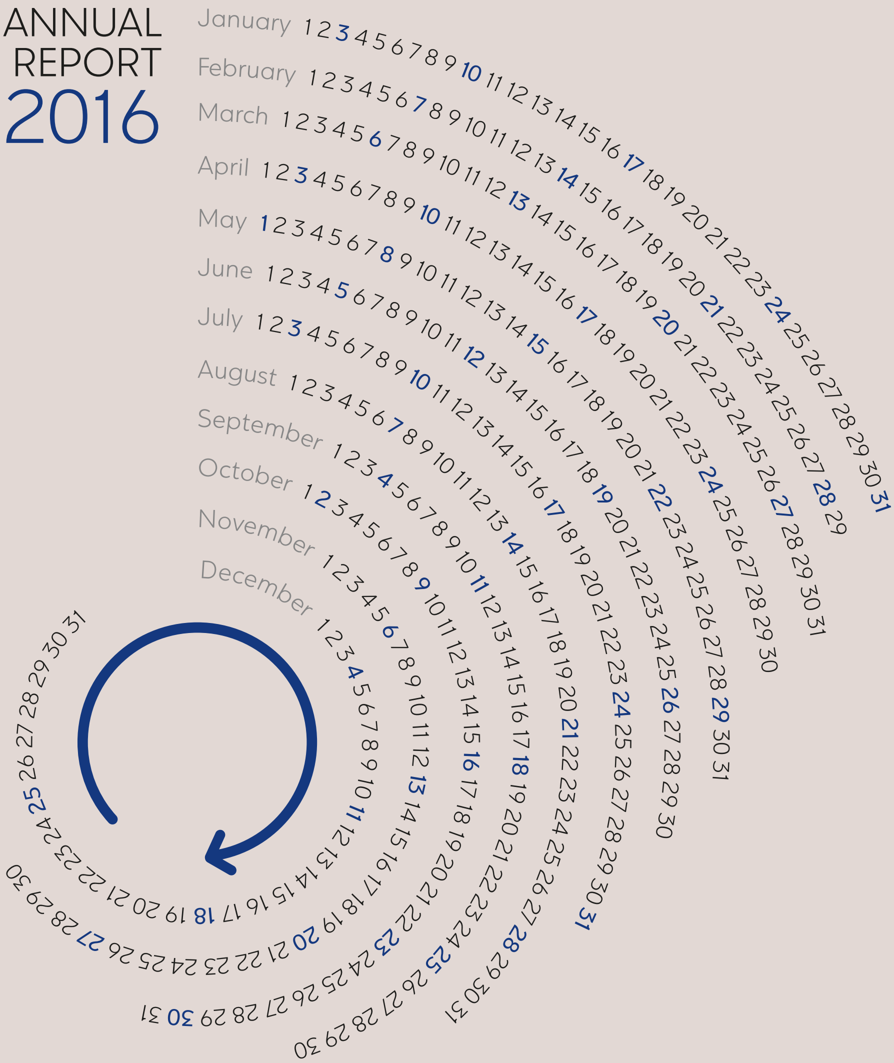
ANNUAL REPORT 2016



Eurobank

ANNUAL REPORT 2016

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Putting You First

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Historical Milestones

- Establishment of Euromerchant Bank S.A., specialising in Investment Banking and Private Banking.

- Acquisition of 75% of EFG Private Bank (Luxembourg) S.A.

- Eurobank-Interbank merger.
- Acquisition of the branch network of Credit Lyonnais Grece S.A.
- Euromerchant Bank is renamed to EFG Eurobank S.A.

- Completion of the mergers between EFG Eurobank, and the Bank of Athens and the Bank of Crete (Cretabank).
- EFG Eurobank is listed on the Athens Stock Exchange.

- EFG Eurobank-Ergobank merger; the new bank is renamed to EFG Eurobank Ergasias S.A.
- Acquisition of a 19.25% participation in Banc Post S.A. Romania.

- Completion of the merger with Telesis Investment Bank.
- Acquisition of a 43% participation in Post Bank Bulgaria.

- Acquisition of a 90.8% stake in Postbanka AD Serbia, which is renamed to EFG Eurobank AD Beograd.
- Acquisition of a majority stake in Banc Post Romania.

- Acquisition of Intertrust M.F.M.C.
- Increase of the Bank's participation in Post Bank Bulgaria to 96.74%.

- Organic growth in the banking market of Poland, through Polbank EFG.
- Completion of the 100% acquisition of Nacionalna štedionica Banka Serbia, which is merged with EFG Eurobank AD Beograd.
- Acquisition of an equity stake of more than 90% in DZI Bank Bulgaria.

- Launch of greenfield operation in Cyprus.
- Acquisition of 70% of Tekfenbank Turkey, which is renamed to Eurobank Tekfen.
- Completion of the acquisition of Universal Bank Ukraine.
- Post Bank-DZI merger in Bulgaria.

- Eurobank Tekfen is sold to Burgan Bank.
- A 70% stake in Polbank EFG is transferred to Raiffeisen Bank International.
- Change of Group legal name and the Bank's corporate name to "Eurobank Ergasias S.A."

- Eurobank is recapitalised by the HRSF.
- The Group grows further, through the acquisitions of New TT Hellenic Postbank and New Proton Bank.
- The operational integration of New Proton Bank is completed in December.

- Following the completion of a € 2,864 million Share Capital Increase in May, 64.6% of the Bank's common shares are held by institutional and individual investors.
- The operational merger with New TT Hellenic Postbank is completed in May. The Bank maintains its branch network as a distinct network, under the "New TT Branch Network" brand name.

- Acquisition of the operations of Alpha Bank's Bulgarian Branch by Eurobank's subsidiary in Bulgaria, Eurobank Bulgaria AD ("Postbank").
- Following the completion of the Share Capital Increase of €2,039 million in November exclusively through the private sector, 97.62% of the ordinary shares are held by institutional and retail investors.

- Completion of the sale of 80% of Eurolife ERB Insurance Group Holdings S.A.
- Acquisition of Eurobank's Ukrainian subsidiary, Universal Bank by TAS Group.

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Eurobank Financial Figures

Key Financial Results

	2016	2015	Change
Net Interest Income	€1,548 m	€1,463 m	5.8%
Net Fee & Commission Income	€298 m	€244 m	22.2%
Total Operating Income	€2,063 m	€1,761 m	17.1%
Total Operating Expenses	€992 m	€1,034 m[1]	(4%)
Core Pre-Provision Income	€854 m	€673 m[1]	26.8%
Pre-Provision Income	€1,071 m	€728 m[1]	47.2%
Loan Loss Provisions	€775 m	€2,636 m	(70.6%)
Net Result after tax	€230 m	(€1,181 m)	

[1]On a comparable basis: 2015 expenses include €29 m due to the reclassification of part of NPL expenses from loan loss provisions to operating expenses and exclude €12 m one-off contribution to the resolution of a cooperative bank.

Balance Sheet Highlights

	2016	2015
Consumer Loans	€6,323 m	€6,565 m
Mortgages	€17,835 m	€18,249 m
Small Business Loans	€7,149 m	€7,246 m
Large Corporates & SMEs	€19,314 m	€19,584 m
Total Gross Loans	€50,655 m	€51,683 m
Total Customer Deposits	€34,031 m	€31,446 m
Total Assets	€66,393 m	€73,553 m

Financial Ratios

	2016	2015
Net Interest Margin	2.25%	2.02%
Cost to Income	48.1%	58.7%[1]
Non-Performing Exposures (NPEs)	45.2%	43.8%
90 Days Past Due Loans (90dpd)	34.7%	35.2%
NPEs Coverage	50.7%	52.1%
90dpd Coverage	66.1%	64.8%
Provisions to average Net Loans	1.96%	6.43%
Common Equity Tier 1 (CET1)	17.6%	17.0%

[1]On a comparable basis: 2015 expenses include €29 m due to the reclassification of part of NPL expenses from loan loss provisions to operating expenses and exclude €12 m one-off contribution to the resolution of a cooperative bank.

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Letter to Shareholders

Dear Shareholders,

For the first time in 6 years, 2016 proved profitable for Eurobank. We wish to start this letter by thanking all those who maintained their faith in the organisation during these tough times and helped us overcome a long period of losses and upheavals: our shareholders for their continued support, our customers for putting their trust in us and our employees for the major efforts they expended so we could achieve this result.

Returning to profits...

...is a landmark for our Bank. 2016 was not a great year for the economy. There were no high growth rates, major developments in the economic and financial sectors, or significant investment initiatives that could have changed the landscape radically. However, it was a year of relative stability; a year of transitioning back to normalcy following the intense events that marred 2015: the bank holiday and the capitals controls. So the positive result recorded by Eurobank within such an environment demonstrates its ability to generate profits when external conditions are not all that forbidding. It subsequently signals our ability to strengthen our capital base through organic growth, and confirms that our strategic planning is sound and the corporation can implement it successfully. For these reasons, our primary business objective for the year was to achieve profitability, and we are extremely satisfied that the Bank was able to meet this ambitious target. The 2016 results are also significant in that they provide a solid foundation for safely planning the next steps for the future of Eurobank, with self-confidence and a sense of optimism.

Macroeconomic developments: normalisation, risk of recurrence, stabilisation

During the year, the course of the economy was marked by the absence of positive or negative catalysts. Real GDP remained stable, with the most significant development occurring at fiscal level, where an unexpected high primary surplus of 4.2% of the GDP was recorded, at a time when the economic adjustment programme target was 0.5%. The Athens Composite Share Price Index rose by 2% on an annual basis, while the Banking Index dropped by about 30%, mainly due to the developments around the end of the year.

In the last quarter, the delays in completing the second programme review reignited concerns over the prospects of the country, which had a considerable impact on the confidence indicators and was directly reflected on consumer behaviour and the real economy. This deteriorating trend continued in the first quarter of 2017. However, starting with the staff-level agreement reached with the European institutions and the successful completion of the review, it has been acknowledged that Greece has fulfilled its obligations. It is estimated that the decisions awaited on the part of the European partners may be a starting point for gradually regaining market trust in the prospects of the Greek economy, starting with the inclusion of the Greek government bonds in the ECB quantitative easing (QE) programme. The Greek 10-year bond yield had reached 11.6% in February 2016, fell to 7.1% by the end of the year and dropped even further, below the 6% limit, after the agreement with the lenders.

The tensions experienced in the last quarter of 2016 and the first of 2017 are also reflected in the GDP growth rate estimates for the current year, which are around 1.5% of the GDP, as opposed to the initial forecast for 2.7%. Stronger growth rates are expected in the second half of the year.

Amid these conditions, the banking system reduced its dependence on the Eurosystem liquidity by €41 billion during 2016. This was also due to the increase in private-sector deposits by 3.5% to €127.7 billion.

This trend continued in the first quarter of the current year, with a further reduction in reliance on the Eurosystem by €7 billion.

During the year, the four systemically important banks of Greece improved their capital adequacy ratios through organic growth, bank balance sheet deleveraging and/or restructuring. They also entered into repos to the amount of approximately €19 billion in total, which is a sign that the markets are rebuilding their trust in the Greek banking system following its recapitalisation, to the extent that this is not affected by macroeconomic uncertainties.

Organic capital enhancement and effective risk management

Profitability was our key objective for 2016, but the manner in which it was attained makes us more confident that the Bank is on the right track. The profits arose from improvement of all the income statement line items. 2016 was the first year since the onset of the crisis that the result strengthened our capital by 70 basis points to 13.8% (fully loaded Basel III CET1), while the CET1 ratio was 17.6%.

Interest revenue improved, commission income increased and operating costs dropped. The rise in core pre-provision income by 27% – which reached 47% if taking into account extraordinary income – was quite significant. Provisions dropped to €775 million. As a result, earnings after taxes reached €230 million, which are remarkably high in terms of absolute numbers and the highest in the market. At the end of the year, the non-performing exposure ratio stood at 45.2% and the coverage ratio at 50.7%, while the respective ratio for non-performing loans (loans more than 90 days past-due) reached 66.1%. The loan-deposit ratio improved significantly from 127% in 2015 to less than 115%, mainly due to the increased deposit base, which was one of the main aims of our business plan. Amid the prevailing conditions in 2016, we increased our deposits by €1.3 billion in Greece and €2.6 billion at Eurobank Group level. Overall, we managed to reduce our ELA dependence by around €8 billion or 40%, while our total dependence on Eurosystem financing dropped by around €11.5 billion to under €14 billion.

Out of the €230 million in earnings, €45 million were generated from our international operations; we consider these a significant competitive advantage for Eurobank in the future. Owing to Eurobank's recapitalisation exclusively on own funds in 2014 and 2015, the organisation was able to maintain a strong regional presence, focusing on the markets we believe are strategically important for the Bank. These include Cyprus and Bulgaria, which mainly contributed to the positive results of the year. The agreement we have reached with the supervisory authorities to limit the international footprint of the Group is being met within the stipulated time frame. Within 2016, we completed the disinvestment process from Ukraine, while we have started exploring the strategic choices available for Bancpost, our bank in Romania. We believe that we may reach a relevant agreement during 2017. Once we have completed all our commitments, we will be able to focus on expanding our operations in the other countries. Postbank is the fifth biggest bank in Bulgaria, Eurobank Cyprus has been improving its fundamentals remarkably year after year, Eurobank Luxembourg has had a steady performance and the same applies for our operations in Serbia. In 2016 the economies of the countries where we operate demonstrated positive performance. In these countries, the real wage increases, the low inflation rate and the historically low interest rate levels are benefiting consumers. The growth prospects for 2017 are optimistic, barring external disturbances.

Meanwhile, owing to our international network we can offer our customers, especially the outward-looking Greek businesses, superior services compared to our Greek market competitors. Overall, we believe that the international operations will steadily continue to make a distinct and significant contribution to the results of the Bank for a long time.

Risk appetite is a core element of our operations and risk management is a priority for the Bank. The economic, operational and regulatory environment is highly volatile. To manage the corresponding risks, Eurobank is continuously upgrading its policies, organisational structure and infrastructure, and is working continuously with the competent supervisory authorities. In this way it ensures that it complies with the ECB/SSM requirements and the EBA and Basel Committee on Banking Supervision guidelines, and that it implements best international industry practices. The Board Risk Committee develops the Bank's strategy and supervises that it is implemented. It also regulates the methodology, determines the key initiatives and assigns suitable staff for managing risks. An Executive Risk Management Committee was formed in 2016 to support the Board Risk Committee in its task. It is chaired by the Group Chief Risk Officer and its members include senior executives. Its main mission is to supervise the risk management framework for the entire Bank, focusing on ensuring prudent risk appetite and absolute compliance to the requirements and specifications of the supervisory framework.

Opportunities and challenges

Despite external conditions gradually returning to normalcy and prospects improving further from here onwards, the Greek banking system is continuing to face significant challenges. The most important ones involve the problems left behind by the crisis, which remain unresolved. The first of these is the inconceivably high non-performing loan reserve, along with the day-after problems, i.e. the adjustments required for banks to meet the new needs arising in the new digital banking era.

During 2016, we made a series of deep organisational changes to the operation of Eurobank and we reviewed our priorities. We considered these moves necessary for the organisation to rise to these challenges.

NPLs: the top priority

The toughest issues we are facing are the non-performing loans (NPLs). In 2016 the developments in this sector were quite satisfactory. Taking into account the non-performing exposures (NPEs), which the supervisory authorities use as the basis for their calculations, Q4-2016 was the first quarter in the history of Eurobank with negative NPE formation. Furthermore, in terms of NPLs, 2016 was the first year their absolute amount dropped.

However, the developments were not linear. The delays in completing the second programme review had a negative impact and affected customer behaviour in this year's first quarter.

As is the case with all the other systemically important Greek banks, Eurobank has made a commitment against the Single Supervisory Mechanism (SSM) to meet specific targets and reduce NPEs by 40% within three years, i.e. up to 2019. These targets are distributed and quantified for each year, while they include a detailed time frame and regular quarterly reviews on the progress made in implementing the agreed roadmap. Meeting the targets for 2017, and every year, is an absolute priority in the business plan of the Bank and a fundamental commitment for the Management.

To this end, along with many other initiatives, two important actions commenced in 2016 for more active and efficient management of the troubled assets portfolio. These were concluded in the first quarter of 2017. Eurobank Financial Planning Services S.A. was converted into an autonomous and independent debt management company (AEDADP), in the context of Law 4354/2015. In addition, Eurobank, along with Alpha Bank and the European Bank for Reconstruction and Development (EBRD) are participating in an innovative platform for managing their exposure to large corporate borrowers. The platform was developed by Pillarstone Europe, a subsidiary of international company KKR specialising in the field.

There are no across the board solutions for NPLs. We are proceeding with clear plans, implementing a series of different solutions each time. These include debt restructuring, taking into account the unique features of each customer, individuals or businesses; collateral liquidations, preferably in a prudent manner; partial debt relief, where this is necessary and justified; and sale of portfolios to third parties.

For corporate NPLs, the conditions have matured. There is major restructuring in the business sector, which has already taken place in some industries and is underway in others (e.g. media, tourism, food, car sales). This major restructuring will expand to the entire economy, since the landscape is clearing and the companies that are able to overcome the crisis and remain competitive in this new environment are starting to emerge.

Digital transformation

Despite the legacy of the crisis, the major challenge for the banking sector in Greece and the entire world will be adjusting to the new environment shaped by the advances in technology. Believing that speed and successful adjustment will determine the potential and success of the Bank in the medium term, we have significantly increased the funds available for upgrading Eurobank. Technology is at the core of Eurobank's strategic growth. In 2016, it was further enhanced so it could encompass the entire range of banking operations and optimise the use of digital networks. Despite the balance sheet deleveraging and the need to cut costs, in Greece our expenses in this sector amounted to €33 million. We are intending to keep them rising steadily in 2017 – when they will increase by €10 million – and in the coming years.

Digital banks are the future of banking. We have adopted a mobile first strategy, which affects all our actions and initiatives. Our e-Banking and mobile Banking digital networks exhibited remarkable growth rates and picked up major awards. The new Eurobank Mobile App for smartphones, available for individuals and businesses, incorporates innovative services, such as PaF – Pay a Friend. It offers users greater security, easier access, information to manage their finances and the option of making payments easier and faster (P2P).

In the future, digital services will be the main vehicle for implementing our customer-centric approach. Mainly through these services, we aspire to improve our model of Customer Experience Management. For this reason, we have introduced modern methods (Customer Journey Mapping and User Experience) to ensure better interaction with customers across all customer service channels. We have also centralised our complaint management services for individuals, significantly reducing the customer complaint resolution time. The IT General Division currently supports more than 1,300 Automatic Teller Machines (ATM) and Automated Payment Systems (APS), and over 146,000 POS terminals. Integrating the customer service channels is a business priority. Advanced technological solutions will also assist in cost cutting in the medium term, through lean and automated banking processes.

The digital era has arrived and it is mainly affecting retail banking. However, the transition will not be immediate because nothing can fully replace personal contact between customers and Bank staff. Notwithstanding we are working steadily to improve the structure of our branch networks.

Eurobank: the Bank of Greek entrepreneurship

In spite of the conditions, challenges and problems, the main reason for the existence of our Bank is to fund the real economy and support healthy private entrepreneurship in Greece and in all the countries where we operate.

We seek opportunities within an unfavourable environment. In 2016, total loans to finance the Greek economy were negative. The only consolation was the recovery and the positive loan disbursements to businesses. On the contrary, household lending demand was weak, with mortgage loans on the negative side. In this context, we are focusing on financing healthy business plans, which we believe can maintain the Bank's income flow in the immediate future.

In Business and Corporate Banking, we focused on essential, hands-on support of the strategic sectors of the economy, further strengthening the role of Eurobank in the tourism and export industries. We are key players in all the major projects, such as the sale of 14 regional airports, where we acted as privatisation advisors on behalf of the Hellenic Republic Asset Development Fund (HRADF), while we are also participating in the financing scheme for the buyer Fraport.

In that vein, we continued to capitalise on development programmes and actions in partnership with international bodies (EBRD, IFC, EIB and EIF), securing credit lines totalling €500 million. In the last two years, we have channelled €327 million to more than 2,000 SMEs and midcaps, ensuring the best possible terms. From 2010 onwards, outward-looking businesses have received from Eurobank more than €2.8 billion cumulatively, through various forms of financing.

The trust of our business customers helped us remain market leaders in the Greek factoring market and the area of investment services. Additionally, we continue to actively support significant initiatives in the areas of entrepreneurship, tourism, innovation and youth entrepreneurship. Such initiatives include:

- Organising the 1st Eurobank Greek Tourism Conference in partnership with the Greek Tourism Confederation (SETE).
- Instituting and organising the "Growth Awards" jointly with Grant Thornton, which aim to showcase creative, competitive and outward-looking Greek enterprises.
- Organising the fifth consecutive "Go In Athens" Business Missions Programme, as part of the Eurobank "Go International" initiative. This international initiative aims to boost the extroversion of the Greek economy and support Greek exporting enterprises. "Go In Athens" was supported by the Greek Ministry of Foreign Affairs and the Panhellenic Exporters Association (PEA), in partnership with the Greek International Business Association (SEVE), the Exporters' Association of Crete (EAC), the Hellenic Federation of Enterprises (SEV), SETE and five bilateral chambers of commerce.
- Organising and running the 3rd "Greece Innovates!" Applied Research and Innovation Competition jointly with Hellenic Federation of Enterprises (SEV). This initiative aims to showcase and support high-level scientific innovations and assist in attracting private investment funds.

