurance Scheme (EDIS)

As of 1 January 2016, the European Union within the Banking Union framework has put forward a third pillar, a deposit insurance scheme (EDIS-European Deposit Insurance Scheme) which will gradually take over the national Depositors' Guarantee Scheme (DGS). The first pillar of the Banking Union consists of a common framework for supervision of banks implemented by the Single Supervisory Mechanism (SSM); the second pillar consists of a common framework for bank resolution implemented by the Single Resolution Mechanism (SRM). The SRM provides that the Single Resolution Fund (SRF) will be built up over a period of 8 years with "ex-ante" contributions from the banking industry.

EDIS is established in three specified stages:

- The first stage would be a re-insurance scheme and would apply for 3 years until 2020. In this stage, a National Guarantee Scheme will have access to EDIS funds only after exhausting its own resources. EDIS funds will provide extra funds only up to a certain level. In order to limit moral hazard and avoid "first-mover advantages", a DGS can only benefit from EDIS in this stage if it has met its requirements and filled its national fund to the required level, and only if those funds have been fully depleted.

- The second stage would be a co-insurance scheme and would apply for 4 years until 2024. For this phase, a national scheme would not have to be exhausted before accessing EDIS. EDIS will contribute from first euro of loss and would absorb a progressively larger share of any losses over the 4-year period in the event of a pay-out or resolution procedure. Access to EDIS would continue to be dependent on compliance by national DGS with the required funding levels.

- In the final stage, EDIS would fully insure deposits and would cover all liquidity needs and losses in the event of a pay-out or resolution procedure.

The contribution of the Bank to the SRF for 2018 amounts to €2,0 million payable in June 2018 and will be netted off with the Special Levy for 2018. Special levy is imposed on credit institutions on a quarterly basis, at the rate of 0,0375% on qualifying deposits held on 31 December, 31 March, 30 June and 30 September.

Deposit Guarantee and Resolution of Credit and Other Institutions Scheme (DGS)

The Deposit Guarantee and Resolution of Credit and Other Institutions Scheme (DGS) was established in Cyprus as a separate legal entity and has been operating since 2000 under the relevant legal framework. For the purpose of the Scheme a Committee was established, consisting representatives from the Ministry of Finance and the Central Bank of Cyprus. The funds that are under the administration of the Committee are the Deposit Guarantee Fund for Banks, the Deposit Guarantee Fund for Cooperative Credit Institutions and the Resolution Fund of Credit and Other Institutions.

The DGS is used to compensate depositors of a covered credit institution which is unable to meet its financial obligations, up to the guaranteed amount of €100.000 (subject to certain other circumstances). A target is set whereby the available financial means for each Deposit Guarantee Fund must reach 0,8 % of the amount of the covered deposits of its members by 3 July 2024 (subject to extensions). The contribution amount to be paid by each credit institution is calculated by the DGS taking into account its covered deposits and its risk level. The contribution must be paid within 21 business days from the date on which the institution is notified in writing by the Committee to pay the contribution. As at 31 December 2017 the amount of deposits protected by the Deposit Guarantee Fund for Banks is €16.803 million and its available financial means is €65,6 million (source: https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/deposit-guarantee-schemes-data).

26. DEPOSIT INSURANCE SCHEMES (continued)

If the DGS does not have sufficient funds to cover the amount required to compensate the relevant deposits, then the DGS proceeds to find alternative financing means to do so as follows:
- The DGS may require the members of the DGS to provide additional contributions.
- From fines imposed on DGS members if the latter do not comply with the Law and relevant Regulations.
- By obtaining loans from third parties or other equivalent deposit guarantee schemes within the EU.
- By liquidating assets and investments.