Our commitment: "Putting you first"

Our concept of the role and place of Eurobank in society and the economy, both in Greece and in all the countries where we operate, can be summed up in our motto: "Putting you first". In 2016 we continued to put this commitment into action, leaning on the needs of each customer individually. We place major importance on direct and regular communication with our customers. To this end, we organised more than 300 events and seminars in Greece alone, often jointly with professional or other public bodies. Given that the social behaviours and the routine of citizens and our customers adjust to the norms, opportunities and capabilities that the new information and communication technologies have to offer, gradually yet rapidly, we fully developed digital communication channels and applications for the Bank, paying attention to providing targeted tailor-made information. The new digital presence of Eurobank was designed and promoted effectively through new media technologies (video campaigns, Facebook, Google, etc.), picking up significant awards in the process. The human-centric approach of our communication strategy offers directness, selectivity and a personal touch. It is directed towards providing solutions tailored to the needs of each individual customer, and supporting healthy private businesses, especially innovative and outward-looking ones, but also youth entrepreneurship.

One of the most recognised customer rewards programmes in the Greek market is "€pistrofi", which rewards the daily transactions of customers at 7,500 partner retailers, as well as their transactions though the e-Banking and mobile Banking platforms.

Building solid foundations for the future

Currently, our priority is to build solid foundations for Eurobank, which would enhance our immediate prospects and long-term success.

The new era in banking is built on transparency and the presence of strong leadership in any organisation. It also requires solid mechanisms for auditing the management, its decisions and its performance both externally, by the supervisory authorities, and internally, by authorised executives. True to these beliefs, we concluded all the necessary changes on time, based on the international standards and practices for corporate governance. Both our Board of Directors and our committees were formed based on the strict criteria laid down by the new legislative framework. The evaluation of the Board of Directors was successful as to its structure, size, composition and performance. Remarkable improvement was noted in all its activities. In this context, the induction process for new Board members as soon as they start their office term was instituted officially. This was also the case for the ongoing briefing of Board members.

Meanwhile the presentations of the Management to the Board of Directors on the financial performance and implementation of the Group strategies were enhanced and the option of the Board of Directors holding meetings away from the registered offices was adopted. The aim is to have the Board of Directors focusing on strategic matters and to foster communication between the Board members and the Management of the Bank. Finally, an Executive Risk Management Committee was formed, which is mainly responsible for supervising the risk management framework of the Bank. This ensures that significant risks are identified on time and that there are adequate procedures and policies in place for proper risk management and compliance of the Bank with the regulatory requirements.

Supported by the active contribution of its powerful shareholders, the Eurobank Board of Directors may respond to the strictest standards and combines international reach, long experience and an insight of banking in Greece and abroad. It is able to develop the strategic choices of the Bank and to guarantee that they are implemented.

Positive prospects

Greece, our main market, is expected to benefit immensely once the uncertainties that have marred the last few years have been lifted. The other markets where we operate have steady growth prospects. Within an environment of growth and supported by our primary pillars:

- We have built relationships of trust with our customers that can stand the test of time, so they can consider working with us a competitive advantage.
- We have developed our human resources. Our high-level professionals are proud to be working for a leading financial institution, have developed strong bonds with the Bank and view it as family.
- We are surrounded by powerful shareholders, an internationally acclaimed Board of Directors, and a Management team that enjoys the trust of shareholders, staff and customers, through broader social and professional recognition, a modern organisational model and a clear business plan.

In this way, we can make Eurobank a leading player in the banking industry over the coming years, by supporting our customers, assisting in developing the economies we serve and offering satisfactory return on capital to the shareholders who have placed their trust in us.

Nikolaos V. Karamouzis
Chairman of the Board of Directors

Fokion C. Karavias
Chief Executive Officer

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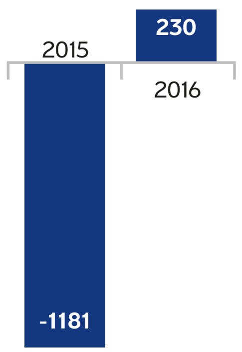
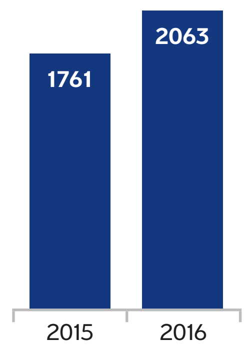
Financial Review

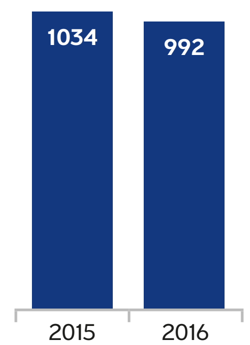
Net Result
(€ m)



Operating Income
(€ m)



Operating Expenses
(Like-for-like, € m)



Eurobank turned profitable in 2016, recording robust operating results. Net profit stood at €230 million, against losses of €1.2 billion in 2015. In more detail:

- Net interest income increased by 5.8% y-o-y to €1,548 million, driven by the reduction in eurosystem funding cost. Net interest margin expanded on an annual basis by 23 basis points to 2.25%.

- Net fee and commission income grew by 22.2% in 2016. This development was mainly due to the €42 million decrease of Pillar II bond expenses in 2016 versus 2015. Net fee and commission income accounted for 43 basis points of total assets, against 34 basis points in 2015.

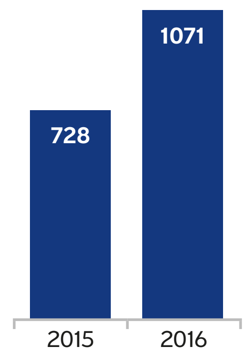
- As a result, core income rose by 8.2% y-o-y, reflecting improved business performance. Other operating income came at €217 million in 2016 and included €73 million EFSF bond gains. Thus, total operating income increased by 17.1% y-o-y to €2,063 million.

- Operating expenses decreased by 4.0%[1] in 2016 to €992 million. In Greece, expenses were down by 5.5%[1] y-o-y, as a result of consistent cost rationalization efforts. The cost / income improved by 1,006 basis points[1] y-o-y to 48.1%.

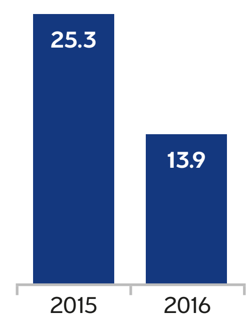
- Core pre-provision income grew by 26.8%[1] in 2016 to €854 million. Pre-provision income rose by 47.2%[1] y-o-y to €1,071 million.

[1]On a comparable basis: 2015 expenses include €29 million due to the reclassification of part of NPL expenses from loan loss provisions to operating expenses and exclude €12 million one-off contribution to the resolution of a cooperative bank.

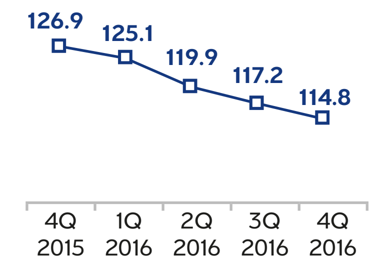
Pre-Provision Income
(Like-for-like, € m)



Eurosystem Funding Exposure
(€ bn)



Loans to Deposits
(%)



- Positive results were also achieved in the management of NPLs, as the formation of non-performing exposures (NPEs) and 90 days past due loans (90dpd) declined substantially, especially in the second half of the year. The NPE and the 90dpd ratios equaled 45.2% and 34.7% of total loans respectively. The coverage of NPEs and 90dpd loans improved to 50.7% and 66.1% respectively in 2016. Loan loss provisions came at €775 million in 2016 and accounted for 1.96% of net loans.

- International operations were profitable, with net profit before discontinued operations and restructuring costs rising to €123 million, from €67 million in 2015.

- Common Equity Tier I ratio (CET1) amounted to 17.6% of risk weighted assets at the end of 2016. On a fully-loaded basis, CET1 stood at 13.8%, up 70 basis points against 2015.

- ELA funding decreased by €8.1 billion y-o-y in 2016, while total Eurosystem funding declined by €11.4 billion to €13.9 billion, due to deposit inflows and increased repo transactions. Customer deposits grew by €2.6 billion in 2016 against 2015.

- Gross loans reached €50.7 billion at the end of 2016, with loans to businesses and households amounting to €26.5 billion and €24.2 billion respectively. The loans to deposits ratio improved to 114.8% in 2016, from 126.9% in 2015.

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Strategic Transformation Programme

In 2016, phase two of the Bank's Strategic Transformation Programme was put into effect. The Strategic Transformation Programme is a comprehensive, integrated programme launched in 2013 and focusing on the 3 key pillars:

a. Risk management and remedial/NPL management optimization.
b. Improved customer service business model seeking to maximise revenues and liquidity.
c. Redesigning of the Bank's operating model to increase efficiency and reduce expenses.

The programme's primary objective is to render Eurobank the most efficient, flexible and customer-oriented Bank in Greece, namely a bank that is capable of meeting efficiently all business and technological challenges of the modern environment and continuing to offer top-quality services to its customers.

In this context, in 2016 the following actions were planned and implemented on each of the key pillars of the Strategic Transformation Programme:

Risk Management and Remedial/NPL Management Optimization

- The structure and infrastructure of the Troubled Assets Group General Division was optimised and new talent was added to improve efficiency;
- A collaboration framework was set up between Eurobank and Alpha Bank, on one part, and KKR on the other, for the transfer of selected corporate loans granted by Eurobank and Alpha Bank and for the assignment of their management to Pillarstone;
- A special unit was established to enhance collateral-based solutions and to improve management and disposal of repossessed assets.

Improved Customer Service Business Model to Maximise Revenues and Liquidity

In Retail Banking, the structure of the branch network was redesigned. A pilot model was introduced comprising new roles, organisation and governance, with a view to improving customer service (customer-oriented culture) and employee satisfaction. The goal is to render Eurobank the bank-of-choice for its customers and to cut down on customer service costs. The new structure shall be fully deployed in 2017.

Moreover, new projects were launched on the digital front (CMS, m-banking) to optimise customer service on the basis of an omni-channel approach, while the redesign of the Bank's IT operating model and architecture was initiated.

In Corporate Banking, in 2016 continued to redesign the customer service structure, optimized business center footprint and centralised all transactional activities, while a credit analysis division was established to provide quality credit analysis to front line.

Redesign of the Bank's Operating Model to Increase Efficiency and Reduce Costs

In 2016, additional Bank departments and services were centralised to further improve efficiency and reduce costs.

Continuation of the Strategic Transformation Programme

The implementation of the Strategic Transformation Programme will continue in 2017, in an effort to optimise the operating model, promote the Bank's customer-oriented culture and enhance digitisation procedures. In this context, already planned actions, include inter alia:

- Full implementation of the new branch network structure operating model;
- Further customer segmentation to address different customer needs;
- Enhancement of data analytics, which is key to an integrated customer service model;
- Further digitisation and process automation as well as introduction of IT infrastructure improvements that have been already designed;
- Simplification of procedures to optimise efficiency.

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Corporate Governance

Transparency, credibility, social responsibility and accountability are fundamental corporate governance principles in the contemporary corporate and social environment. These principles define the framework for the achievement of the Group's objectives, govern the organisation, the operations and the activities of the Group and reflect Eurobank's values, safeguarding the interests of shareholders and of all other stakeholders. The Corporate Governance Code, describes the corporate governance principles and practices that have been adopted, in accordance with Greek law, the international best practices on corporate governance, and the Bank's contractual obligations to the Hellenic Financial Stability Fund (HFSF). The corporate governance principles applied by the Bank and at Group level ensure that:

- The composition and the operation of the Board of Directors ensure transparency, credibility, and consistency during the decision making process.
- All shareholders enjoy equal treatment and protection of their interests. They have access to adequate and timely information on the course of business of the Bank and the Group.
- The Bank's Internal Governance Control Manual, the Internal Governance Regulations of the Bank's subsidiaries, as well as the organisational structure of the Bank and its subsidiaries lead to a clear and distinct distribution of powers and responsibilities, and to the establishment of a concrete environment of internal control.
- Internal or external conflicts of interest situations are being prevented.

Finally, in order to ensure the best continuous application of the corporate governance principles throughout the scope of its business, Eurobank has set up the Group Company Secretariat Sector.

Board of Directors - Board Committees - Senior Management Bodies

Board of Directors

The Bank is headed by a Board of Directors, which is collectively responsible for the long-term success of the Bank. The Board exercises its responsibilities effectively and in accordance with the Greek legislation, international best practices and the Bank's contractual obligations to the HFSF, under the Relationship Framework Agreement (RFA) signed between the Bank and the HFSF.

The members of the Board are elected by the General Meeting of the Shareholders, which is the Bank's supreme body and also determines the precise number of the Board members, within the limits of the law and of the Articles of Association, their term in office, and designates the independent, non-Executive Directors.

Its term of office, following the resolution of the Bank's Annual General Meeting held on June 26, 2015, expires on June 26 2018, and in any case until the date the Bank's Annual General Meeting for the year 2018 will take place.

The Executive Directors have responsibility for the day-to-day management and control of the Group and the implementation of its strategy. The non-Executive Directors are responsible for the overall promotion and safeguarding of the Bank's interests, constructively challenge and help develop proposals on strategy, and approve, revise and oversee the implementation of the remuneration policy both at Bank and Group level. The Board meets regularly every quarter, as well as on an ad hoc basis whenever is required. During 2016, the Board held twenty six meetings (compared to forty in 2015), and the average ratio of the Directors attendance was 95.2% (compared to 95.5% in 2015). Decisions are taken following discussions, which exhaust the agenda items to the satisfaction of all Directors present.

Board of Directors - Board Committees - Senior Management Bodies

The current Board of Directors of the Bank, following the Board's decisions on 12.01.2017 and 28.04.2017, is as follows:

Board of Directors
NIKOLAOS V. KARAMOUZIS *Chairman, Non-Executive Director*
FOKION C. KARAVIAS *Chief Executive Officer, Executive Director*
STAVROS E. IOANNOU *Deputy Chief Executive Officer, Executive Director*
THEODOROS A. KALANTONIS *Deputy Chief Executive Officer, Executive Director*
GEORGE K. CHRYSSIKOS *Non-Executive Director*
RICHARD P. BOUCHER *Independent Non-Executive Director*
STEPHEN L. JOHNSON *Independent Non-Executive Director*
BRADLEY PAUL L. MARTIN *Independent Non-Executive Director*
JAWAID A. MIRZA *Independent Non-Executive Director*
GEORGE E. MYHAL *Independent Non-Executive Director*
LUCREZIA REICHLIN *Independent Non-Executive Director*
CHRISTINA G. ANDREOU *Representative of the Greek State under Law 3723/2008, Non-Executive Director*
KENNETH HOWARD PRINCE – WRIGHT *Representative of the Hellenic Financial Stability Fund under Law 3864/2010, Non-Executive Director*

Board Committees

The Board is assisted in carrying out its duties by Board Committees to which it delegates some of its responsibilities and approves their mandate and composition, save for the composition of the Audit Committee whose members are appointed by the General Meeting.

The Board receives regular and ad hoc reports from the Audit Committee, Board Risk Committee, Nomination Committee, Remuneration Committee and Strategic Planning Committee, and assesses their performance as per the provisions of the Bank's Board and Board Committees Evaluation Policy.

Audit Committee

The primary function of the Audit Committee is to assist the Board in discharging its oversight responsibilities primarily relating to the review of the adequacy of the Internal Control and Risk Management systems and the compliance with rules and regulations monitoring process, the review of the financial reporting process and satisfaction as to the integrity of the Bank's Financial Statements, the External Auditors' selection, performance and independence, the effectiveness and performance of the Internal Audit and of the Compliance function.

The General Meeting following a proposal by the Board appoints the Audit Committee members, among the members of the Board, for a term of three years with the option to renew their appointment for four more terms. The Audit Committee as a whole possesses the necessary skills and experience to carry out its duties.

The Audit Committee meets at least eight times per year or more frequently, as circumstances require, reports to the Board on a quarterly basis on its activities, submits the minutes of its meetings to the Board and submits annually an Activity Report of the Audit Committee to the Board. During 2016 the Audit Committee held twenty meetings (compared to eleven in 2015) and the average ratio of attendance was 94.3% (compared to 98% in 2015).

The composition of the current Audit Committee is as follows:

Audit Committee	
Chairman	**JAWAID A. MIRZA** *Independent Non-Executive Director*
Vice Chairman	**STEPHEN L. JOHNSON** *Independent Non-Executive Director*
Members	**RICHARD P. BOUCHER** *Independent Non-Executive Director*
	BRADLEY PAUL L. MARTIN *Independent Non-Executive Director*
	KENNETH HOWARD PRINCE - WRIGHT *Non-Executive Director,* *Representative of the HFSF*

Board of Directors - Board Committees - Senior Management Bodies

Board Risk Committee

The Board Risk Committee's purpose is to assist the Board in the following risk-related issues:

- to ensure that the Group has a well-defined risk strategy and risk appetite in line with its business/restructuring plan, and that the risk appetite is articulated in a set of qualitative and quantitative statements and risk tolerance levels for all relevant risks,
- to ensure that the Group has developed an appropriate risk management framework which is embedded in the decision making process (e.g. new products and services introduction, risk adjusted pricing, risk adjusted performance measures and capital allocation) throughout the Bank and its subsidiaries,
- to define the Group risk management principles and ensure that the Bank has the appropriate methodologies, modeling tools, data sources and sufficient and competent staff to identify, assess, monitor and mitigate risks,
- to review and assess the Bank's and Group's risk profile and effectiveness of its risk management policies and advise the Board accordingly (this review is supported by the Management Risk Committee regular reporting, including aspects of operational risk i.e. conduct and cyber risks and reputational risk),
- to ensure that appropriate stress tests are performed, at least on an annual basis, in relation to all major Group risks,
- to assess, at least on an annual basis, compliance with the approved risk appetite and risk tolerance levels, the appropriateness of risk limits, the adequacy of provisions and, in general, the capital adequacy in relation to the risks undertaken by the Group, through, amongst others, the annual report prepared by the Group Risk Management General Division and relevant extract of the report prepared by the Internal Audit Division,
- to keep the Board and Audit Committee updated on relevant risk matters and recommend to the Board the future risk strategy.

The Board Risk Committee members are appointed by the Board in accordance with the legal and regulatory framework where applicable for a term of three years with the option to renew their appointment for four more terms. The Board Risk Committee meets at least on a monthly basis and reports to the Board, on a quarterly basis. During 2016 the Board Risk Committee held thirteen meetings (compared to ten in 2015) with 90.0% attendance (compared to 93.8% in 2015).

The composition of the current Board Risk Committee is as follows:

Board Risk Committee	
Chairman	**RICHARD P. BOUCHER** *Independent Non-Executive Director*
Vice Chairman	**BRADLEY PAUL L. MARTIN** *Independent Non-Executive Director*
Members	**NIKOLAOS V. KARAMOUZIS** *Chairman, Non-Executive Director*
	JAWAID A. MIRZA *Independent Non-Executive Director*
	KENNETH HOWARD PRINCE - WRIGHT *Non-Executive Director,* *Representative of the HFSF*

Board of Directors - Board Committees - Senior Management Bodies

Remuneration Committee

The Board has delegated to the Remuneration Committee the responsibilities (a) to provide specialized and independent advice for matters relating to remuneration policy and its implementation at Bank and Group level and for the incentives created while managing risks, capital and liquidity, (b) to safeguard the proper exercise of its duties and responsibilities, the efficient alignment of the personnel's remuneration with the risks the Bank undertakes and manages and the required alignment between the Bank and the Group and (c) to approve or propose for approval all exposures of key management personnel. The Non-Executive Directors have the responsibility to approve and periodically review Bank's remuneration policy and oversee its implementation both at Bank and Group level.

The Remuneration Committee members are appointed by the Board for a term of three years with the option to renew their appointment for four more terms. The Committee meets at least twice a year. During 2016 the Remuneration Committee held eleven meetings (compared to thirteen in 2015) and the ratio of attendance was 89.7% (same as in 2015).

The composition of the current Remuneration Committee is as follows:

Remuneration Committee	
Chairman	**LUCREZIA REICHLIN** *Independent Non-Executive Director*
Vice Chairman	**BRADLEY PAUL L. MARTIN** *Independent Non-Executive Director*
Members	**STEPHEN L. JOHNSON** *Independent Non-Executive Director*
	KENNETH HOWARD PRINCE - WRIGHT *Non-Executive Director,* *Representative of the HFSF*

Nomination Committee

The Board has delegated to the Nomination Committee the responsibilities (a) to lead the process for Board and Board Committee appointments, (b) to identify, nominate and recommend candidates for appointment to the Board and (c) to consider matters related to the Board's adequacy, efficiency and effectiveness, and to the appointment of all executives of the Bank at the level of General Manager and above, as well as Heads of General Divisions.

The Nomination Committee members are appointed by the Board for a term of three years with the option to renew their appointment for four more terms.

The Committee meets at least twice a year. During 2016 the Nomination Committee held eleven meetings (compared to twelve in 2015) and the average ratio of attendance was 87.5% (compared to 90.0% in 2015).

The composition of the current Nomination Committee is as follows:

Nomination Committee	
Chairman	**LUCREZIA REICHLIN** *Independent Non-Executive Director*
Vice Chairman	**BRADLEY PAUL L. MARTIN** *Independent Non-Executive Director*
Members	**NIKOLAOS V. KARAMOUZIS** *Chairman BoD, Non-Executive Director*
	STEPHEN L. JOHNSON *Independent Non-Executive Director*
	GEORGE E. MYHAL *Independent Non-Executive Director*
	KENNETH HOWARD PRINCE - WRIGHT *Non-Executive Director,* *Representative of the HFSF*

Board of Directors - Board Committees - Senior Management Bodies

Strategic Planning Committee

The Strategic Planning Committee's purpose is to assist the Board's Executive Officers in planning, developing and implementing the Group's Strategy and also to recommend to the Board certain initiatives in relation to the Group's Strategy.

The Strategic Planning Committee members are appointed by the Board, on the recommendation of its Chairperson, following the proposal by the Nomination Committee. The Committee's members are appointed for a term of three (3) years that can be renewed up to three times.

The Strategic Planning Committee meets biweekly or ad hoc when necessary, keeps minutes of its meetings and reports to the Board on a quarterly basis and as required. During 2016 the Strategic Planning Committee held forty two meetings (compared to thirty six in 2015) and the ratio of attendance was 87.8% (compared to 93.4% in 2015).

The composition of the current Strategic Planning Committee is as follows:

Strategic Planning Committee	
Chairman	**NIKOLAOS V. KARAMOUZIS** *Chairman BoD, Non-Executive Director*
Members	**FOKION C. KARAVIAS** *Chief Executive Officer*
	STAVROS E. IOANNOU *Deputy Chief Executive Officer,* *Group Chief Operating Officer (COO) & International Activities*
	THEODOROS A. KALANTONIS *Deputy Chief Executive Officer,* *Troubled Assets Group*
	CHRISTOS N. ADAM *General Manager Group Risk Management,* *Group Chief Risk Officer (CRO)*
	KONSTANTINOS V. VASSILIOU *General Manager Group Corporate &* *Investment Banking*
	HARRIS V. KOKOLOGIANNIS *General Manager Group Finance,* *Group Chief Financial Officer (CFO)*
	CONSTANTINOS A. VOUSVOUNIS *Senior Advisor,* *Troubled Assets Group*

Senior Management Bodies

The CEO establishes committees to assist him as required. The most important Committees established by the CEO are the Executive Board, the Management Risk Committee, the Group Asset and Liability Committee, the Central Credit Committees (I & II) and the Troubled Assets Committee.

Executive Board

The Executive Board manages the implementation of Group's strategy, as developed by the Strategic Planning Committee, in line with the Board's guidance. The Executive Board meets on a weekly basis or ad hoc when necessary.

The composition of the current Executive Board as it was constituted on 02.09.2016 is as follows:

Executive Board	
Chairman	**FOKION C. KARAVIAS** *Chief Executive Officer*
Members	**STAVROS E. IOANNOU** *Deputy Chief Executive Officer,* *Group Chief Operating Officer (COO) & International Activities*
	THEODOROS A. KALANTONIS *Deputy Chief Executive Officer,* *Troubled Assets Group*
	CHRISTOS N. ADAM *General Manager Group Risk Management,* *Group Chief Risk Officer (CRO)*
	DIMOSTHENIS I. ARHODIDIS *General Manager Global Markets & Wealth Management &* *Head of Group Real Estate Asset Management*
	KONSTANTINOS V. VASSILIOU *General Manager Group Corporate &* *Investment Banking*
	IAKOVOS D. GIANNAKLIS *General Manager Retail Banking*
	CHRISTINA TH. THEOFILIDI *General Manager Individual Banking*
	APOSTOLOS P. KAZAKOS *General Manager Group Strategy*
	HARRIS V. KOKOLOGIANNIS *General Manager Group Finance,* *Group Chief Financial Officer (CFO)*
	ANASTASIOS L. PANOUSSIS *General Manager Retail Remedial*
	SOTIRIS C. SIRMAKEZIS *General Manager, Group Chief Digital &* *Technology Officer (CDTO)*
	CONSTANTINOS A. VOUSVOUNIS *Senior Advisor,* *Troubled Assets Group*
	MICHALIS L. LOUIS *Head of International Activities General Division*

Board of Directors - Board Committees - Senior Management Bodies

Management Risk Committee

The Management Risk Committee main responsibility is to oversee the risk management framework of Eurobank Ergasias S.A. The Management Risk Committee ensures that material risks are identified and promptly escalated to the Board Risk Committee and that the necessary policies and procedures are in place to prudently manage risk and to comply with regulatory requirements.

As part of its mandate, the Management Risk Committee reviews the Bank's and its subsidiaries risk profile vis-à-vis its declared risk appetite and examines any proposed modifications to the risk appetite. The Management Risk Committee reviews and approves the methodology, the parameters and the results of the Bank's stress testing programme. Additionally, the Management Risk Committee determines appropriate management actions which are discussed and presented to the Executive Board for information and submitted to Board Risk Committee for approval. The Executive Board meets on a monthly basis or ad hoc when necessary.

The composition of the current Management Risk Committee is as follows:

Management Risk Committee	
Chairman	**CHRISTOS N. ADAM** *General Manager Group Risk Management,* *Group Chief Risk Officer (CRO)*
Vice Chairman	**HARRIS V. KOKOLOGIANNIS** *General Manager Group Finance,* *Group Chief Financial Officer (CFO)*
Members	**FOKION C. KARAVIAS** *Chief Executive Officer*
	STAVROS E. IOANNOU *Deputy Chief Executive Officer,* *Group Chief Operating Officer (COO) & International Activities*
	THEODOROS A. KALANTONIS *Deputy Chief Executive Officer,* *Troubled Assets Group*
	CONSTANTINOS A. VOUSVOUNIS *Senior Advisor,* *Troubled Assets Group*
	KONSTANTINOS V. VASSILIOU *General Manager Group Corporate &* *Investment Banking*
	DIMOSTHENIS I. ARHODIDIS *General Manager Global Markets & Wealth Management &* *Head of Group Real Estate Asset Management*

Group Asset and Liability Committee (G-ALCO)

Group Asset and Liability Committee's (G-ALCO) primary mandate is to formulate, implement and monitor as may be appropriate the Group's a) liquidity and funding strategies and policies, b) interest rate guidelines, c) Group's capital investments, as well as FX exposure and hedging strategy and d) Group's business initiatives and/or investments that meaningfully affect the bank's market and liquidity risk profile and to approve or recommend changes to these policies that conform to the Bank's risk appetite and levels of exposure as determined by the Board Risk Committee and Management while complying with the framework established by regulatory and/or supervising bodies. G-ALCO convenes once a month and/or whenever required.

The composition of the current Group Asset and Liability Committee is as follows:

Group Asset and Liability Committee (G-ALCO)	
Chairman	**HARRIS V. KOKOLOGIANNIS** *General Manager Group Finance,* *Group Chief Financial Officer (CFO)*
Members	**STAVROS E. IOANNOU** *Deputy Chief Executive Officer,* *Group Chief Operating Officer (COO) & International Activities*
	THEODOROS A. KALANTONIS *Deputy Chief Executive Officer,* *Troubled Assets Group*
	CHRISTOS N. ADAM *General Manager Group Risk Management,* *Group Chief Risk Officer (CRO)*
	DIMOSTHENIS I. ARHODIDIS *General Manager Global Markets & Wealth Management &* *Head of Group Real Estate Asset Management*
	KONSTANTINOS V. VASSILIOU *General Manager Group Corporate &* *Investment Banking*
	IAKOVOS D. GIANNAKLIS *General Manager Retail Banking*
	ANASTASIOS C. IOANNIDIS *General Manager Global Markets and Treasury*
	IOANNIS A. SYNODINOS *Assistant General Manager,* *Head of Group Market and Counterparty Risk Sector*

Board of Directors - Board Committees - Senior Management Bodies

Central Credit Committees

Central Credit Committee I

The main objective of Central Credit Committee I (CCC I) is to ensure objective credit underwriting for all Greek corporate portfolio of performing customers as defined in the Credit Policy Manual - Performing Exposures, so that risk undertaking can be effected in a balanced way between satisfactory return on equity and credit quality.

The CCC I convenes at least once a week. The Chair of CCC I is a Management Consultant and its members are Bank's Senior Managers.

The main duty and responsibility of CCC I is to assess and approve all credit requests of the Greek wholesale performing portfolio for total exposure above €50 million and unsecured exposure above €35 million. For total exposure exceeding €75 million and unsecured exposure exceeding €50 million, additional signature from the Group Chief Risk Officer is required, while for total exposure exceeding €150 million and unsecured exposure exceeding €100 million, additional signature from Chief Executive Officer is required. Furthermore, for exposures higher than 10% of the bank's regulatory capital the additional approval of Executive Board is required.

Central Credit Committee II

The main objective of Central Credit Committee II (CCC II) is the same as for CCC I for lower levels of exposure. The CCC II convenes at least once a week. The Chair of CCC II is a Management Consultant and its members are Bank's Senior Managers. The main duty and responsibility of CCC II is to assess and approve all credit requests of the Greek wholesale performing portfolio for total exposure up to €50 million and unsecured exposure up to €35 million.

Troubled Assets Committee

The Troubled Assets Committee (TAC) is established according to the provisions of the Bank of Greece (BoG) Executive Committee Act (Act) No. 42/30.5.2014, as in force. TAC's main responsibility is to provide strategic guidance and monitor troubled assets management, ensuring independence from business and compliance with the requirements of BoG Act 42. The Committee meets at least once per month, while informs the Board and relevant committees on the results of its activities, at least quarterly.

The composition of the current Troubled Assets Committee is as follows:

Troubled Assets Committee	
Chairman	**CONSTANTINOS A. VOUSVOUNIS** *Senior Advisor,* *Troubled Assets Group*
Members	**HARRIS V. KOKOLOGIANNIS** *General Manager Group Finance,* *Group Chief Financial Officer (CFO)*
	ANASTASIOS L. PANOUSSIS *General Manager Retail Remedial*
	GEORGIOS I. NIKOLAKOPOULOS *Deputy General Manager,* *Head of Corporate Special Handling Sector*
	AIKATERINI P. KONIARI *Assistant General Manager, Head of Group Corporate* *and Investment Banking Credit Control Sector*
	AIKATERINI M. LYGEROU *Assistant General Manager,* *Head of Non Performing Clients Sector*

System Of Internal Controls

Principles of Internal Controls

Eurobank has established a system of internal controls that is based on international good practices and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories: efficient and effective operations; reliability and completeness of financial and management information; compliance with applicable laws and regulations.

Internal Audit

The primary role of the Internal Audit Group ("IAG") is to assist the Board and the Audit Committee by providing reasonable assurance, in the form of independent opinion, as to the adequacy, efficiency and effectiveness of the internal control framework of the Bank and its subsidiaries. The areas in scope of the Internal Audit Group include the Bank and its subsidiaries in Greece and abroad.

A direct reporting line to the Audit Committee strengthens the function of IAG and safeguards its independence. The Chief Audit Executive also holds separate private meetings with the Audit Committee. IAG is independent of the Bank units with operational responsibilities and for administrative purposes reports to the CEO.

IAG follows a risk-based methodology which examines the existence and adequacy of controls that address specific control objectives. Risk assessment covers all units, functions, processes and IT systems of the Bank and constitutes the basis for the preparation of the audit plan which leads to the execution of the audit assignments.

The outcome of the internal audit assignments is captured in the audit reports that are distributed to management, the Audit Committee and the external auditors. IAG holds regular periodical meetings with Senior Management to discuss audit findings and progress and prepares quarterly submissions to the Audit Committee.

IAG in Greece has 80 professionals with significant banking and audit experience. The majority of the IAG staff possesses professional qualifications from internationally recognized professional bodies such as ICAEW, ACCA, CIA and CISA.

IAG complies with the Institute of Internal Auditors' ("IIA") Framework for the Professional Practice of Internal Auditing and has been certified for the performance of audits in accordance with the IIA Standards.

External Auditors

The Annual General Meeting of the Shareholders that convened on 15.6.2016 assigned the statutory audit of the Bank's annual financial statements (consolidated and non-consolidated) for the fiscal year 2016 to "PricewaterhouseCoopers Auditing Company S.A." which appointed its member Mr. Marios Th. Psaltis, certified auditor (SOEL Reg. No 38081), as the statutory auditor, also appointing its partner, Mrs. Despina P. Marinou, certified auditor (SOEL Reg. No 17681), as his substitute in case of impediment of the statutory auditor.

In order to safeguard the independence of external auditors, the Bank has been consistently implementing a policy on external auditors' independence, as well as a policy in regard to the tendering process followed by the Bank for the assignment of the statutory audit of its financial statements to external auditors.

As part of the policy on external auditors' independence, the rules concerning the services provided by external auditors are founded on three key principles, the violation of which could affect the auditors' independence: (1) an auditor may not audit his or her own work; (2) an auditor may not perform any administrative role and (3) an auditor may not provide any services prohibited by the Law or the Bank's policy.

Regarding the tendering policy that the Bank follows to assign the statutory audits of its financial statements to external auditors, the main objective is to define the framework by which the Bank receives offers from candidate auditing firms on a periodic basis in order to ensure that (a) the auditors' independence is not compromised and (b) the most appropriate auditors are selected to carry out the Group's statutory audit through a transparent and objective selection process.

Group Compliance

The Board of Directors has delegated responsibility for monitoring the activity of Group Compliance (GC) to the Audit Committee which appoints the Head of GC and assesses his performance. The Head of GC reports directly to the Chairman of the Board of Directors and to the Audit Committee, and for administrative purposes to the CEO. GC supervises the overall compliance function in the Group. Within this framework, it supervises, monitors, coordinates and evaluates the activity of Compliance Units and the respective Compliance Officers of the Group's Subsidiaries, both in Greece and abroad.

GC's most important activities in 2016 are outlined below:

- Followed up regulatory developments in the areas covered by GC and provided advice and support to the Bank Units to ensure implementation of the necessary changes.
- Raised bank-wide awareness on Compliance issues through a communication strategy that included the use of meetings, presentations, circulars, e-learning, and classroom training. Special emphasis was given to the "Compliance responsible officers / liaison officers" within the Bank's units by providing them classroom training on AML, CoC and Data Protection issues.
- Enhanced its monitoring role in the AML area by setting up a methodology for carrying out AML reviews and by conducting relevant monitoring assignments.
- Updated and further enhanced the Bank's AML IT systems and finalized the approach for the integration of the existing software applications that are used for capturing suspicious activity in a single platform.
- Ensured adherence to the requirements of BoG Act 2652/2012 and centralized the AML alerts associated with potential tax evasion as a predicate offence for AML purposes.
- Managed a large number of cases concerning anti-money laundering and combatting of terrorism as well as information provision to supervisory and tax Authorities.
- Completed various IT projects related to the electronic provision of customer data to supervisory and other authorities.
- Concluded to a gap analysis, a high impact assessment and a high level action plan in the context of the implementation of the updated MiFID II Directive and the new MiFIR regulation, with the guidance of external consultants and in co-operation with representatives from the business units and other functions.
- Updated the Bank's Conflict of Interest Policy.
- Followed up proper implementation of the US "Foreign Account Tax Compliance Act" and the OECD "Common Reporting Standard" and Directive 2014/107/EU requirements.
- Implemented the new requirements regarding the Deposit and Investments Guarantee Fund (TEKE) and ensured alignment with the relevant regulation.
- Standardised and further strengthened the monitoring and supervision of international subsidiaries.
- Effectively coordinated the Compliance Officers in its subsidiaries so as to ensure that their activities are always in line with Group standards.
- Designed its optimal organisational structure with the assistance of external consultants.

At the same time, in order to implement the UN Global Compact's 10th principle against corruption, the Bank has adopted:

- A Staff Code of Conduct and an Anti-bribery Guideline.
- Specialised staff training courses.
- Control mechanisms and procedures and use of IT systems to prevent and suppress money laundering, as well as fraud detection systems.

GC's key aim for 2017 is to continue monitoring the timely and effective compliance with changes in the legal and regulatory framework, as well as safeguarding the good name and standing of the Bank and its Group towards its shareholders, customers, investors and supervisory and other authorities.

In 2017, GC will give emphasis to the following:

- Expand its activities. Particular emphasis will be placed on setting up a Regulatory risk assessment framework.
- Follow up regulatory developments in the areas covered by GC, provide advice and support to the Bank Units to ensure implementation of the necessary changes and ensure that the Bank's policies are aligned with the new regulatory requirements.
- Ensure that the necessary IT projects approved by the IT Steering Committee are implemented in 2017.
- Monitor the implementation of the corrective actions resulted from previous audits and reviews and assist the Bank in addressing the deficiencies identified.
- Strengthen the control environment with regards to compliance issues by further empowering and training the compliance liaison persons who work in the business units.
- Enhance its supervisory role in relation to subsidiaries, with emphasis to the local subsidiaries.
- Introduce/upgrade automation in order to improve efficiency and reduce risk of human error.
- Formalise and homogenise internal documentation of processes and procedures in order to improve efficiency.
- Further strengthen its resources particularly as far as skills are concerned, through appropriate training and certification initiatives.
- Enhance its training activity by introducing e-learning training sessions on additional compliance matters and by increasing the number of the certified trainers on compliance issues.
- Redefine its mandate and implement a new organisational structure.

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Risk Management

The Group acknowledges that taking risks is an integral part of its operations in order to achieve its business objectives. Therefore, the Group's management establishes adequate mechanisms to identify those risks at an early stage and it assesses their potential impact on the achievement of the corporate objectives.

The Board of Directors has entrusted the Board Risk Committee with certain tasks regarding the design and formulation of the risk management strategy, the management of assets and liabilities, and the creation of effective mechanisms for identifying, assessing and managing the risks that emanate from the Group's overall activities. The Board Risk Committee comprises of five non-Executive Directors, convenes on a monthly basis and reports to the Board of Directors on a quarterly basis.

The Group's Management has allocated significant resources for upgrading its policies, methods and infrastructure, in order to ensure compliance with the requirements of the European Central Bank (ECB), the guidelines of the European Banking Authority (EBA) and of the Basel Committee for Banking Supervision as well as with the best international banking practices.

Risk Appetite Framework

The maximum amount of risk which the Group is willing to assume in the implementation of its strategic objectives is articulated via a set of quantitative and qualitative statements for specific risk types, including specific tolerance levels, as described in the Group's Risk Appetite Framework. The objectives are to support the Group's business growth, balance a strong capital position with higher returns on equity and to ensure the Group's adherence to regulatory requirements. Risk appetite is clearly communicated throughout the Group, determines risk culture and forms the basis on which risk policies and risk limits are established at Group, business and regional level.

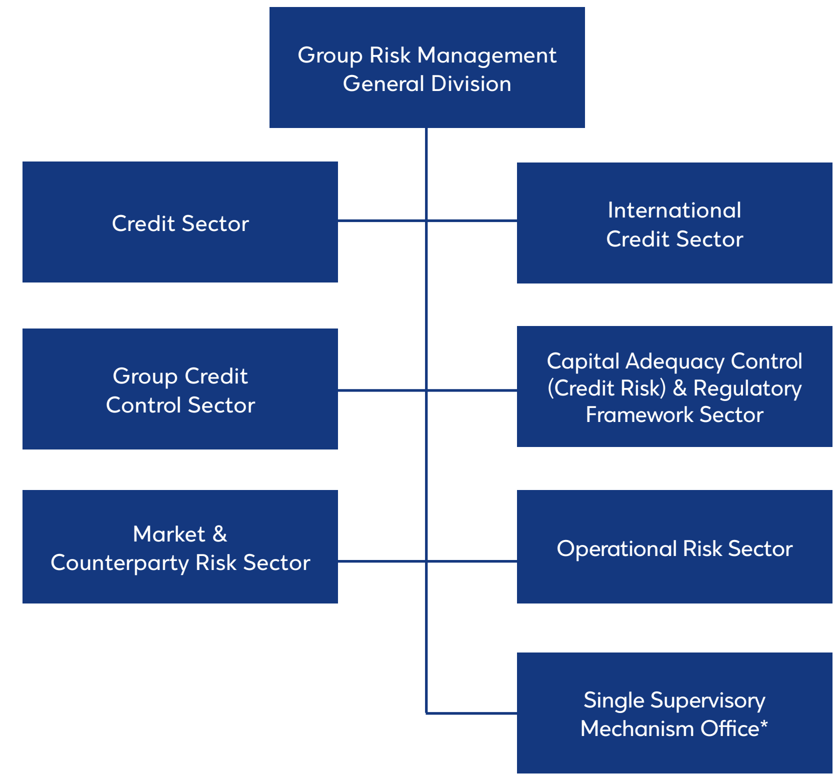
The Group's Risk Appetite Framework comprises the following components:

- Risk Bearing Capacity – this reflects the maximum level of risk at which the Group can operate within capital constraints, funding needs and stakeholder obligations;
- Risk Appetite – this reflects the maximum level of risk that the Group is willing to take in pursuit of its strategic and business objectives. Risk Tolerance reflects the degree of management's acceptance of current risk exposure levels, applicable to certain non-financial risks (e.g. operational risk) which are not actively taken but are tolerated;
- Risk Limits – these reflect specific values, determined per risk type, which are the maximum risk exposures that the Bank is willing to take. These limits are monitored on a regular basis.

The Risk Appetite Framework is appropriately documented. The Board Risk Committee reviews and approves the risk appetite statements and thresholds on an annual basis to ensure that they are consistent with the Group's strategy, business environment and stakeholder requirements. Risk appetite tolerance limits are set at different trigger levels, with clearly defined escalation requirements which enable appropriate actions to be defined and implemented in a timely manner. In cases where the tolerance levels are breached, it is the responsibility of the relevant units to bring it to the attention of the Board Risk Committee.

Risk Management Structure

The Group's Risk Management General Division, which is headed by the Group Chief Risk Officer (GCRO), is independent from the business units and is responsible for the monitoring, measurement and management of credit, market, operational and liquidity risks of the Group. It comprises of the Credit Sector, the International Credit Sector, the Group Credit Control Sector, the Capital Adequacy Control (Credit Risk) & Regulatory Framework Sector, the Group Market & Counterparty Risk Sector, the Operational Risk Sector, and the Single Supervisory Mechanism Office.



**The SSM Office also reports to the Group Chief Financial Officer.*

Credit Risk

Definition of Credit Risk

Credit risk is the risk that a counterparty will be unable to fulfill its payment obligations in full when due. Credit risk also includes country, dilution and settlement risk.