27. 2018 EU-WIDE STRESS TEST

The European Banking Authority (EBA) launched the 2018 EU wide stress test exercise, designed to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks to economic shocks. For the first time, it incorporates IFRS 9 accounting standards. No pass-fail threshold has been included as the results of the exercise are designed to serve as an input to the Supervisory Review and Evaluation Process (SREP) under which decisions are made on appropriate capital resources. The EU-wide stress test is conducted on a sample of 48 EU banks covering roughly 70% of the banking sector in the EU and is run at the highest level of consolidation. The stress test involves the economic conditions under a baseline and an adverse scenario and were published by EBA on 31 January 2018.

Given that the majority of institutions supervised by the Single Supervisory Mechanism (SSM) are not included in the 2018 EBA Stress Test (Hellenic Bank included), the ECB will also carry out a designated stress test for such institutions, to support the 2018 SREP, with strong involvement of the National Competent Authorities.

28. EVENTS AFTER THE REPORTING PERIOD

Submission of Offer through Tender Process

Cyprus Cooperative Bank Ltd (CCB) with an annoucment on the 19 March 2018, appointed Citigroup Global Markets Limited as its exclusive financial adviser on the process of identifying interested parties for an investment in either (A) the fully licensed bank entity, or (B) all or part of CCB’s assets and liabilities (each a “Strategic Transaction”), in the context of CCB’s strategic plan.

The Bank on 26 April 2018, further to press reports and in relation to its participation in the tender process initiated by the CCB, announced that it was assessing potential options in the event that it may require any capital for the specific purpose of such proposed transaction. In this respect, it was participating in discussions with potential investors in the Bank. At that time, no decision had been made on the matter. The Bank noted that any transaction will be subject to the approval of the relevant regulatory authorities. In addition, any share capital increase that may be required will be subject to the prior approval of its shareholders in accordance with applicable law.

On the 14 May 2018 the Bank announced that it is participating in the tender process initiated by CCB and also confirmed that it had submitted an offer.

Suspension of trading of the titles of Hellenic Bank Public Company Ltd

The Cyprus Stock Exchange announced that, the Cyprus Securities and Exchange Commission at its meeting dated 16 May 2018, decided pursuant to Aticle 6(5)(ι) of the Market Abuse Law of 2016, the suspension of trading of the titles of Hellenic Bank Public Company Ltd as of 16 May 2018.

The suspension of trading has been valid as of 16 May 2018 and until the Bank is in position to issue an announcement in relation to the acquisition proposal for the Cyprus Cooperative Bank Ltd, which will meet the requirements of Regulation 596/2014 on market abuse.

28. EVENTS AFTER THE REPORTING PERIOD (continued)

The Cyprus Stock Exchange proceeded with the suspension of trading of the titles of the Bank pursuant to Article 187 of the Securities and the Cyprus Stock Exchange Law.

Notice of Extraordinary General Meeting

On 21 May 2018 the Bank amnnouced the convocation of an Extraordinary General Meeting pursuant to section 126 of the Companies Law, Cap. 113, on the requisition of DEMETRA Investment Public Limited ("Demetra"). The Extraordinary General Meeting will be held at the registered office of the Bank at Corner Limassol Avenue & 200 Athalassa Avenue, Strovolos, 2025 Nicosia, Cyprus, on Wednesday 11 July, 2018.

The requisition notice was given by Demetra on 30 April, 2018 and the Extraordinary General Meeting is convened pursuant to a decision of the board of directors of the Bank dated 2 May 2018.

Section 126 of the Companies Law, Cap. 113, provides that the directors of a listed company in a regulated market, notwithstanding anything in its articles, shall, on the requisition of members of the company who on the date of the deposit of the requisition hold not less than one twentieth of the paid up capital of the company which at the date of the deposit confers voting rights at general meetings of the company, forthwith proceed duly to convene an extraordinary general meeting of the company.

Demetra holds 19.954.056 ordinary shares of the Bank, representing more than one twentieth of the paid-up capital of the Bank.

29. APPROVAL OF FINANCIAL STATEMENTS

The Condensed Consolidated three-month Financial Statements were approved by the Board of Directors on 31 May 2018.