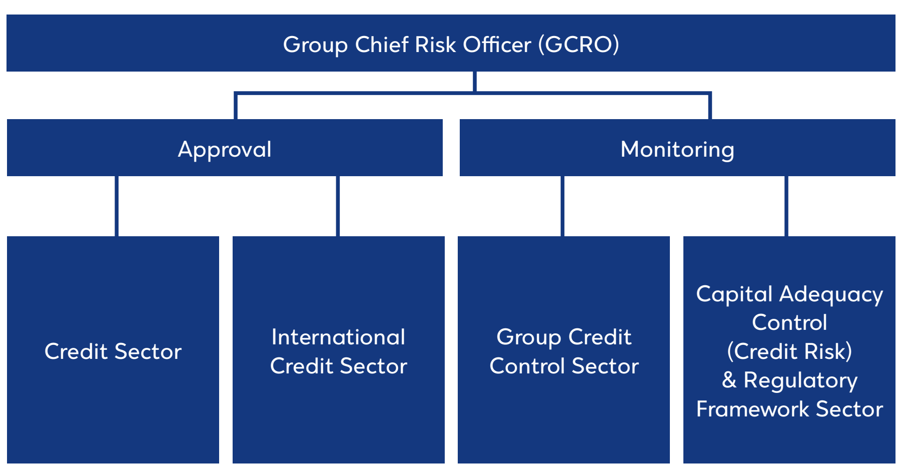
Credit risk arises principally from the corporate and retail lending activities of the Group, including mainly credit enhancement provided, such as financial guarantees and letters of credit. The Group is also exposed to credit risk arising from other activities such as investments in debt securities, trading activities, capital markets and settlement activities.

Credit risk is the single largest risk Group is exposed. It is rigorously managed and monitored by centralized specialized risk units, reporting to the Group Chief Risk Officer.

Credit Risk Organization

The diagram below depicts the organisational structure of credit risk of the Bank. All International Bank subsidiaries (Bulgaria, Romania, Serbia, Cyprus, Luxembourg) apply an identical structure of credit risk management and control procedures, in accordance with the parent Bank. The Risk Executive of each subsidiary bank reports directly to Group Chief Risk Officer. Credit risk policies and procedures are approved and monitored by Credit Risk Management units, thus ensuring their consistent implementation across the entire Group.

In addition, credit approval and credit review procedures are centralised at country level. Key principle for the Bank is to ensure that the units responsible for the customer relationship are independent of those responsible for the approval, disbursement and monitoring of the loan over its entire life.



The credit approval process in Corporate Banking is implemented with escalating credit approval levels through the following Credit Committees:

- Credit Committees authorized to approve new financing, renewals or amendments in the existing credit limits, in accordance with their approval authority level, depending on total limit amount and customer risk category (i.e. high, medium or low), as well as the value and type of security.
- Special Handling Credit Committees authorized to approve credit requests and take actions for distressed clients.
- International Credit Committees appointed to approve new lending facilities, renew or modify existing as well as to decide on the handling of distressed corporate borrowers of the International subsidiaries, when exposures exceed the delegated authorities of each country.

In addition, other specialized committees have been established, in order to monitor specific portfolios (e.g. staff loans). All Credit Committees convene on a weekly basis, or more frequently if required.

Credit Sector

The main responsibilities of the Credit Sector are evaluation of credit requests of large and medium scale corporate entities and specialized units, as well as credit requests of retail sector's customers (small businesses and household lending) above a predetermined threshold. The Credit Sector participates with voting rights in all Credit Committees.

With respect to the meetings of the Credit Committees (Central, Local and Special Handling), is responsible for the preparation of the meeting agendas, the electronic distribution of the respective material as well as for the preparation of minutes jointly with the Chairman of the Central Credit Committees' Office. Credit Sector is also responsible for the maintenance of the credit approval archives of the Bank.

In addition, Credit Sector provides specialised knowledge, expertise and supports other divisions in relation to operational and credit procedures, as well as collaterals' policies.

International Credit Sector

The International Credit Sector is primarily responsible to actively participate in the design, implementation and review of the credit underwriting function for the wholesale portfolio of the International Subsidiaries. Moreover, International Credit Sector advises and supports Risk Divisions of the International Subsidiaries. Head of International Credit Sector chairs the Risk Committees of the Group's subsidiary banks. Also, the Sector is responsible for the operational support of International Credit Committees where its Head & Senior Managers participate with voting rights.

Group Credit Control Sector

The quality of the Group's loans portfolios (business, consumer and mortgage in Greece and abroad) is monitored and assessed by the Group Credit Control Sector. The Credit Control Sector operates independently from the other units of the Bank and conducts field reviews at the Bank's (corporate and retail) business units. It is also responsible for establishing and reviewing credit policies in regard to the corporate and retail lending portfolios, as well as for the formulation/revision of the respective provisioning policies.

Credit Risk

Capital Adequacy Control (Credit Risk) & Regulatory Framework Sector

The main responsibilities of the Capital Adequacy Control (Credit Risk) & Regulatory Framework Sector are to develop and maintain the IRB approach in accordance with the Basel framework and the Capital Requirements Directive (CRD) for the loans portfolio of the Group. The Sector is also responsible for validating, on an annual basis, the credibility of the models used by the Bank, to measure risk parameters and the capital requirements of the lending portfolios.

The Capital Adequacy Control (Credit Risk) & Regulatory Framework Sector is also responsible to manage credit risk regulatory related issues, such as Asset Quality Reviews (AQR) and stress tests.

Troubled Assets Management

The Troubled Assets Group General Division has the overall responsibility for the management of the Group's troubled assets portfolio and ensures close monitoring, tight control and course adjustment taking into account the continuous developments in the macro environment, the regulatory and legal requirements, the international best practices and new or evolved internal requirements.

The Troubled Assets Group General Division cooperates with Group Risk Management to reach a mutual understanding of the implemented practices and to develop appropriate methodologies for the assessment of risks and to deploy appropriate strategies/policies for all the loan portfolios under management. The Troubled Assets Group General Division proposals and reports are submitted to the Board of Directors and its Committees and also to the Group Chief Risk Officer on a quarterly basis, or more frequently if it is required.

Measurement of Capital Requirements for Credit Risk

In June 2008, the Group obtained the approval from Bank of Greece to use the Internal Ratings-Based (IRB) Approach to calculate regulatory capital requirements for credit risk. Therefore, effective as of 1.1.2008, the Group has been applying:

- The Foundation Internal Ratings-based Approach (Foundation IRB) for calculating risk-weighted assets for the Bank's corporate credit facilities to large and medium-sized enterprises in Greece.
- The Advanced Internal Ratings-based Approach (Advanced IRB) for the majority of the Bank's retail lending portfolio, e.g. mortgage loans, small business loans, credit cards and revolving consumer loans.

The implementation of IRB covers 74% of the Group's lending portfolio excluding portfolio segments which are immaterial in terms of size and risk profile as well as, permanent exemptions. The Bank is in the process of reviewing the IRB roll out plan taking into account the recently issued draft guidelines, the effect of restructuring plan commitments and its business plan. The updated roll out plan will be subject to ECB/SSM approval.

Rating Systems

Rating of Large & Medium-Sized Enterprises

The Bank uses various rating systems to assess corporate customers, in order to more accurately reflect the risks associated with customers who have different characteristics. These systems are:

- Traditional corporate lending: Moody's Risk Advisor (MRA)/Internal credit rating (ICR) system for those customers that cannot be rated by MRA.
- Specialized lending (shipping, real estate and project finance): slotting methodology.

The MRA and ICR aggregate quantitative and qualitative information about companies, in order to assess their creditworthiness and determine their credit rating.

In addition, the Bank performs an overall assessment of corporate customers, based both on the borrower rating of the customer (MRA or ICR) and on the collateral and guarantees provided against the credit facility, using a fourteen-grade scale.

In the case of specialized lending portfolios, i.e. those whose primary source of repayment is the income generated by the financed assets, the Bank applies the slotting method.

The rating systems described above are an integral part of the corporate lending decision making and risk management procedures:

- The credit approval process, at both origination and renewal and in the impairment assessment process for the value of loans.
- The calculation of the Economic Value Added of a lending relationship.
- The Risk Adjusted Pricing.

Retail Lending Ratings

The Bank assesses the credit risk of loans extended to retail customers on the basis of statistical models, both at origination, and on an ongoing basis, using behavioural scorecards.

These models have been developed to predict, on the basis of the available information, the probability of default, loss given default, and exposure at default. They cover the entire range of retail banking products (credit cards, consumer loans, car loans, mortgage loans, and small business loans).

The models are widely used in several processes, such as the approval process, the credit limit management, the collections' process, the risk-based segmentation of customers, the risk-based pricing of products or services and finally the calculation of provisions.

The rating systems used by the Bank meet the requirements of the Basel III Internal Rating-Based (IRB) Approach. The Bank's policy is to validate credit risk assessment models and risk parameters with the use of qualitative and quantitative criteria, in accordance with the best international practices and the regulatory requirements.

Credit Risk

Loans and Advances

The following table presents the geographical and industry breakdown of the Group's loans and advances to customers at 31.12.2016, as disclosed for IFRS purposes.

	31 December 2016								
	Greece			Rest of Europe			Other Countries		
	Gross amount € million	Out of which: Impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: Impaired amount € million	Impairment allowance € million	Gross amount € million	Out of which: Impaired amount € million	Impaired allowance € million
Retail Lending	**27,796**	**14,164**	**(6,720)**	**3,510**	**994**	**(369)**	**16**	**0**	**(0)**
- Mortgage	15,980	6,360	(2,132)	1,849	346	(140)	15	-	(0)
- Consumer	3,910	2,687	(2,156)	766	201	(40)	0	0	(0)
- Credit Card	1,444	733	(527)	207	75	(8)	0	0	(0)
- Small business	6,461	4,384	(1,904)	688	372	(181)	-	-	-
Wholeshale Lending	**13,222**	**6,433**	**(3,534)**	**3,638**	**1,367**	**(833)**	**1,816**	**173**	**(133)**
- Commerce and services	6,336	3,356	(2,142)	1,547	627	(345)	672	107	(100)
- Manufacturing	2,786	1,057	(497)	569	162	(128)	12	-	(0)
- Shipping	106	43	(18)	109	12	(63)	795	65	(32)
- Construction	2,071	1,270	(673)	1,068	520	(270)	89	1	(1)
- Tourism	1,429	686	(173)	115	17	(5)	-	-	-
- Energy	290	8	(10)	42	-	(5)	0	-	-
- Other	204	14	(21)	189	29	(16)	248	-	(0)
Public Sector	**635**	**1**	**(9)**	**23**	**-**	**-**	**-**	**-**	**-**
Total	**41,653**	**20,598**	**(10,263)**	**7,171**	**2,361**	**(1,202)**	**1,831**	**173**	**(133)**

Loan Portfolio Quality

At the end of the year accumulated provisions amounted to €11.6 billion, covering 66.1% of 90 days past due loan, which are 34.7% of total loans. The following table summarises the lending portfolio's quality:

31 December 2016			
	>90 dpd ratio (%)	> 90dpd (€bn)	90dpd Coverage (%)
Consumer loans	47.2	3.0	91.2
Mortgages	27.6	5.0	46.0
Small Business	51.9	3.7	56.1
Corporate	30.6	5.9	76.6
Total	**34.7**	**17.6**	**66.1**

Market, Counterparty & Liquidity Risk

Market Risk

The Group is exposed to market risks, which arise from open positions in interest rate, foreign exchange, and equity products, or combinations thereof, which are affected by general and specific market volatility.

Definition and Policies

In order to ensure the efficient monitoring of market risks that emanate from its overall activities, the Group adheres to certain principles and policies. The objectives of the market risk policies applied by the Group are to:

- establish an effective market risk monitoring and management framework at Group level;
- ensure regulatory compliance and
- create a competitive advantage over competition through more accurate assessment of the risks assumed.

Internal Models

The Bank uses its own, validated by the Bank of Greece since 2005, internal VaR model in order to calculate capital requirements for market risk in its trading book, for the Bank's activities in Greece. The Bank, also uses respectively internal models in order to calculate and manage market risk of trading portfolio as well as investment portfolio.

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to certain limitations. Given this, actual outcomes are monitored regularly, via back testing process, to test the validity of the assumptions and the parameters used in the VaR calculation.

Average VaR by Risk Type (Trading and Investment portfolios) - Greece and Cyprus		
	2016 Average € million	**2015** Average € million
Interest Rate Risk[1]	17	47
Foreign Exchange Risk	1	2
Equities Risk	2	4
Total VaR	**18**	**49**

[1] Interest rate volatility applied to all portfolios. Credit spread volatility applied to Trading and Available-for-sale positions.

Market, Counterparty & Liquidity Risk

Incremental Risk Charge

As part of the market risk of the trading book is also the risk associated with bankruptcy and credit degradation of debt securities. The Bank uses Credit Var methodology in order to calculate additional funds for that risk (Incremental Risk Charge - IRC). This methodology calculates the possible negative change in the market value of a securities portfolio associated with bankruptcy or downgrade events for a medium-term period, typically a year.

Standardised Approach for Market Risk

The Bank uses the Standardised Approach for the measurement of market risk exposure and capital requirements of its subsidiaries in Greece and in International operations. The following table summarizes the capital requirements for market risk per risk factor, based on the Standardised approach, at 31 December 2016:

	2016 € million	2015 € million
General risk of traded debt instruments	1	2
Specific risk of traded debt instruments	-	-
General and specific risks of equities	1	-
Credit valuation adjustment risk (CVA)	9	11
Foreign exchange risk	6	35
Total	**17**	**48**

Standardised Approach for Credit Risk of Investment Portfolio

The Bank uses the Standardised Approach for the measurement of credit risk of investment portfolio and capital requirements. The following table summarizes the capital requirements:

	2016 € million
Debt securities	56
Shares	19
Total	**75**

Counterparty Risk

Definition

Counterparty risk is the risk that a counterparty in an off balance sheet transaction (i.e. derivative transaction) defaults prior to maturity and the Bank has a claim over the counterparty (the market value of the contract is positive for the Bank).

Counterparty Risk Monitoring

The current exposure as at 31.12.2016 is presented in the following table:

31 December 2016	Current exposure before netting € million	Current exposure after netting € million	Netting effect € million	Collateral received / (paid) € million	Total exposure after netting and margin collateral € million
Contracts under ISDA and CSA (derivatives)	1,992	1,189	803	(454)	211
Contracts under GMRA (repos and reverse repos)	1,515	1,514	1	(39)	1,548
Other contracts (derivatives and repos out-side ISDA and CSA, GMRA)	104	104	-	-	104
Total	**3,611**	**2,807**	**804**	**(494)**	**1,863**

Notes

1. *Netting and collateral posting is applied per counterparty only for contracts under ISDA, CSA or GMRA.*
2. *Repo and reverse repos with central banks (Bank of Greece, European Central Bank, etc) are excluded.*
3. *In case of exposure calculation on transactions under GMRA, haircuts are taken into account and increase the exposure.*
4. *In case of exposure calculation on transactions under CSA threshold & independent amounts are taken into account and increase the exposure.*
5. *In the "Collateral received / (paid)" column we include Greek Treasury bills received as collateral through the CSA signed with Public Debt Management Agency (PDMA).*

Liquidity Risk

Liquidity risk management is very important for the operation and profitability of a bank.

The Group's Liquidity Risk Management structure:

- Board Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk.
- Group Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Group's risk appetite, and to review at least monthly the overall liquidity position of the Group.
- Group Treasury is responsible for the implementation of the Group's liquidity strategy, the daily management of the Group's liquidity and for the preparation and monitoring of the Group's liquidity budget.
- Global Market and Counterparty Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Group.

Operational Risk

Governance

Acknowledging the fact that operational risk is embedded in every business activity undertaken, the organisational governance is determined by the Board of Directors through the Executive Board and Senior Management to the Heads and staff of every business unit. The framework of organisational governance applies to all countries of the Group's business activities respectively.

An Operational Risk Unit operates in every subsidiary of the Bank, being responsible for implementing the Group's operational risk strategy and framework in the jurisdiction the Bank operates.

The BoD monitors, through the Board Risk Committee, the operational risk level and profile including the level of operational losses, their frequency and severity, and through the Audit Committee, the status of operational risk-related control issues.

The Operational Risk Committee assesses the operational risks arising from the activities of the Group, ensures that each business entity has appropriate policies and procedures for the control of its operational risk and that prompt corrective action is taken whenever a high risk area is identified.

The Group Chief Risk Officer is responsible for any operational risk related initiative and ensures implementation of the operational risk policy. The Group Chief Risk Officer has the overall responsibility and oversight of the Operational Risk Units in the countries that the Group operates. The prime responsibility for operational risk management lies with the respective Head of each business unit.

The Operational Risk Sector is responsible for defining and implementing the methodology for the identification, assessment, reporting of operational risk in accordance with BoD and BRC decisions, implementing regulatory requirements and Group guidelines. It monitors the operational risk level and profile and reports to the Board Risk Committee on a regular basis.

Operational Risk Management Framework

The Group Operational Risk framework is based on four elements: (1) Principles; (2) Governance & Organisation; (3) Procedures and (4) Infrastructure.

Operational risk activities consist of risk identification, assessment (including measurement and valuation), control management, risk mitigation, risk reporting and performance improvement.

The above are supported by, and implemented with the following operational risk tools/methods:

- Risk & Control Self-Assessment (RSCA): a technique aiming to identify, assess and ultimately mitigate operational risk.
- Key Risk Indicators (KRIs): metrics based on historical data relevant to specific and measurable activities indicating operational risk exposures.
- Operational risk events: identified and recorded with the purpose of populating the internal operational risk event database and creating reports.
- Operational risk scenario analysis, which assesses exposure to a range of significant operational risks through the examination of extreme or catastrophic yet plausible future events.
- Operational risk reporting, for internal and regulatory purposes.
- Operational risk capital charge calculation using the appropriate methodology and assumptions.
- Fraud risk management: constitutes a major commitment of the Group to mitigate fraud risk and reduce fraud losses.
- Operational risk mitigation: the Bank is covered by the Crime & Professional Liability Insurance which is purchased through the London Market, covering the entirety of its operations Group-wide.

Operational Risk Capital Requirements Calculation

As required by Basel III for the use of the Standardised Approach, the Group's business activities have been divided into eight business lines and the annualized gross operating income for each of for the last three years is calculated for each business line. The required business line beta factors are then applied to the relevant business line gross operating income, to establish the required regulatory capital per business line; with these numbers summed together to establish the overall Pillar 1 regulatory capital requirements for operational risk. The relevant amount for the operational risk on 31.12.2016 was €241.7 million.

Single Supervisory Mechanism

The Single Supervisory Mechanism (SSM) is a banking supervision system in Europe, comprising the ECB and the national regulatory authorities of the participating countries. Its key objectives are:

- To ensure the security and robustness of the European banking system;
- To promote financial integration and stability; and
- To ensure consistent supervision.

The SSM is one of the two pillars of banking integration in the EU. The other pillar is the Single Resolution Mechanism, whose main purpose is to ensure the effective resolution of bankrupt banking institutions, minimising the cost for tax payers and for the real economy. As a regulatory authority, the ECB plays a key role in deciding whether a banking institution is bankrupt or facing that potential.

As an independent EU institution, the ECB coordinates banking supervision from a European perspective by:

- Establishing a single approach in terms of daily supervision;
- Applying harmonised supervisory actions and corrective measures;
- Ensuring the consistent implementation of regulatory supervising policies and regulations.

The ECB, acting in cooperation with the national regulatory authorities, is responsible for ensuring the effective and consistent European banking supervision.

Its responsibilities include the following:

- Carrying out supervisory inspections, dawn raids and investigations;
- Granting or revoking banking authorisations;
- Assessing the need for banks to acquire and sell specific holdings;
- Ensuring compliance with EU's prudential supervision rules;
- Setting stricter capital requirements (called "capital buffers") to address potential financial risks.

In this context, the ECB has drafted an "integrated rules handbook", laying down legal and administrative standards for more efficient regulation, supervision and management of the financial sector throughout the EU. These rules refer, among others, to capital requirements and to recovery and resolution procedures, while they also introduce a harmonised system of national deposit guarantee schemes.

With a view to meeting efficiently the demanding requirements of the regulatory authorities, the Bank has established the Single Supervisory Mechanism Office (SSM Office) with coordinating and supervisory powers over the initiatives and projects relating to the SSM and SRM institutional framework. SSM Office serves as a central point of reference for the requests of the regulatory authorities.

The Single Supervisory Mechanism Office Director ("SSMO Director") reports to the Group CRO and to the Group CFO.

As part of its duties, the SSMO works closely with all Group Departments reporting to the Group CRO and the Group CFO as well as with the Group General Strategy Division.

SSMO basic responsibilities include:

- Promoting the relations with the regulatory authorities and ensuring Bank's prompt and efficient compliance with regulatory requirements (ECB, BoG, SRB);
- Monitoring the regulatory framework and relevant guidelines, texts for consultation, announcements etc. issued by the Single Supervisory Mechanism, the Single Resolution Mechanism and the European Banking Authority;
- Identifying promptly any regulatory requirement applicable to the Bank, informing the Administration and supporting the Group CRO and Group CFO in harmonising the Bank's business strategy with such requirements;
- Internal organisation and management of tasks relating to regulatory requirements, e.g. Internal Capital Adequacy and Liquidity Evaluation Procedures, Recovery Plan and Risk Assumption Framework.

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Activity Pillars

Retail Banking

After a year of unprecedented difficulty for the banking sector, 2016 was yet again a particularly demanding year. Within an unstable economic environment, of ever-changing financial conditions, Eurobank Retail Banking kept focusing on customer needs and building relationships of trust and mutual benefit:

- It supported the extrovert and innovative enterprises, capitalising on European and non-European guarantee and financing programmes, through collaboration agreements with national, European and International Institutions/Organisations such the EIF, the EBRD, the IFC, the European Investment Bank (EIB) and ETEAN S.A.
- It offered tourism sector professionals and SMEs, a programme of products and services under favourable terms, acknowledging the contribution of tourism in the recovery of the Greek economy.
- It adopted an integrated development strategy for the groups and sub-groups of its individual customers, adopting a customer-centric approach.
- It upgraded the entire range of digital transactions, by introducing innovative, award-winning mobile apps – such as the new, easy, secure and multi-functional *Eurobank Mobile App* and the revamped *€pistrofi app* – offering a broad range of services through a state-of-the-art, user-friendly environment.
- It increased household deposits, promoting the primary objective of the Bank, which is to ensure sufficient liquidity, as well as safeguard and improve profitability.
- It started to expand the successful Personal Banking model - a platform developing relations and offering personal customer service - to the New TT Branch Network.
- It extended the successful *€pistrofi card rewards programme*, with more than 7,500 partner retailers from a diverse range of sectors participating in it. The programme offers customers the chance to benefit from collecting more euros for their purchases when they use their cards. At the same time, responding to the ever-increasing need for digital transactions, it introduced innovative services with a view to expanding the use of POS terminals.
- It supported customers facing difficulties in paying off their loans, starting from the most important aspect: cooperation. It handled each case with sensitivity and a deep sense of respect, seeking the optimum solution.
- It supported customers through different sales channels (e.g. Eurobank branches, the New TT Branch Network as well as through digital banking), offering customised solutions to each customer category, while at the same time laying the foundation for a solid, modern customer service model which will be the future of Eurobank Retail Banking.

These Retail Banking efforts have been awarded from reputable institutions (e.g. the "Best Retail Bank in Greece" award by World Finance magazine for the 3rd consecutive year).

With this arsenal, Retail Banking has been building its image with efficiency, responsibility and flexibility, in line with the new digital environment. It has all the necessary comparative advantages to play a critical role in the recovery of society and Greek households, always putting customer first.

Customer Service Networks

Branch Networks

2016 was a year of reformation for the Bank's branch network, as the necessary foundation and infrastructure were put in place for upgrading the Bank's customer service model over the next two years.

Focusing on customer support and on the strategic goals of the Bank to preserve and increase deposits, manage overdue loans efficiently and increase commissions, devoted efforts to provide high-quality customer services continued in 2016.

The "One Bank - Two Branch Networks" strategy, originally adopted in 2014, is still being implemented, with a view to efficiently managing customers of different profiles and building relationships of trust. These are reflected in the positive customer evaluations on of the quality of service they receive at at branches, placing them at the top.

The Eurobank network caters to the daily needs of retail customers comprehensively and efficiently, and provides dedicated services to Personal Banking and Business Banking clients (freelancers and SMEs) through expert advisors.

The New TT Branch Network provides friendly and swift services to Greek families, catering to all their banking needs.

Also in 2016 rationalisation of network operating costs continued at a steady pace, with branches being merged and others relocating to new premises. As part of the effort to improve the customer experience, the first pilot branch integrating innovative digital technology applications to better inform and serve customers was established in Athens (Kolonaki Square). In addition, the Santorini branch was relocated to new premises, which clearly indicates the importance the Bank attributes to tourism.

Despite the capital controls, the network performance was quite successful (i.e. increased market share in household deposits, successful promotion of bancassurance products, increased use of digital customer service channels, which saves time for executives, who may dedicate their efforts in developing new partnerships). At the same time, as part of Bank traditionally extrovert policy towards local markets and societies, a series of events were held at the branches for Retail Banking customers.

Having recognised the important role of network staff, in 2016 the Bank continued to reward branch performance as a means of recognising the efforts and contribution of its people. At the same time, the Bank continued to invest in special training programmes for branch network executives on modern customer-centric approaches and service methods.

Hellenic Post ("ELTA") Branch Network

The Bank has an exclusive cooperation agreement with Hellenic Post ("ELTA"), which allows the Bank's customers to enjoy core banking services at the Hellenic Post branch network. With more than 700 branches and 99 ATMs throughout Greece, the Hellenic Post network provides extensive nationwide service, in both urban and remote areas where banking presence is limited to non-existent.

In 2016, the Bank concentrated on improving banking operations at the Hellenic Post network of branches, primarily supporting geographical areas with growth potential. Working closely with the Hellenic Post Management, in 2016 the Bank, along with the Division which had undertaken to foster relationships between the two organisations, continued to promote simple savings as well as insurance products from Eurolife ERB, while supporting non-cash transactions through POS terminals.

Retail Banking

Deposit and Savings Solutions

As at 31.12.2016 the Bank's deposit balances stood at €23.4 million, up 6% compared to the previous year, with the Bank's market share for all corporate and household deposits at 17.8%. With a view to reducing interest rates on time deposits and as part of the Bank's constant effort to rationalise charges on first-demand accounts, the average interest rate of the Bank's deposit base dropped by 50 base units in 2016, contributing to the Bank's improved results.

The design and launch of new products and services was not affected by the adverse economic environment, and was mainly focused on creating the right context and infrastructure to support the Bank's future development in the area of deposits. In this context, numerous initiatives were implemented in 2016 in relation to the Bank's deposit products, with a view to simplifying its product range and using all available channels for the efficient management of savings accounts.

At the same time, the Bank continued the effort to promote products that are intended to extend its deposit base and increase deposit balances. More specifically:

- The *€pistrofi* deposit reward campaigns continued, allowing customers to cash out *€pistrofi* euros in over 7,500 partner retailers that participate in the *€pistrofi* Card Rewards Programme. These campaigns were very popular among customers with different savings capacities.
- The new *Kathe Mera (Every Day)* time deposit programme was launched, offering 5% *€pistrofi* on the customers' daily purchases at selected retailers that participate in the €pistrofi Card Rewards Programme (supermarkets, fuelling stations). *The Kathe Mera* is the only product in the market which allows customers to increase their returns by using their cards at retailers participating in the *€pistrofi* Programme.
- The New TT Branch Network continued to support savings efforts by offering a wide range of savings solutions for the entire family, reflecting their needs and their stage of life, such as:
  - The *Megalono* (*Growing up*) savings account, designed for children under 18, which provides an extra boost to their savings, through prize draws that give them the chance to double their account balances up to €50,000. During 2016, more than 180 children doubled their savings, as the Bank credited their accounts with a total of approx. €300,000.
  - The *Apotamievo* (*I Save*) account, which rewards regular saving with particularly high returns for "free money".

In the last months of the year, the Bank drafted a detailed plan to enhance and expand its deposit base, focusing on reversing deposit outflows. The plan included the launch of competitive products, detailed design of targeted actions and close monitoring of results. These actions were thoroughly aligned with the Bank's strategic goals and created the conditions for meeting the deposit-related objectives of the Bank in the coming years.

Mortgages & Consumer Loans

In these adverse economic conditions, for yet another year the Bank managed to hold on to its leading position in mortgage loan disbursements and to retain its consumer loan portfolio, recording the fewest possible losses. 2016 also saw a rise in the number of new mortgages, up 18% compared to the previous year, while at the same time the Bank continued to promote the green home loans sector through the Intermediate *Saving at Home* programme. The Bank's Mortgage Lending portfolio in Greece stood at €16 billion in total.

In the consumer credit sector, disbursements of amortising consumer loans stood at €30 million, up 6% from 2015, exceeding the pre-capital control levels in the last four months. Accordingly, car loans were up 30% compared to 2015, standing at €80 million. A turning point for the year overall was the Payrolling Personal Loan for civil servants and pensioners, which accounted for more than 55% of all consumer loans disbursed (up 15% compared to 2015). The Bank's Consumer Lending portfolio in Greece amounted to €3.9 billion in total.

Credit & Debit Cards

Throughout 2016, the Bank remained devoted to the strategic development of its cards. It aimed at higher penetration of credit and debit cards among its customers, by investing in customised communication activities, innovation and customer reward programmes throughout the year.

As a result, the Bank's debit card turnover more than doubled compared to 2015, through cards issued on the spot at branches, the contactless capability and the *€pistrofi* Card Rewards Programme. The use of debit cards reached a historical high and continues on a rising trend. At the same time, daily transactions through POS terminal have also increased.

As for credit cards, the Bank continued to invest in targeted actions, both through the *€pistrofi* Card Rewards Programme and the powerful co-brand schemes it has developed, with very positive results. Total turnover increased by 15% year-on-year, whereas the Bank's market share neared 30% based on credit card balances, according to information from the Bank of Greece.

In 2016, the *€pistrofi* Card Rewards Programme continued its strong performance. Its network currently comprises over 7,500 enterprises nationwide and the Programme integrates new strategic partnerships (e.g. Village Cinemas and Everest). At the same time, the value of transactions has risen by 50% whereas the value of cash outs by 73%.

Moreover, the upgraded smartphone *€pistrofi app* offers users new functionalities and a modern navigation system, and remains the leading app in terms of downloads (among all bank card rewards programmes), counting over 170,000 unique (active, registered) users. The *€pistrofi app* continues to earn significant awards both in Greece and abroad. For example, it received the Golden Award in the "Use of Mobile for Customer Loyalty" category at the Mobile Excellence Awards, and was a finalist at the international The Loyalty Magazine Awards competition in both categories it participated.

Retail Banking

In the POS acquiring sector, Eurobank achieved a historical high in turnover (€4.64 billion, up 59% year-on-year). This performance has allowed the Bank to maintain its leading market share (28.1%) at the end of the year (according information from VISA and MasterCard). Moreover, there was a substantial increase in gross revenues from commission fees (€45.3 million, up 38% year-on-year).

Overall, 25,000 new POS terminals were installed, bringing the number of POS to 115,000. At the same time, the Bank's systems and infrastructure underwent thorough restructuring, redesign and upgrade, to allow the Bank to cope with the increased transaction volumes. Furthermore, the Bank introduced simplified terminal acquisition procedures (ordering/delivery procedures), while launching *POS Now*, an innovative service allowing direct acquisition of terminals from the branches.

Retail Transaction Banking

In 2016, the Bank focused on supporting the transactional activity of its customers - individuals or professionals - offering customised solutions to meet their needs.

In particular, the Bank sought to expand the payments available through all physical and digital networks, offering additional payment features (cash payments, Eurobank credit card payments). It also aimed at better customer service by informing its customers about innovative money transfer platforms (real-time remittances) and regularly promoted its digital service networks, achieving a substantial increase in the use of e-Banking compared to 2015.

Bancassurance

In 2016, the Bank's bancassurance activity produced spectacular results, which increased premium collection to over 92% and commission fees to over 40%. With more than 65,000 new insurance policies, the Bank not only offered enhanced protection to its customers but further strengthened their long-term relationship with the Bank, with over 290,000 customers currently having taken out bancassurance products. Life and property insurance products were made available to customers through all channels (branches, EuroPhone, e-Banking). With a view to informing the public on how important it is to prevent costs (financial, emotional or ethical), to have improved quality of life, to realise one's dreams and to protect one's loved ones, the Bank established the Bancassurance Days, coming into contact with its customers through various actions and raising awareness in relation to the benefits of insurance.

Moreover, the Bank offered primary healthcare programmes free of charge, to customers belonging to vulnerable social groups, to get them acquainted with the simplified procedures and the benefits of these programmes.

All insurance programmes are offered by Eurolife ERB Insurance.

Individual Banking

The customer-centric model followed in Individual Banking - which represents 90% of the Retail Banking (4.4 million customers) - seeks to offer integrated, flexible and customised programmes and solutions, with a view to enabling the Bank to meet efficiently the ever-changing needs of its customers and be their first choice when interested in purchasing new banking products and services.

The Individual Banking activities cover the entire range of the Retail Banking products and services, so as to meet efficiently the needs of individual customers in deposit and investment products, cards, household lending, transactional services, bancassurance products and rewards programmes.

As part of this new approach, in 2016 the Bank focused on designing an integrated development strategy for each category of individual customers. Based on their particular traits, they were classified into salaried employees, pensioners, professionals and youths.

This strategy includes all stages, from designing integrated solutions, launching new products, services and offers, and planning business actions, to improving customer approach and customer service experience through all available channels.

The future of the strategy in relation to individual customers offers significant opportunities to the Bank and its prospects for development. The Bank constantly seeks new opportunities to reach out to and develop customers with increased potential through proper tools and analysis methodologies. At the same time, working with other Retail Banking units, the Bank will be able to meet the expectations of customers with established or potential value, by offering customised products and top-level customer service.

Personal Banking

For yet another year, Eurobank Personal Banking service remained dedicated to its goal of providing top-class personal banking customer service. The Personal Banking executives focused on applying an integrated approach to meet the needs of affluent customers, by informing them regularly on the products and services, investment options and alternative service available to them.

In 2016, the Bank also focused on the affluent customers of the New TT Branch Network. It was the first time since 2007 that the successful communication and information of Eurobank Personal Banking strategy was employed in the New TT Branch Network.

At year end, Personal Banking managed to keep its customer base intact with an increase in deposits above market average. 2016 was the best year in terms of pension scheme sales since the beginning of the economic crisis.

Retail Banking

Small Business Banking

2016 was a milestone year for Small Business Banking, as the Bank generated profit after 6 years of recession.

This significant development was primarily due to the Bank's strategy to approach SMEs with higher turnover and better cross sale potential, while also applying a new customer service model. This allowed the Bank to establish solid relations with high-value customers and attract new ones.

At the same time, Small Business Banking made a series of strategic moves to upgrade the services offered to customers:

- It put a new service model into effect, creating the first Business Hubs with strategic customers at regional level to better serve SMEs. At the same time, the virtual banking infrastructure was created, allowing customers who are familiar with technologically advanced communication tools to communicate via teleconference with their Business Banking Consultant.
- It focused on creating a comprehensive set of customised products and services for businesses and professionals of the tourism sector, through the *Tourism Business* programme, with a view to supporting one of the key sector of the Greek economy.
- It established a Customer Support Service to inform businesses on the available NSRF 2014-2020 programmes, using its long experience as Managing Bank during the previous NSRF period (2007-2013). The Service is available in cooperation with a specialised consulting company. As part of the activities during the submission period, 27 informational events were held in April, with over 1,200 participants.
- It entered into a collaboration agreement with AFI to offer micro-credit facilities to vulnerable social groups, so as to support newly-established or existing very small businesses.
- It became affiliated with the European Investment Fund (EIF) as part of the COSME and EaSI schemes, to promote market liquidity.
- It established a single-day POS delivery procedure, allowing customers to receive their POS equipment directly from the branches.
- It approached strategic sectors collectively through offers to Associations and Chambers.
- It improved automated import transactions, with 93% of requests being completed within 24 hours.

The success of this strategy is reflected in positive results. Profitability returned after 6 years, whereas deposits increased by €215 million. The increase in deposits was a result of expanding the Bank's customer base, creating 22,900 new customer relationships and launching various combined incentive actions (*€pistrofi* promotional activity) and sectoral programmes (*Tourism Business*). Furthermore, new loan disbursements reached €180 million, up 21% compared to 2015, while loan balances remained unchanged. The largest portion of new loans related to programmes available through the Bank in cooperation with various state and European bodies. Lastly, commission revenue increased by 30%, deriving primarily from a 75% increase in revenues from POS transactions and a 21% increase in import revenues.

In 2017, the Bank will continue to implement its current strategy seeking to penetrate other critical sectors of the economy, like the agricultural sector.

Lean Retail

As part of its Retail Banking operations, in 2016 Eurobank decided to implement the Lean Six Sigma principles and methodology, to create a new internal procedures redesign model. This new model seeks to attain constant improvement and reduce time-consuming management procedures.

Group Corporate and Investment Banking

Group Corporate and Investment Banking's main objective is to provide fully business solutions and excellent customer service to its clients, consisting of large and complex corporate customers and medium-sized enterprises both in Greece and in the region of South Eastern Europe.

The main customer service pillars are the Large Corporate Clients unit, responsible for the provision of integrated business solutions to very large clients, covering their complex financing needs; the Commercial Banking unit, which is responsible for the providing services to large and medium-sized enterprises, and the specialised units —Project Finance, Commercial Real Estate, Leverage Finance, Hotels & Leisure, and Shipping units— which ensure the efficient provision of services, based on industry expertise and know-how. 2016 was a year of radical structural change for Group Corporate and Investment Banking, which adjusted its operational and business model to better meet its customer needs. In this context, Group Corporate and Investment Banking performed a network rationalisation; reinforced four large corporate units; established a Corporate Branch dedicated to serve large customers and created a Credit Analysis unit to improve its credit procedure.

Amid volatile market conditions, in 2016 Group Corporate and Investment Banking continued to support strategic sectors of the Greek economy and focused on maintaining the quality of the loan portfolio.

With regards to new financing, the Bank remained consistent to its philosophy of supporting business plans that bolster the economy and helping export oriented enterprises grow, thus evaluating its customers through banking criteria and arranging major transactions to finance robust business groups.

As part of the initiatives directed to boost the competitiveness of the Greek economy, the Bank organised the 1st Eurobank Greek Tourism Conference in collaboration with the Greek Tourism Confederation (SETE). The event attracted, entrepreneurs from all sectors of the tourism industry, representatives of institutions and academics and others. In continuation of the "Go International" initiative, Eurobank successfully organised the 5th consecutive business programme "Go in Athens", aiming at strengthening and supporting Greek exporting companies. The event was held under the auspices of the Hellenic Ministry of Foreign Affairs and is a joint effort between Eurobank and the Panhellenic Exporters Association (PEA), the Greek International Business Association (SEVE), Exporters' Association of Crete (EAC), Hellenic Federation of Enterprises (SEV) and Greek Tourism Confederation (SETE). Within the same context, the Bank cooperated with Grant Thornton in launching the "Growth Awards", an initiative held to reward business excellence and promote robust, resilient and export-oriented companies.

Finally, the Bank sustained the utilisation of development programmes as an alternative source of capital for its clients and actively supported outward-looking sectors of the Greek economy through various initiatives and the channelling of funds to export oriented businesses. In particular, through its agreements with the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC), a member of the World Bank, the Bank secured credit lines of €150 million to support cross-border trade, while it also entered into a €230 million agreement with the European Investment Fund (EIF) for SME financing.

Large Corporate

Large Corporate ("LC") is responsible for covering the rising and complex strategic, financial, structuring and banking needs of very large and sophisticated corporate clients, private concerns as well as major enterprises, both in Greece and in the region of South East Europe.

LC serves as the main point of contact for all financial solutions and products included in the Bank's portfolio. In total, the portfolio consists of more than 100 groups in Greece and is mainly focused on the energy, industrials, consumer and retail, services, health and construction sectors. The lending portfolio amounted to €3 billion as at 31 December 2016. In 2016, LC continued to support strategic sectors of the Greek economy and finance robust business plans.

Commercial Banking

The main objective of Commercial Banking ("CB") is to build a strong holistic relationship with large and medium-sized enterprises, providing both standard and tailor-made financing solutions, as well as the full spectrum of banking services (e.g. Transaction Banking, Trade Operations & Treasury). The calibre and drive of the experienced Relationship Managers comprising the CB team are key to providing prompt delivery and quality service to the Bank's clients. The CB lending portfolio amounted to €3.3 billion as at 31 December 2016.

The Commercial Banking Network is responsible for managing relationships with medium-sized clients nationwide ("SME"), through a network that numbered 14 business centers at the end of 2016.

The aforementioned structure aims to ensure proximity and quality of services offered to clients, closer monitoring of their performance and to enable proactive risk management aiming to maintain the Bank's asset quality.

In 2016, CB actively supported medium-sized Greek enterprises, the backbone of the Greek economy, by extending credit facilities to the amount of €62 million in cooperation with the European Investment Bank (EIB) and the Institution for Growth in Greece (IfG).

Structured Finance

Structured Finance ("SF") is responsible for providing specialised structured financing products and services and operates as a centre of expertise for all the countries of SEE where the Group has a presence. The Unit also operates under the umbrella of Troubled Assets Group General Division as it handles both performing and non-performing loans.

Structured Finance offers full and integrated services through four Units: Project Finance, Commercial Real Estate Finance, Hotel & Leisure Finance and Leveraged Finance & Special Situations. The Unit's portfolio stands at €2.1 billion with new production in 2016, amounting to €130 million.

Group Corporate and Investment Banking

Project Finance

The Project Finance ("PF") unit provides a broad range of services, primarily involving financial consulting, structuring and arrangement of complex financing for major infrastructure and energy projects in Greece and the countries of SEE, as well as public private partnerships ("PPPs").

In 2016, the Project Finance unit focused on providing advisory services for infrastructure and development projects such as the privatisation of the 14 regional airports and the extension of the concession agreement of Athens International Airport, where the Bank acted as advisor to the Hellenic Republic Asset Development Fund ("HRADF"), as well as on managing and enriching a healthy lending portfolio. In regards to new lending, emphasis was placed on the completion of new financing deals in the renewable energy sector, on terms that reflected the volatile market conditions, thus enabling experienced groups operating within the particular industry realise their investment plans. The unit also explored and executed selective secondary market trades related to a number of motorway concessions in Greece. Finally, loan portfolio performance was positive with few non-performing loans (accounting for less than 1% of the portfolio).

Commercial Real Estate Finance

Commercial Real Estate Finance ("CRE") is a specialised unit that provides financial advisory services, organises and structures complex financings for all types of large commercial real estate, such as office buildings, malls and mixed-used complexes, while large-scale housing complexes and industrial buildings also fall within its scope of operation. In 2016, particular emphasis was placed on handling the non-performing part of the portfolio resulting to the implementation of some long-term restructurings while a specific strategy for the entire portfolio was formulated leading to substantial results.

The unit also handles repossessed companies in the Commercial Real Estate sector. At the same time, a strong pipeline was initiated with a series of potential transactions in Greece, Bulgaria and Cyprus aiming to further develop the performing part of the portfolio.

Commercial Real Estate Finance focuses on building long-term relationships with its clients, offering tailor-made financing solutions aimed at meeting customer needs, while also introducing unique, innovative solutions.

Leverage Finance & Special Situations

Leverage Finance and Special Situations ("LF & SS") is a dedicated unit responsible for the structuring and arrangement of complex leverage finance transactions concerning company acquisitions and complex/structured financing deals and products. The Leverage Finance and Special Situations unit has become a benchmark in the Greek market, also assisting other units of the Bank, as an internal advisor, in structuring complex transactions and restructurings.

In 2016, LF & SS led among others a series of landmark transactions for the Sani Group/ IKOS Resorts, as well as the financing of the delisting of Kleemann Hellas.

The division maintains open channels of communication with the investor community in Greece and abroad with regard to new transactions while through its role as a Special Situations division, it works closely with other departments within the Bank to complete a number of restructurings and complex financing deals.

Hotel & Tourism Financing

With tourism being one of the main pillars of Eurobank's strategy, the Bank aims to play a key role in supporting the industry. Having identified the industry's prospects as well as the need for improved customer service, in 2013 the Bank established a specialised Unit, unique in its kind, namely Hotel & Tourism Financing division.

The Unit's portfolio consists of 4 and 5-star facilities; while the vast majority of investments financed by the Bank are mainly located in three of the most popular holiday destinations in Greece: 28% in Crete, 21% in Rhodes and 13% in Kos (based on a relevant report).

This Unit's core strategy is based on three main pillars:

- Financing of new projects related to investments in existing or new hotels, completing several transactions, while creating the conditions for a number of transactions, which are expected to be completed in 2017, given the industry's growth rate.
- Restructuring potentially reversible troubled accounts, including a series of operational, financing, and capital restructuring arrangements, combined with the identification of strategic investors, with the aim of resetting the accounts to a sustainable and sound basis.
- Termination and liquidation of problematic relationships with recalcitrant customers.

Within this context, the Bank organised the 1st Eurobank Tourism Conference in collaboration with the Greek Tourism Confederation (SETE). The event attracted among others, entrepreneurs from all sectors of the tourism industry, representatives of institutions and academics, while it was also live streamed through the Bank's trade portal, Exportgate.gr.

Group Corporate and Investment Banking

Shipping Finance

Eurobank maintains a steady presence of more than 20 years in the field of shipping finance, financing Greek shipping companies with an established presence either as private traditional family companies or as parent companies listed on the stock exchange, under conservative terms.

Shipping finance is extended solely to companies representing Greek interests with large or medium fleets, primarily in connection with the financing of purchases of either second hand or Newbuilding vessels employed in transporting dry bulk cargo, wet cargo and containers.

In collaboration with other Eurobank teams the specialised Shipping unit offers comprehensive services in the areas of corporate and private wealth management.

The Group seeks to maintain the high credit quality of its shipping portfolio, further developing its long-standing relationships with its core client base and entering into new client relationships that meet the Bank's lending criteria.

2016 was yet another challenging year for the shipping industry. However, the Bank developed its position in the Greek shipping market by extending new financing (to existing or new customers) of a total volume of approx. USD 238 million. At the same time, through its dynamic management, the unit readjusted the terms of existing loans to reflect current market conditions, applying the Bank's credit policy to shipping financing which resulted in the rise of profitability and the maintenance of the high credit quality of its portfolio.

The Group's coverage of the Greek shipping sector for the past two decades has enabled the Bank to establish a large deposit base, while total shipping loans (including committed facilities) stood at USD 1.22 billion as at 31.12.2016.

Eurobank's traditional support to the Greek shipping industry remains a strategic decision. Within this context, the Bank acted as a gold sponsor to the 2nd Shipping Conference of Naftemporiki, held in 2016.

Investment Banking

Investment Banking ("IB") offers M&A and Capital Markets advisory services to a wide range of corporate clients, their shareholders and private equity firms. The M&A team provides customised solutions regarding mergers, acquisitions, divestitures and capital restructurings. In addition, IB offers advisory services with respect to clients' capital-raising needs. The Principal Capital Strategies team that lies within IB, manages the Bank's investments in corporates and investment vehicles currently amounting to approx. €30 million.

Throughout 2016, the IB unit continued to provide strategic advisory services to a number of corporate clients such as the acquisition of the remaining shares of Kleeman from its majority shareholder (Management Buyout), as well as to the Hellenic Republic Asset Development Fund ("HRADF") regarding the extension of the Concession Agreement of Athens International Airport. In addition, the IB unit acted as the Bank's advisor to certain important transactions, such as the sale of the formerly named CAPSIS hotel in Rhodes, the management of certain corporate NPLs clients and the sale of 80% of the Eurolife ERB Insurance Group to Fairfax Financial Holdings, through a competitive sale process involving international investors. Furthermore, the IB unit was engaged as an advisor in a number of transactions concerning private companies in a wide range of sectors including retail and hotels.

Finally in the capital markets sector, the IB acted, among others, as a financial advisor to Nexans on its share capital increase, the bond issuances of Athens Stock Exchange listed companies and a number of other transactions related to both equity and debt financing, raising a total of €21 million by early 2016.

Group Corporate and Investment Banking

Loan Syndications & Debt Capital Markets

Loan Syndications and Debt Capital Markets is responsible for arranging and implementing a broad range of specialised and highly structured financing deals. The unit undertakes the role of lead arranger for corporate syndicated loans/bond loans, convertible bonds and exchangeable bonds, holding a leading position in the syndicated loan market in Greece and acting as mandated lead arranger and coordinator in some of the most prominent transactions.

Eurobank maintained its leading role in the market, through its participation in the arrangement of most Greek syndicated loans/bond loans realised in 2016 raising over €2.5 billion of debt financing. In 2016, the Bank arranged 15 new transactions, raising the total transactions managed to 84. The unit is also responsible for the secondary loan trading, further reinforcing Eurobank's position in the market, contributing not only in the effort regarding the capital adequacy and liquidity of the Bank but also in increasing the Bank's portfolio through the purchase of corporate loans (stand alone or on a portfolio basis).

Leasing

In 2016, the subsidiary Eurobank Ergasias Leasing S.A. increased its new business by 24% with new loans reaching €62 million. The new loans primarily related to production equipment and vehicles and were channelled to both existing and new customers with encouraging financial results, dynamism and extrovert production orientation. The company also implemented major restructuring and settlement plans for clients facing difficulties in debt servicing, enabling in many cases the smooth continuation of operations of significant manufacturing companies.

In addition, the company speeded up the exploitation of its movable and immovable assets, through commercial lease agreements and sales of property, vehicles and movable equipment. Moreover, in line with the international accounting standards, it made further devaluations of the values of its acquired assets.

In 2016, the subsidiary continued its strong effort to improve its operational performance by restructuring and upgrading its methodologies and procedures, hence cutting down on operating costs, despite the commencement of new operations. In this context, Eurobank Ergasias Leasing decided to radically upgrade its core information system - a project which is currently under way.

All these actions, combined with the high-level technical know-how and expertise of the subsidiary's executives, have made the company the top choice for clients seeking finance leases.

Factoring

2016 was the best year for Eurobank Factors S.A. in terms of profitability. The company maintains its leading position in the Greek market as a whole, but also in the individual categories of both domestic and export factoring, being the only undertaking that continues to provide import factoring services.

It is also a pioneer and a point of reference in SE Europe as far as Reverse Factoring - Suppliers' Financing is concerned, applying a well-built, automated approach which allows it to manage a large transactions volume efficiently.

Eurobank Factors' loan portfolio remains high-quality, which is evidenced also by the successful management of significant default events that marked the country's economic crisis period.

For the third year in a row, the company ranks first in Europe as an export factoring service provider, based on the evaluations of its associate correspondents / members of Factors Chain International (FCI). On global level, Eurobank Factors ranks 6th, remaining among the top 400 companies, capitalising on its long-standing and successful partnerships and bolstering its reputation as a two-time world-leader in the recent past. That ranking was announced at the 48th annual FCI International Conference held in Cape Town.

Transaction Banking

Through the provision of high-quality services and by properly addressing clients' transactional banking needs, Eurobank has been building trustful relationships with its corporate clients in Greece, and remains the preferred domestic cash management partner for a substantial number of international banks. In 2016, for the 6th consecutive year, the Bank was awarded "Best Domestic Cash Manager in Greece" by the internationally acclaimed magazine Euromoney, while it was also awarded "Best Corporate/Institutional Internet Bank 2016 in Greece" and "Best Treasury & Cash Management Bank 2016 in Greece", by Global Finance magazine. The increase in electronic transactions and the promotion of innovative services continued apace in 2016, despite the challenging, ever-changing economic conditions. Particular emphasis was given to supporting customers in the exports sector. Moreover, in line with the Bank's broader strategy to support export-oriented Greek enterprises, Eurobank organised, "Go In Athens" in 2016. During this three-day event, over 1400 scheduled bilateral business meetings were facilitated between more than 100 Greek exporters and more than 50 potential purchasers from 11 countries. "Go In Athens" was the 5th such Business Meeting Programme held in the context of the "Go International" programme. In 2016, the Bank continued to provide selected exporters with pre- and post-trade financing. Moreover, the Transaction Banking Sector was actively involved in providing liquidity to clients through its participation in "Extroversion" ("Exostrefia") programme run by the Export Credit Insurance Organisation, as well as in facilitating imports, mainly of raw materials. In this context, Eurobank signed a series of collaboration agreements in relation to confirmed letters of guarantee and letters of credit with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC).

Digital Banking and Innovation

Customer Experience Management

In line with the Bank's customer-oriented approach, providing great experiences to customers is a key priority.

In this respect, the Bank has introduced the following methodologies:

- Customer Journey Mapping & Feedback Management aims to optimize customers' interaction with the Bank, through different service channels (Branches, EuroPhone Banking, digital channels etc.). Moreover, the "Voice of Customer" programme was setup allowing the Bank to collect customers' insights daily right after their communication and transactions with the Bank through particular channels.
- User Experience aims to improve the experience of users in all of the Bank's digital service channels and ensure the best possible customer experience through an integrated customized service platform.

Lastly, the management of private customer complaints was centralised in 2016 in order to achieve a more human-oriented approach and faster response times, increasing by over 30% the rate of issues resolved within 2 days.

Digital Channels

Aiming to achieve high-quality service and offer innovative solutions with a view to facilitate the daily routine of its customers, Eurobank invested for yet another year in the upgrade and development of its electronic services.

In 2016 the Bank's digital initiatives and projects were implemented under the "mobile first" strategy, both in terms of new service design and promotion methodologies applied. In recognition of the work done in the Digital Banking area, the Bank earned major distinctions and awards in Greece and abroad.

Eurobank e-Banking & Eurobank m-Banking

In 2016, the number of active customers and transactions increased by 20% and 33% respectively. E-Banking's contribution to the total of cash transactions executed in Eurobank reached 29%, with corresponding transactions (payments, transfers, remittances) reaching approximately 71% of the total.

At the same time, the use of e-statements increased by 22.8%, with 250,000 customers opting for no longer receiving 677,000 physical statements and replacing them with online ones.

For the 5th year in a row, Eurobank was named by Global Finance magazine the "Best Corporate/Institutional Digital Bank" for the e-banking services it offers.

Mobile banking also grew rapidly, with active users rising by 45% and the volume of transactions by 118% compared to 2015.

In 2016, Eurobank launched the new *Eurobank Mobile App* for smartphones, addressed to both private and corporate customers. The new application incorporates innovative services, offering customers better security, ease of access, information and control of their finances, including an easy and fast payments service (P2P).

The new *Eurobank Mobile App* allows users to connect to the Bank easily and securely through a 4-digit PIN code or TouchID, gaining immediate access to all services supported by the application. At the same time, the "At a glance" feature allows users to instantly view their account and card balances and movements, including recent transactions, in the form of graphics, and execute certain transactions like transfers and payments.

The greatest innovation, however, is the *PaF - Pay a Friend* service that enables users to send money to anyone through their email or mobile phone number, including their Facebook friends, as long as the recipient also uses the *PaF* application. The *Eurobank Mobile App* allows users to spot the nearest Eurobank branch or ATM, review the value and asset allocation of their investment portfolios and even make donations to non-profit organisations. The Click2Call feature offers users free telephone support, while more features and functionality are introduced on an ongoing basis.

Eurobank has earned 8 important distinctions for the *Eurobank Mobile App* and the *PaF*, among others at the Mobile Excellence Awards, the Bite Awards and the e-volution Awards.

Lastly, in 2016 *MyBank*, a European e-payments solution, was also made available to Merchants/Organisations and to consumers. *MyBank* allows users to make online shopping transactions and debit their bank accounts through their e-Banking. Users can debit directly their bank accounts for online purchases, through an instant, efficient and simple process, with no need for new registrations and access codes or the opening of new accounts.

EuroPhone Banking

EuroPhone Banking is a modern banking contact centre in Greece, which has earned significant distinctions at the Teleperformance Hellas CRM Grand Prix contest for the services it offers. As a service channel, it offers to customers all modern communication tools, like telephone calls, e-mails, personal messages, Click2Call & Click2Chat, and a large number of banking transactions.

In 2016, there were approx. 2.61 million customer contacts, where only 4% of the total incoming calls were terminated while the customer was on hold. At the same time, 66% of the calls were answered within 30 seconds.

The contribution made by the contact centre's well-trained team in achieving the Bank's goals was significant, as EuroPhone Banking is one of the key channels for promoting Eurobank's products and services, also participating in other promotional activities with spectacular results.

Digital Banking and Innovation

ATMs & Automated Payment Systems

In the field of Self-Service Banking Terminals, the Bank enables its customers to execute banking transactions easily, quickly and securely, 24 hours a day, at more than 813 ATMs located at Eurobank, New TT Branch Network and Hellenic Post branches and at 247 other commercial/touristic off-site locations. In addition, customers can use 480 Automated Payment Systems (APS) for real-time deposits and payments, as well as transfers to accounts held with other banks. More than 47.1 million transactions were performed through ATMs and APS by the end of the year.

e-Auctions and e-Invoicing Services

2016 was the 15th year of subsidiary's Business Exchanges S.A. activity in the field of B2B services: e-Auction, e-Procurement, and e-Invoicing. During the year, the company conducted successfully 679 e-Auctions, both for the Eurobank Group as well as for private sector companies and public sector organisations.

In e-Procurement, and as far as the Eurobank group is concerned, in 2016 transaction volume stood at €46.2 million from €47.1 million in 2015, dropping slightly by 1.78%. Finally, in the field of e-Invoicing services, the turnover of services related to the electronic filing and management of invoices increased by 21.19% from 2015.

Innovation Centre

Acknowledging that innovation is key for development, Eurobank was the first bank in Greece to set up a team to engage exclusively in innovation research, and encourage creativity for adding value through the design of new products and services, focusing primarily on FinTech. Innovation Centre's objective is to realise the Bank's ongoing commitment to make optimum use of its human resources, through synergies with the most significant ecosystems that are comprised by young people with creative ideas and high skills, coming from the external environment.

In 2016, Eurobank's Innovation Centre organised the 1st Regional FinTech "Beyond Hackathon" contest in Greece, in cooperation with Found.ation M.P. and THE CUBE WORKSPACE M.I.K.E. - an initiative to promote the development of innovative, fintech-oriented products and services through new "communication" channels, following the extremely successful global tradition of Hackathons.

The Hackathon competitions are a proven method globally of creating innovative, fintech-oriented products and services, and setting the ground for the emergence of new startups with powerful potential for future growth.

"Beyond Hackathon" was supported by global leaders in technology and financial services, Greek business organisations and academic institutions, who offered mentoring to the participants throughout the contest. Over 150 participants (Software Developers, Designers, Business Developers and Marketers) from Greece, Romania, Slovenia, Bulgaria, the UK and Israel were brought together, presenting 17 ideas, covering a broad range of products and services, from loyalty reward programmes to blockchain technology apps. What's very important for Eurobank is that its foreign subsidiaries were actively involved in the process, attracting the attention of young, talented people to Greece. The competition led the way for many similar actions in the fields of corporate entrepreneurship, extroversion and innovation.

Eurobank's Digital Presence on the Internet and Social Media

With over 40 new digital campaigns in 2016, Eurobank's digital presence was dynamically and efficiently promoted through international digital platforms (Facebook, Google, YouTube etc.) as new forms of communication (video campaigns, Facebook & Google ads, native marketing) were effectively utilised to achieve targeted results, earning great rewards and distinctions for the Bank's performance.

Aiming at constantly improving the Group's digital presence, the Bank has re-launched the Corporate Linkedin channel, being the first bank to leverage the features of this social platform. At the same time, the Bank continued to manage efficiently all its existing social media channels, focusing primarily on youth entrepreneurship and business enterprises, through original interactive content and dialogue and systematic monitoring of public behaviour on the social media.

The Bank invests in the digital redesign and upgrade of Group's websites in a holistic, omni-channel approach, focusing on user journeys and creating new digital assets in line with international competition standards.

In 2016 the Bank used digital analytics with international design standards, thus implementing the necessary infrastructure for defining, measuring and monitoring KPIs in each of the aforementioned fields, with a view to optimise user experience and increase the efficiency of Group's websites and applications.

Troubled Assets Group

Since the establishment of the Troubled Assets Group General Division in July 2014, the Bank has made major moves to effectively manage its loans in arrears and non-performing loans. The Troubled Assets Group General Division ("TAG"), directly reporting to the CEO, is generally responsible for managing the Group's troubled assets portfolio from the early arrears to legal workout. Acknowledging the importance of this task, the Deputy CEO and member of the Board of Directors took charge of the Troubled Assets Group General Division and is entrusted with the close monitoring of the Troubled Assets Management Strategy.

TAG consists of the Retail Remedial General Division, the Corporate Special Handling Sector, the Non-performing Clients Sector, the TAG Risk Management & Business Policies Sector and the TAG Business Planning Sector. The Retail Remedial General Division includes Eurobank Financial Planning Services S.A. (FPS), a Eurobank subsidiary responsible for managing the Retail troubled portfolio of the Bank. In March 2017, FPS was granted a license to manage portfolios in arrears pursuant to the Law 4354/15. More than 2,700 Bank staff are involved in the effective management of the Troubled Assets portfolio, of whom more than 1,250 work in units within the TAG.

As part of its continuous effort to cope with the imminent and medium-term challenges of the banking system, and with a view to attaining its strategic objectives, in 2016 the Bank set as a key priority the active management and rationalisation of its NPL portfolio and the efficient utilisation of its human resources and relevant infrastructures (procedures, systems and products). This has enabled the Bank to improve its strategy to transform its operational model in one that not only complies with the existing regulatory requirements but also reflects best international standards. Within a challenging economic environment, measures continued to be taken to adjust to the requirements of BoG Executive Committee's Act No. 42/30.05.2014, as amended by BoG Executive Committee's Acts 47/9.2.2015 and 102/30.8.2016, which detail the supervisory guidelines for managing exposures in arrears and non-performing loans.

Through the independent NPL management by the TAG, a robust governance model was developed. In addition, the Troubled Assets Committee (TAC), which reports to the Board Risk Committee, monitors the efficient implementation of the Bank's troubled assets management strategy.

The goal of TAG is to contribute to the Bank's maintaining profitability in a socially responsible manner, through the establishment and deployment of tailored strategies, its high calibre staff and the use of appropriate tools. To achieve that goal, the main steps taken by the General Division in 2016, on both strategic and operational level, are listed below:

- Completed a broad analysis of the management of the resources of the General Division's departments, with a view to enforcing NPL management actions and teams.
- Submitted to the Single Supervisory Mechanism a 3-year comprehensive management strategy and operational targets in relation to Non-Performing Exposures (NPEs), with a view to creating a roadmap to significantly reduce NPEs by 2019. This submission relied on the development of a specialised model that monitors the achievement of specific targets on a quarterly basis per portfolio, through a specific mix of actions. The regulatory targets are thoroughly integrated in the Bank's business and operational model.
- The achievement of the NPE reduction targets and the compliance with the regulatory requirements are key strategic priorities for the Bank. The Phanaios programme was set up for the purpose of supporting and monitoring, in a structured manner, all actions and initiatives serving that priority. In particular, the actions and initiatives included in the Programme are intended to:
  a. Upgrade business practices through new practices and more efficient segmentation of TAG's client base, and offering sustainable solutions to borrowers;
  b. Apply a more efficient and effective operational model in relation to all units involved;
  c. Promote active involvement in inter-bank business initiatives and
  d. Ensure compliance with the regulatory framework.

Troubled Assets Group

- A set of dynamic decision-support systems were developed in the context of managing the troubled portfolios (such as a methodology for loss budget allocation framework, NPV tools), that aim to improve decision making, facilitate the offering of optimum solutions and limit uncertainty.
- The Troubled Asset Management framework was harmonised across all Bank units.
- Timely, preventive actions and monitoring of early warning signals were developed to reduce the growth of new arrears and to calculate the probability of an account rolling down to a non performing status.
- Targeted measures were taken to ensure reduction of the portfolio's credit risk.
- Quality assurance exercises were conducted via self-assessment as to the effectiveness of the solutions granted.
- TAG Units in the countries of SE Europe received guidance and support.
- Staff was further developed through additional training programs and e-learning courses, throughout the year.
- The main requirements were identified and steps were taken for TAG to be transformed from a Cost Centre into a Profit Center with its own Balance Sheet and Income Statement, so that in the future it can be monitored as a distinct segment in the Bank's financial results.
- Active involvement in interbank initiatives under the coordination of the Hellenic Bank Association ("HBA"), with the aim to improve the operational framework of loans in arrears and non-performing loans.

Troubled Assets Group

Retail Troubled Assets Management

As regards the Retail Troubled Loans in particular (Mortgages, Consumer Loans and SBB/Professionals' Loans), it is worth referring to the following strategies and operational actions, which were applied in 2016:

- Development of new restructuring products and policies coupled with innovative tactics designed to lead to sustainable solutions.
- Continued and strengthened the strategic focus towards long-term, viable restructuring solutions, offered through a wide array of products, criteria and decision trees.
- Constant monitoring and forecasting of NPE inflows and outflows of the Retail portfolio.
- The role of Eurobank Financial Planning Services S.A. (FPS) was reinforced, through its transformation into an independent servicer company of managing receivables pursuant to Law 4354/2015 and its amendments. The relevant license was granted by the Bank of Greece on 13/3/2017 (Government Gazette Series B, Issue No. 880/16.03.2017).
- A special team was set up for the purpose of managing the portfolio of Law 3869.
- New centralised teams of specialized Relationship Relationship Managers were established to manage portfolios more efficiently (Mortgages and SBB/ Professionals' Loans), achieving synergies and more efficient management to the benefit of the borrowers.

Corporate Troubled Assets Management

In the field of Corporate Special Handling sector, it is worth noting the following strategies and business actions which took place in 2016:

- The Bank participated in a pioneer management platform for large corporates (KKR/ Pillarstone).
- Business objectives were determined through detailed recording of the strategy for the entire portfolio on a borrower basis and though close monitoring of inflows and outflows, with a view to reducing NPEs substantially by 2019.
- Focus on long-term, sustainable restructuring strategies, offering various product combinations.
- Reorganization and reinforcement of the functions of the Sector as a whole.

Wealth Management

In 2016 capital controls remained effective in Greece and increased volatility prevailed in the global markets. In this context, Eurobank's Wealth Management key priority remained to ensure available options and international asset management conditions. In particular, the Bank's activities in this area, subject to the limitations described above, focused on four main targets:

- Further enriching the international options offered to clients, in response to the complex situation that arose in Greece and macroeconomic developments globally.
- Preserving and increasing the assets under management by offering clients, among others, the option of utilising the Private Banking services offered by the Group in Luxembourg, Cyprus, and the United Kingdom.
- Offering comprehensive support to Wealth Management clients, through the following strategies: (a) Further promotion of the Discretionary Asset Management service, which enables clients to enjoy professional management of their funds; (b) Expansion of the Advisory Service to areas like Virtual Advisory, offering advisory services to customers with investment portfolios in other banks, and (c) Regular and timely customer updates on the current financial environment, mainly through presentations by the Bank's specialised executives and prominent international Asset Managers in the context of the Eurobank Private Circle Events.

Maintaining the Bank's leading position in the field of Wealth Management, where both Private Banking and Eurobank Asset Management M.F.M.C. maintained their long-standing leadership in the Greek market. In 2016, Eurobank's Private Banking was named "Best Private Bank" in Greece by two international players, the prestigious World Finance and Global Finance magazines, for the 3rd consecutive year.

At the same time, Eurobank Asset Management M.F.M.C. remained the No. 1 company in terms of assets under management in Greece (ranking based on the total assets of UCITS and institutional portfolios under management, according to the Hellenic Fund and Asset Management Association's data as at 31.12.2016), with total assets under management and supervision of €4.3 billion, €2.5 billion of which were mutual funds under management, €971 million were institutional and private investor portfolios under management and €841 million concerned third party mutual funds that are distributed through Eurobank's Private Banking and other sub-distributors. The company's leading position is also confirmed by the awards received for yet another year from Citywire Global, the international financial information and manager rating house and Morningstar® the international rating agency.

Asset Management

Eurobank Asset Management M.F.M.C., a wholly-owned subsidiary of the Bank, remained for the ninth year in a row the leader in the management of mutual funds and institutional portfolios in Greece, according to the Hellenic Fund and Asset Management Association's data. As at 31 December 2016, total funds under management amounted to €4.3 billion.

Mutual Fund Management

In the field of mutual fund management, Eurobank Asset Management M.F.M.C., with a market share of 38.3%, ranked first, among the Greek asset management companies, based on assets which landed slightly lower, at €2.5 billion. This was attributable to the partial restoration of regularity and the gradual restoration of trust in the Greek financial system.

The increased volatility that prevailed during the first two months of 2016 receded later on in the year, despite the critical political developments (referendum in the UK and Italy, USA elections) which were expected to cause turbulence to the global markets. In this unpredictable investment environment, Eurobank Asset Management M.F.M.C.'s investment team managed to cope effectively with the market challenges and stand up to the investors' expectations. This is evidenced by the fact that the Eurobank I (LF) Equity - Emerging Europe, with a return of 29.24%, ranked first among 259 mutual funds in the Greek market. At the same time, Eurobank I (LF) Fund of Funds – Balanced Blend US with a return of 6.88%, Eurobank I (LF) Fund of Funds – Balanced Blend Global with a return of 5.96% and Private Banking Class (LF) Fund of Funds – Global High with a return of 5.08%, held the three leading positions in the Balanced Fund of Funds category, while Eurobank I (LF) – Dynamic Fixed Income, with a return of 8.85%, ranked first in the Bond Fund of Funds category, according to the Hellenic Fund and Asset Management Association's data (31/12/16). Lastly, the two leading positions in the Developed Markets category were held by Eurobank I (LF) Equity – Global Equities with a return of 9.80% and the Interamerican Developed Markets Foreign Equity Fund with a return of 8.80%.

The quality of the investment management results was acknowledged by Morningstar® , the international fund rating agency, which awarded five stars to Eurobank Balanced Blend Fund of Funds and Interamerican Money Market Fund and four stars to (LF) Fund of Funds – Balanced Blend Global. At the same time, Eurobank Asset Management M.F.M.C.'s performance in the field of European fixed income was also awarded with the Gold distinction by Citywire Global, the international financial information and manager rating house.

These distinctions, the distribution agreements with international fund platforms and the participation of Eurobank Asset Management M.F.M.C.'s executives in select Paneuropean conferences, continue to constitute the main pillars of the company's strategic external positioning.

Wealth Management

Institutional Asset Management

In 2016, Eurobank Asset Management M.F.M.C. broadened its presence in the institutional asset management space, increasing the number of mandates for the external management of the portfolios of occupational funds, insurance companies and other institutional investors both in Greece and Cyprus. Total funds under management reached €600 million, through 26 segregated mandates.

The funds managed by the company on behalf of Private Banking customers in Greece, Cyprus and Luxembourg amounted to €349 million, through 767 distinct portfolios.

Last, total funds under distribution to Eurobank's Private Banking clients, reached €1 billion in 2016, supported by the services offered by the company for the analysis, evaluation, classification and selection of UCITS funds managed by the 15 co-operating global investment houses.

Private Banking

2016 was another challenging year for Eurobank Private Banking. The starting point was the rapid fall of the international markets until the first ten days of February, which triggered a period of disinvestment and the return to high liquidity levels in customer portfolios.

Whilst the assets under management declined, the effectiveness of the profitability per unit remained stable compared to the past, whereas the ease of the restrictions of the capital controls allowed a more active transactional behavior in clients' portfolios.

Eurobank's Private Banking consistently seeks to provide clients with a wide range of choices, that guarantees world-class wealth management services and matches the financial conditions prevailing at each given period. This was the driving force behind the initiatives taken by Eurobank Private Banking during 2016, which included:

- Ongoing development of the Open Architecture strategy, which provides clients with access to third party funds of prominent International Asset Managers.
- Further promotion of the Discretionary Asset Management service, which is offered through Eurobank Asset Management M.F.M.C. and enables clients to enjoy professional asset management by the leading Asset Management company in Greece. Moreover, 10% of funds under management are now placed in this service, whose importance was clearly demonstrated at a time when international markets recovered, especially after the first two quarters of the year.
- Promotion of the option of using the services offered by the Group's subsidiary banks in Luxembourg and Cyprus, aiming at offering to our clients more alternative choices and at the same time at retaining and increasing clients assets under management.
- Expansion of the Advisory Service to areas like Virtual Advisory, offering advisory services to customers with investment portfolios held with other banks.
- Continuous focus on providing our clients with timely and accurate update on the global economic and financial environment, through a unique programme of targeted informative, cultural and social events, the "Eurobank Private Circle" Events. Through this programme, our clients have the opportunity to get exposed not only to Eurobank's house-view, but also to market insights of other prominent financial institutions, asset managers and financial executives. In 2016, Eurobank Private Banking organised 12 informative "Eurobank Private Circle" Events, addressing an audience of more than 1,500 clients.
- The Bank's strong commitment to providing top-quality services to its clients, culminated in the continuous distinctions bestowed to its Private Banking operations. In 2016, the Bank received the "Best Private Bank" in Greece award for the 3rd consecutive year from two prestigious international players at the same time, the PWM & The Banker and World Finance magazines, thus winning a total of 14 distinctions in 11 years.

International Capital Markets and Treasury

Global Markets Trading Sector

In 2016, the Eurobank Group was one of the 22 primary dealers in the primary and secondary markets for Greek government bonds. The Group is also engaged in interest rate derivatives trading through Athens stock exchange, bond derivatives trading through EUREX, and bond trading through EuroMTS.

The Group was also actively engaged in corporate bonds in the local markets of Western Europe, as well as government bonds in the local markets of Southeastern Europe.

In regards to own account trading, the Group applies strict limits, which are monitored daily by the Risk Management Division. Trading limits include:

- The amount of exposure to counterparty risk, according to the credit risk assessment for each counterparty.
- The level of exposure to foreign countries.
- Limits on the concentration of various maturities.
- The monitoring of Value-at-Risk (VaR).

The trading control system supports the monitoring and management of Eurobank's positions in a precise and efficient manner.

Treasury

In 2016, market developments continued to normalize. This was effectively exploited by the Bank's Treasury division, by entering into new repo transactions with international financial institutions and by increasing the overall volume of interbank activity (repos, swaps etc.). These efforts were further complemented by the assumption of responsibility for the central management of the financing of all Global Markets & Treasury available assets, with the objective to achieve economies of scale and reduction of the funding cost.

Furthermore, in 2016, the Treasury continued efforts to:

- Optimise the use of available eligible assets and create new ones, aiming at maximising liquidity and the dispersion of financing resources.
- Secure a sufficient liquidity buffer.
- Enter into longer term transactions with international financial institutions in order to secure financing for the Bank in all currencies.

In conclusion, Treasury has managed efficiently the Bank's liquidity, while also drastically reducing the Bank's dependency on the Euro system. Further, Treasury managed to substantially increase the number of international financial institutions that are counterparties of the Bank, thus broadening its access to the markets and allowing for the most efficient management of the Bank's balance sheet while also significantly reducing its wholesale funding costs.

Sales and Structuring

In spite of the capital controls that remained effective throughout 2016, the Sales Division was distinguished for the high-quality services it offered and for the facilitation to the prompt and smooth restoration of transactional activity.

The Division contributed significantly for yet another year to the Bank's objectives. The development and promotion of the Bank's products through new service channels, which culminated in the launching of e-FX for Business, a service offered through e-Banking, has rendered the Bank a pioneer in the Greek market and was warmly welcomed by the Bank's customers. The Division commits to continue to exploit new technologies, with a view to managing resources more efficiently. Remarkable was also the effort to attract or manage liquidity, while emphasis was given to the provision of alternative deposit products and bonds. Lastly, in 2016 the Division was actively involved, with spectacular results, in all European bond issues relating to Greek enterprises.

Global Markets International - Subsidiaries

The Global Markets and Treasury Division offers a holistic and standardised approach in the countries of Southeastern Europe, based on a central management and supervision model run from Greece. The strategic objective of the Eurobank Group is to preserve and develop, through the experienced staff of the local Treasury Units, its important regional footprint in the fields of liquidity management, foreign exchange, interest rates, bonds and derivatives trading, as well as the sales of financial and investment products in the local markets. In 2016, the Group managed to:

- Significantly increase the liquidity position of subsidiaries and ensure its efficient use within the Group.
- Increase interbank limits and the number of international counterparties trading directly with the Group's subsidiaries, despite the adverse international environment and ongoing capital controls.
- Continue to drastically decrease the cost of deposits, along with an overall increase in deposits volumes in terms of international operations, through a diverse spectrum of investment products.
- Preserve the bond portfolio and the respective risks assumed, while maintaining a leading role in the primary and secondary market dealership for local government bonds, provide liquidity to local and international counterparties (in the securities and currency markets) and provide high quality services and treasury products to a diverse client base (retail customers, corporate, and institutional clients & investors).

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Equities Brokerage

Eurobank Equities S.A. maintained its leading position among Greek equity brokerage services in 2016, ranking first for the 8th consecutive year in terms of market share among brokerage houses, commanding 15.02% of Athens Exchange traded volume.

Eurobank Equities S.A. is the broker of choice for over 10,000 private investors and significant local and international institutional investors when investing in Greece. The company offers a broad range of services, including trading in equities, derivatives and bonds, both in Greece and abroad, as well as in local and international mutual funds. Private investors can trade either via phone, with the support of their broker, or online through the firm's eurobanktrader platform.

The firm's Research team - which upheld its leading position in the EXTEL survey for the 4th consecutive year in 2016 - covers 80% of the Athens Stock Exchange capitalization, through periodic reports. The team remains in regular contact with the listed corporate and institutional investor communities. It also consistently advises all Eurobank Group investment units on matters relating to listed equities. Apart from the Greek market, the team also covers all major equity markets and companies worldwide.

The company also offers Market Making services providing liquidity to 22 listed equities and 31 derivative products.

The 2016 EXTEL survey, which is carried out among 20,000 investment professionals globally, once again voted Eurobank Equities S.A.:

- Best Brokerage Company in Greece;
- Best Country Research for the Greek market;
- Best Individual Analyst for the Greek Market;
- Second place in the Institutional Equity Sales.

As is the case every year, the company sponsored a series of international events in 2016 under the auspices of the Athens Stock Exchange, like the Greek Roadshows in New York and London, to promote Greek equities to international investors.

Other Activities

Real Estate – Eurobank Property Services S.A.

Eurobank Property Services S.A., a wholly-owned subsidiary of the Bank, is the Eurobank Group's specialised real estate arm and one of the leading companies in the real estate sector in Greece. The company offers a broad range of high-quality real estate services, operating in line with cutting-edge standards. It is staffed by a team of experienced and specialised associates holding TEGoVA (European Group of Valuers' Associations) and RICS (Royal Institute of Chartered Surveyors) certifications. The company itself has ISO 9001:2008 and 14001:2004 certifications, and the quality of its services is evaluated by the Royal Institution of Chartered Surveyors – RICS. The company is listed in the Register of Certified Valuers of the Ministry of Finance.

As part of its operations, the company provides the following services:

- Agency services for sale, lease and management of real estate assets;
- Consulting services to private and corporate customers, related to the utilisation and management of real estate, building energy efficiency improvement, as well as on other matters related to the use, operation and management of building facilities of any kind, including the management of joint-use facilities;
- An integrated series of technical Due Diligence services, e.g. technical surveys on real estate property, consulting on construction/urban planning matters, evaluations of E/M equipment and installations, Energy Performance Certifications etc.

As part of the provision of digital services, the company's Research and Analysis Department has developed a holistic market monitoring and residential property portfolio risk management system; the EPS Analytics platform. It allows its users to design their own investment strategy and make instant decisions as to the management of their portfolios. This particular platform includes a comprehensive range of tools such as Residential and Commercial Property Market Indices, Forecasts, Automated Valuation Models (AVMs), Value at Risk (VaR) Models, as well as Market Reports. These tools have enabled the company to accurately update the values of over 60,000 properties in the countries where Eurobank Property Services S.A. is active (Greece, Romania, Bulgaria and Serbia). By way of indication, the Automated Valuation Model (AVM) developed for Romania is the first automated tool producing residential property values, which has been inspected as part of the Asset Quality Reviews (AQRs) by PricewaterhouseCoopers (PwC), and has been certified as to the credibility of its findings.

Other Activities

Securities Services

In 2016, the Group focused in providing the most complete range of post-trade services to institutional investors in Greece and the countries of Southeast Europe where it has a presence. In this context, the Group successfully responded to a series of regulatory changes, managing, at the same time, to innovate in response to the institutional investors' ever-changing needs. Critical components to this success were the highly specialised personnel, the long-standing customer relationships, as well as the prestige resulting from its well established and efficient cooperation with Regulators and Institutional Counterparties.

Once again, the quality of the Group's Post-Trade Services was internationally recognised. In the Greek market, Eurobank Ergasias S.A. was awarded, for a 12th consecutive year, "Top Rated Custodian for Institutional Investors" by Global Custodian magazine, and "Top Rated Custodian" by Global Finance magazine, for 2016. The company earned similar distinctions also in the countries of South-eastern Europe, where, for a 7th consecutive year, Bancpost and Eurobank Bulgaria AD were awarded "Top Rated Custodians for Institutional Investors" by the Global Custodian magazine, thanks to their spectacular performances. In the same survey, Eurobank Ergasias SA was awarded "Top Rated Custodian for Institutional Investors" in Cyprus for 2016, for the 8th consecutive year.

Public Sector Banking

As part of the effort to offer integrated solutions and build partnerships with the General Government, in 2016 the Public Sector Banking Division recorded some significant results.

In particular, the Division managed to broaden its existing partnerships and forge significant new ones with Self-Government Authorities (Regions, Municipalities and Legal Entities of Private Law), as well as with Central Government Organisations (Universities and Hospitals).

Making full use of all of Group's available networks and product units, the Division managed to increase General Government deposits by 38%, enhance the Bank's position in strategic sectors of Government Organisations and expand its geographic presence, now serving over 2,000 customers in the industry. Moreover, attention was paid to providing customised solutions to Self-Government authorities, where the Bank's market share services offered to Municipalities reached 11%.

The Public Sector Banking Division responded to over 170 Calls for Expression of Interest, offering a comprehensive collaboration package that includes: competitive treasury solutions, comprehensive trading services, innovative e-Banking solutions, customised real estate management proposals, a broad range of insurance products and flexible financing solutions.

Cooperating with Government Entities, and supporting their roles and the services they offer to the Government and the Citizens was a key priority for the Bank in 2016.

Communication Strategy

Since 2015, Eurobank has been focusing on placing its customers at the core of its operations. Consistently applying a human-centric approach, in 2016 the Bank once again adopted the ''Putting you first" message as its key communication motto, concentrating on the individual and diverse needs of its customers. The Eurobank communication strategy relies on personalised communication, serving the everyday banking needs of customers promptly. In 2016, the Bank carried out targeted marketing and public relations activities, making full use of new technologies.

Supporting Entrepreneurship

Eurobank communicated its support for healthy entrepreneurship and its broader support for SMEs through various communication actions and initiatives, offering comprehensive solutions for SMEs and professionals. Moreover, jointly with Grant Thornton, it launched the Growth Awards, rewarding development and entrepreneurship.

It promoted extroversion through the Exportgate.gr international trade portal, allowing Greek export enterprises to come into contact with foreign enterprises. Furthermore, as part of the "Go International" Programme, the Bank organised the "Go In Athens" business meetings, in partnership with the Panhellenic Exporters Association (PEA), the Greek International Business Association (SEVE), the Exporters' Association of Crete (EAC), the Hellenic Federation of Enterprises (SEV) and the Greek Tourism Confederation (SETE), bringing together Greek exporters and major international buyers.

The Bank has also undertaken initiatives to promote exports, tourism and competitiveness, organizing the 1st Eurobank Greek Tourism Conference jointly with SETE.

It also supported innovation and youth entrepreneurship through the 3rd Greece Innovates! Applied Research and Innovation Competition it organised jointly with SEV, and the 4th round of the egg – enter•grow•go Programme in partnership with the Corallia Unit of Athena Research Centre. This initiative includes a comprehensive business incubation framework that offers young people the facilities and tools they need to transform their ideas into comprehensive business plans.

Rewarding Customers

In 2016, Eurobank consistently promoted the *€pistrofi* programme to the customers who use Eurobank credit and debit cards. *€pistrofi* is one of the most successful customer reward programmes, offering customers daily with actual returns in euros through more than 7,500 partner retailers.

Consistently keeping to its strategic objectives, the Bank introduced key operational pillars, such as that of deposits. At the same time, it promoted its "mobile first" strategy with the new Eurobank Mobile App through various media communication actions.

The Bank also focused on a very sensitive issue for the Greek society, that of non-performing loans, promoting the concept of cooperation and encouraging customers facing financial difficulties to seek help from the Bank.

Through various actions and initiatives nationwide, Eurobank stood by its customers, always aiming for personal contact. More than 300 events were held in 2016 and the Bank came into contact with selected customer audiences, such as exporters, businesses and professionals, as well as with Personal Banking and Private Banking customers. At the same time, the Bank reached out to its customers through various communication tools and carried out more than 150 targeted communication actions.

It also carried out sponsorships and organised various informative events (sponsorship of the 15th Annual SETE Conference "Tourism & Development", informative meeting with members of the Association of Chief Executive Officers, events held in local branches etc.).

With a view to ensuring constant improvement and keeping up with new trends and the views of its customers, the Bank regularly carried out 23 qualitative and quantitative surveys at regular intervals.

Digital Communication

Aiming at offering innovative solutions to make the everyday experience of its customers easier, Eurobank continued to invest in personalised digital communication with its customers.

Utilising all available electronic channels and means of communication (e-Banking, m-Banking, e-mail, in-branch digital screens etc.) and paying attention to the diverse needs of its customers, the Bank offered tailor-made product solutions. At the same time, with a view to attracting the audiences that use new technologies extensively, the Bank carried out targeted communication campaigns in 2016.

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Technology

Technology is a strategic component of Eurobank's strategy. In 2016, its role was further enhanced with a view to exploiting technology throughout the Bank's operations and improving the use of digital channels.

After a period of essential cost containment, Eurobank substantially increased investments in technology, aiming to improve customer experience, support its operations more efficiently and utilise innovative technologies, with a view to transforming into a digital, customer-oriented Bank.

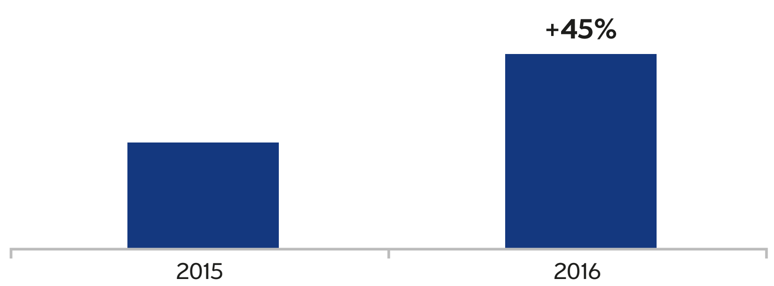
In line with these objectives, the General Division of Information Technology has focused on the following pillars, through more than 250 initiatives:

- Development of digital channels
- Automation of banking operations
- Improved use of information
- Evolve core banking systems
- Evolve technology infrastructure

At the same time, the Bank's security infrastructure was enhanced; new application development methodologies were introduced (agile development) and the Bank's IT strategy was defined until year 2020.

Information Systems Development

The General Division of Information Technology is a pillar in the Bank's operational support and development. In 2016, the Division completed over 250 initiatives with availability of all IT services exceeding 99.95% while Help Desk fulfilled more than 50,000 requests. Moreover, the Division focused on covering major business needs, which is also depicted by the 45% year-on-year increase in investments in IT initiatives.



Investments in IT projects 2015-2016

The main business needs that were efficiently met are the following:

Troubled Assets Management

As part of the troubled assets management policy, new debt settlement products were launched, while all actions necessary for the Bank's compliance with the regulatory framework such as the "Regulatory requirements to manage past due and non-performing exposures" (BoG Executive Committee Decision No. 47/09.02.2015) and Law "Regulation of the debts of over-indebted individuals" (Laws 3869/2010, 4346/2015) were thoroughly completed. In addition, the information systems architecture was finalised, with a view to supporting operational requirements.

Paperless Branch

As part of the evolution of digital services offered by the Bank, major steps were taken to reduce paperwork throughout the branch network. The "Paperless Branch" programme aims at improving customer experience as regards customer documentation gathering, to minimise multiple requests for the same documentation and subsequently reduce the Bank's environmental footprint. The programme is comprised of the following initiatives: Integration of document management systems; upgrade of the document management infrastructure; electronic classification of existing physical customer records and digitisation of customer signature in all cash transactions. The above programme has won the Golden Award at the Business IT Excellence Awards.

Digital Channels

Eurobank offers its customers a broad range of services through its digital channels. In this context, the General Division of Information Technology supports 1,300 Automated Teller Machines (ATM) and Automated Pay Stations (APS) and over 146,000 POS (data as at 31/3/2017). In 2016, the ATM and POS communication infrastructure was upgraded into a new, modern, integrated platform throughout the Group, to achieve more efficient management at lower cost. Moreover, in 2016 various new digital services and applications were launched, with a view to offering new functionalities to more than 500,000 users of Eurobank's digital channels. Redesigned mobile applications were launched (e.g. *€pistrofi app* and *Eurobank Mobile App*) integrating innovative features, such as the *PaF - Pay a Friend* feature, which allows person-to-person instant payments and supports biometric finger authentication (Touch Id). The success of the Bank's digital channels has been proven by the awards the Bank has won for these applications:

- Golden Award for the *Eurobank Mobile App* in the Mobility & Mobile Apps category (Business IT Excellence Awards);
- Golden Award for the *Eurobank Mobile App* in the Mobile Banking Services category (Cyta Mobile Excellence Awards);
- Golden Award for the *PaF - Pay a Friend* service in the Mobile Service for Consumers category (Cyta Mobile Excellence Awards);
- Golden Award for the *€pistrofi app - The only way is app* in the Use of Mobile for Customer Loyalty category (Cyta Mobile Excellence Awards).

Regulatory Compliance

As part of the essential interventions were made to the Bank's systems in 2015 for supporting customers following the imposition of capital controls, in 2016 the Bank continued its efforts to comply with emerging new regulatory requirements. New important regulatory requirements have emerged, imposed both by Greek and EU regulatory authorities. In addition to the initiatives taken to ensure compliance with the requirements of the Solvency II, the OECD Common Reporting Standards, the MiFIR and the EMIR, the General Division of Information Technology has taken initiatives to reinforce the Enterprise Data Warehouse, with a view to meeting future business needs more efficiently.

Operational Redesign of the Branch Network

The Bank has prepared a major operational redesign programme for its branch network. The General Division for Information Technology was actively involved in the preparation of the action plan for the operational redesign of the Bank's branch network. The strategic objective of this programme is the restructuring of branch network; the improvement of customer experience (customer journeys) and the leaning of the processes enabled by a flexible operational model.

Enterprise Resource Planning (ERP) system

The new ERP system was thoroughly installed Group-wide. It is an acknowledged ERP system that was implemented in line with best international practices - an acknowledged initiative that won the Gold SAP Quality Award. The new ERP system is expected to release significant human resources and reduce operating and maintenance costs. At the same time, the new system utilises new technologies, like e-Invoicing technologies, which are bound to increase end-user productivity and reduce maintenance needs.

Application Programming Interfaces (APIs)

The APIs facilitate the interconnection between the Bank's systems and third-party enterprises and organisations. The Bank has implemented the Eurobank API, comprising of a substantial number of APIs, to achieve better interconnection with third-party service providers, e.g. offer payment services through Bank's partners. Furthermore, the General Division of Information Technology was actively involved in the 1st Regional "Beyond Hackathon" contest organised by the Bank's Innovation Centre in cooperation with Found.ation M.P. and THE CUBE WORKSPACE M.I.K.E., where it launched a special version of the Eurobank API, the Hackathon API, in a simulated environment of the Bank's systems (API sandbox).

Reinforcement of Infrastructure

Aiming at performing fault-tolerance operations and continuous improvement of Bank's services in terms of performance and availability, over 150 interventions were made to the Bank's systems. Such interventions consisted primarily of the following: (i) Consolidation of infrastructure into virtualized environments; (ii) Upgrade of the Data Centre' infrastructure, and (iii) Upgrade of end-user terminals.

Security of Information Systems

The General Division of Information Technology and the Bank, which is certified as per ISO/IEC 27001:2013, acknowledging the importance of security in relation to information systems, cooperates closely with the Group Corporate Security Division to provide secure services and efficient protection of the information (both personal and corporate data). In this context, major projects were implemented in 2016, including primarily: (i) The upgrade of external fraud detection services infrastructure; (ii) The enhancement of WAN and Web sites firewalls with Next-Generation Firewall capabilities; (iii) An upgrade of the existing protection mechanism against malicious content in the Bank's email internal infrastructure; (iv) The replacement of the Bank's security services infrastructure at the Web Security Gateway, and (v) A substantial number of technical security controls (penetration tests) on critical information systems and infrastructure.

Operating Model Certification

Eurobank is one of the few banks in Europe holding ISO/IEC 20000 certification for the management of all IT services. Following an annual audit by TÜV Hellas, the General Division of Information Technology was re-certified as per ISO 20000. As part of the Bank's effort to constantly improve its operating model, in 2016 the agile Scrum methodology was introduced, in relation to the development of new products and services.

The Next Steps

In response to the Bank's ever-changing and ever-increasing operational needs and to modern technological challenges, the General Division of Information Technology has prepared a strategic plan with a view to responding promptly to new requirements, constantly improving the services offered, ensuring the secure use of data and utilising new technologies. The main objective of strategic plan is to improve the Bank's competitiveness in the emerging economic and technological environment arising over the next years.

In addition, an action plan was put into effect to streamline the operating model of General Division of Information Technology. As part of such plan, the General Division of Information Technology aiming the end to end management of Bank's project portfolio and to become a strategic partner in the attainment of the Bank's vision to become a digital, customer-oriented Bank.

ANNUAL REPORT 2016

International Presence

The Eurobank Group is present in Eurozone-member states (Cyprus, Luxembourg), EU-member states (Romania, Bulgaria and the UK) and accession states (Serbia). In 2016, Eurobank Group enhanced its presence to Bulgaria by acquiring and merging Alpha Bank's branch in Bulgaria.

On 31.12.2016, the Group's foreign subsidiaries net loans amounted to €7.5 billion, while deposits amounted to €10.6 billion and a network of 401 branches and 32 business centers.

The Eurobank Group is committed to the countries in which it operates, the main pillar of its strategy being the support of the real economy, with a focus on sectors that have a multiplier effect on the growth of the local communities.

International operations continued on the profitable path recording a net profit after tax of €123 million, increased by 84% as compared to €67 million net profit after tax in 2015. Pre-provision income from international operations stood at €304 million in 2016 as compared to €256 million in 2015, (a year-on-year increase of 19%). Operating expenses showed resilience, since even after the merger with Alpha Bank operations in Bulgaria the increase was only by 1% year-on-year, as a result of the synergies achieved. Consequently, the cost to income ratio reached to 46%, improved by 400 basis points as compared to 50% in 2015.

The Group maintains long-standing partnerships with International Financial Organizations, such as the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC) and the European Investment Bank (EIB), in order to channel, through its subsidiary banks in Romania, Bulgaria, Serbia and Cyprus, credit facilities aimed at supporting small and medium-sized enterprises.

The existing partnerships, combined with specialised trade-finance facilities with these organizations, constitute a strategic decision of the Group, aimed at better exploiting any opportunities presented worldwide for supporting the region's economies and businesses.

Romania

According to preliminary data released by the National Institute of Statistics, Romania's economy grew by 4.8% in 2016, the fastest pace since 2007 and the highest marked in the EU. The GDP evolution was triggered by the acceleration of the domestic demand, due to the expansionary fiscal policy, including the reduction of the VAT rate (from 24% to 20%). Real average wages advanced by 14.5% in 2016, as public sector and minimum wage increases, triggered a chain reaction on the pay scale. In 2016, the government budget deficit stood at 2.4% of GDP as a cautious approach to public spending by the transition technocrat government managed to keep the deficit under control. Annual harmonized average consumer price inflation (HCPI) remains in the negative territory at (1.1) % in 2016, as the four percentage points VAT reduction pushed down domestic prices.

National Bank of Romania maintained the key policy rate at the historical low of 1.75% (since May 2015) and reduced the level of the minimum reserves requirements in 2016 for FX liabilities (from 14% to 10%). According to National Bank of Romania statistics, 2016 was positive in terms of foreign direct investment, which amounted to over €4 billion, showing an annual increase of 38%. Almost the entire amount represented contributions to the capital of foreign entities present in Romania. Labor market conditions continued to tighten in 2016 as the economic growth accelerated. The economy created new jobs almost every month during 2016, pushing up employment to its pre-crisis level. Consequently, the unemployment rate followed a downward trend, reaching 5.5% at the end of the year, which is the lowest level since 2008.

Taking advantage of the macro environment, Group operations in Romania continued to be profitable and in terms of balance sheet as at December 2016 total net loans stood at €2.1 billion, while total deposits amounted to €1.9 billion. Operating expenses were reduced further thus improving pre-provision profit. The capital adequacy ratio of Bancpost as at December 2016, stood at 20.5%, significantly higher both from the minimum threshold imposed by country's Central Bank (10%) and the 12.7% SREP ratio.

Romania

In 2016, Bancpost continued to target low and medium risk corporate clients in selected sectors with high contribution to the GDP growth and significant potential for corporate business. As a result, the total amounts disbursed as new financings in 2016 were in excess of €160 million, more than double compared to the previous year. At the same time, the average corporate deposits base increased by more than 100%, with current accounts balances contributing significantly to this growth. The bank maintained its focus on trade finance activities; total foreign trade volume through the bank has reached €1.58 billion in 2016 for corporate clients. The active participation of the bank in the trade finance programs established by IFIs is key differentiation factor in a highly competitive market. Once again, the strong support of the bank to the trade finance activities of Romanian companies has been recognized by its partners, as Bancpost has been nominated the "Most Active TFP Issuing Bank in Romania" under the EBRD Trade Finance Program.

Small Business Banking segment continued to be in the Bank's priorities, implementing several projects with the aim to improve efficiency in the lending process and the quality of services. Bancpost remains key player in individual lending market showing year on year improvement of 60% in consumer loan new production and 7% in number of new credit cards and has more than 12% market share in Romanian total credit cards market.

In 2016, Bancpost continued its client centric approach by investing in projects related to process optimization and digitalization. Through the initiatives implemented, automation of credit application flow and instant decision, the bank managed to improve efficiency and customer experience related to lending products.

Digital banking remained key focus area for Bancpost and is based on three pillars; namely digital education, pricing reconfiguration and activation / usage campaigns for digital channels adoption & usage, especially for mobile banking channel – FastMobile. Thus, in 2016 Bancpost registered 170% increase in number of FastMobile customers and 86% increase regarding number of transactions via mobile banking comparing with 2015. Also, the digitalization has been present in savings behavior of customers as well, where a significant growth is shown: 300% year over year increase in online/mobile deposits volumes.

Bulgaria

In 2016, the positive economic momentum from 2015 continued, with the Bulgarian economy showing a GDP increase of 3.6%.

The Bulgarian banking system had probably the most successful year since the end of the crisis. The major challenge for the year – the Asset Quality Review (AQR) and stress test conducted by the Bulgarian National Bank, was successfully completed by all banks confirming that the system is in good shape and resilient to shocks. The average CET 1 ratio of the 22 local banks before the AQR was 20%, while in the adverse scenario at the end of the third year the CET 1 ratio would be 14.4%, higher even than the minimum requirements under normal circumstances. The system remains well capitalized – the total capital adequacy ratio of the Bulgarian banks increased from 22.2% at the end of 2015 to 22.8% as of 30 September 2016.

As part of the Bulgarian banking system, Eurobank Bulgaria AD (Postbank), is the fifth bank in terms of assets and has a 25-year presence among the banking market leaders in Bulgaria. Postbank, which plays a leading role in the Bulgarian banking system, is one of the most innovative banks in the country and has been awarded for its innovations many times.

Postbank is holding a strategic position in the retail and corporate banking in Bulgaria. It is among the market leaders in credit and debit cards, household lending, savings products, and products developed for corporate customers – from small companies to large international corporations represented in the country. The bank has one of the best developed branch networks and modern alternative banking channels.

Group operations in Bulgaria delivered an all-time high net profit after tax of €49 million. The result was due to a combination of factors, including the acquisition of the Alpha Bank's branch in Bulgaria, higher drawdowns of new loans, measures to expand the sources of income and reduction of the cost of funds, as well as the improvement of the quality of the lending portfolio.

In March 2016, Postbank acquired the operations of Alpha Bank-Branch Bulgaria, which was yet another step towards strengthening its position as a market systemic bank and the expansion of its customer base. The operational merger was completed in the record time of three months, and at the end of May the customers already reaped all the benefits of the bigger bank. The acquisition of the operations of Alpha Bank-Branch Bulgaria was a key event for the entire banking market. It was the first landmark deal in the ongoing process of consolidation, which is expected to bring even more stability and security in the banking system in the country.

Bulgaria

In June 2016, the Bulgarian Credit Rating Agency (BCRA) confirmed Postbank's BB+ long-term rating, a short-term rating of B, and changed the outlook from stable to positive. Again in June, the bank was awarded also national long-term rating of A-(BG), positive outlook, which is an improvement from the BBB+(BG), stable outlook, from the previous monitoring in January 2016.

The results of the asset quality review (AQR) of the Bulgarian banking system, completed in August 2016, showed that Postbank is well capitalized and financially stable. According to the AQR and stress test results, published by the BNB, the Bank's Common Equity Tier 1 capital (CET1) ratio is 19.7 % even in the conditions of an adverse scenario. The combination of a strong capital position, high liquidity and excellent AQR and stress test results allow Postbank to further develop its prospects for sustainable growth in the long term.

In 2016, Postbank celebrated its 25th anniversary on the Bulgarian market by offering its customers special offers for the jubilee. In June, Postbank opened its first Private Banking Centre in Bulgaria in partnership with Eurobank Private Bank Luxembourg S.A. It offers customers of the Bank, who fit the respective profile, a range of investment services in discretionary asset management, wealth management and business consulting. In September, Postbank signed a new agreement with the National Guarantee Fund (NGF) – a subsidiary of the Bulgarian Development Bank (BDB), on the second guarantee programme for agricultural producers, which is implemented with the financial support of the Ministry of Agriculture and Food.

For a third consecutive year, Postbank's efforts were acknowledged by the European Bank for Reconstruction and Development (EBRD) through the recognition of Most Active Bank in Bulgaria in Trade Finance.

Once again, Postbank was the only financial institution from Bulgaria to reach the finals of the international competition for the best practices and excellent business achievements – European Business Awards. The Bank won its third consecutive award in the Innovations in Business category for the innovative Different Consumer Loan, which offers the customers the chance to receive back some of the interest on the loan. Furthermore, the bank offered many products and services along with its consumer loans, thus increasing the added value provided to its customers.

Serbia

In 2016, Serbian economy marked a full recovery growing by 2.8% year-on-year. The growth was mainly supported by net exports and investments increase, and a faster than anticipated recovery of personal spending. Output is expected to accelerate to 3.0% and 3.5% in this year and next.

Inflation remained subdued throughout the year due to low prices of commodities and food, leveling out at 1.6%. The National Bank of Serbia went on to lower the targeted inflation range by 100bps starting January 1st, 2017, to 3.0±1.5%. Monetary policy easing came to an end in 2016, with only half a point reduction for the entire year, setting the Key Policy Rate at 4.0%. Borrowing by businesses and the state reached an all-time low, although it appears there is little room left for further reduction for both the Key Policy Rate and market rates.

The 3years precautionary IMF arrangement reached its full potential as the structural adjustments for year 2016 totaled almost 2% of GDP, for a deficit reduction of 240bps year-on-year. The deficit dropped to a 10 year low of 1.4% vs GDP due to, among other thing, better tax and excise collection, GDP rising above projections and controlled state spending. As a result, the public debt dropped by ca. €400 million in absolute figures, while debt vs GDP ratio levelled at 72%, a full year ahead of schedule. Lending activity continued to improve, rising by ca. 1.9% year-on-year, supported largely by the household sector activity (up 10.1% y-o-y). Overall Corporate activity lagged mainly due to SOEs (State Owned Enterprises) early repayments; private companies ended the year higher by 1.5% year-on-year.

Eurobank a.d Beograd (Eurobank Serbia) remained one of key players in the Serbian banking market, holding 4.5% market share in terms of assets and ranking 7th among 31 active banks, with 80 branches and 6 business centers. Despite a sizeable drop in interest income due to record low interest rates, Group operations in Serbia recorded a pre-provision profit of €30.6 million and a net profit after tax of €11.5 million in 2016.

As the clientele needs are rapidly changing in terms of technology, Eurobank Serbia remained committed to further digitalisation of its services, while at the same time staying focused on hands-on, traditional branch business model, which is still preferred by a large number of its customers.

Household sector was the main driver of profitability in 2016 for Eurobank Serbia, taking advantage of a surge in cash loans within the banking sector. In Corporate sector, the Bank focused on preserving a healthy relation with its clientele, while expanding its array of services, to cater to the ever demanding customer base.

Cyprus

2016 was another satisfactory year for Eurobank Cyprus LTD (Eurobank Cyprus) in terms of both profitability and strengthening its position in the local banking market. Net profit for the year amounted to €49.1 million in comparison to €33.7 million in 2015 reporting an increase of 46%. Customer deposits stood at €3.9 billion vs €3.3 billion in 2015 reporting an increase of 18%. Loans to deposits ratio (excluding cash collateral loans) amounted to 23% versus 27% vs 2015. The Capital Adequacy Ratio (regulatory capital / risk weighted assets) amounted at 30.0% and CET1 at 28.3%. The Bank's NPE ratio, based on the new regulations by the European Banking Authority (EBA), stood at 6.9%.

The successful continuation of the profitable course of Eurobank Cyprus over the years allows the Bank to steadily grow, based upon a client centric strategy model with prudent risk management. The Bank's financial strength has aided in consolidating its leading position in the areas of International Business Banking, Wealth Management, Corporate & Commercial Banking and Capital Markets.

In 2016 Eurobank Cyprus has been awarded the "Best Private Bank" by International Finance magazine, the "Best International Private Bank" by CFI magazine and the "Best Banking Group" by World Finance magazine. These awards reaffirm the superior quality of service provided by Eurobank Cyprus to its clients, the professionalism and technical knowledge of its high caliber personnel and the high level of operational excellence.

Luxembourg

Eurobank Private Bank Luxembourg S.A. is an autonomous and operationally independent bank incorporated in 1986 under Luxembourg law. Since June 2015, the Bank is also operating a branch in London. Through thirty years of experience and a focused business model, the bank offers a comprehensive range of products and customized services in Private Banking, Wealth Management and Investment Fund Services, as well as selected Corporate Banking services. During the year, a strategic transformation of the London branch was completed, to ensure rapid business development for the bank in the UK, while the branch's operational support was centralised in Luxembourg. Moreover, throughout the year, the Bank celebrated its 30 years anniversary since its establishment, through targeted high-profile events and communications in international media.

During 2016, the bank's capital adequacy and liquidity remained very high, with a capital adequacy ratio (under Basel III) of 42.75%, and a loans-to-deposits ratio of 36.5% (excluding cash-pledged loans) as of the end of the year. The bank maintained its conservative risk approach, with zero exposure to sovereign debt in peripheral Europe and minimal interbank exposure to financial institutions in those countries (€45.1 million as of 31 December 2016). Moreover, Luxembourg's AAA credit rating and well-functioning institutions together with the bank's expansion in London contributed to the bank's overall strong position.

In 2016, the bank maintained its profitability, despite pressures on profit margins from negative interest rates and a more demanding regulatory environment, which had an adverse impact on the broader financial sector. The bank continued to attract new customers, with 12% of its current customer base to have been onboarded in 2016. Moreover, the bank achieved a healthy increase in gross revenues, mainly due to commission fees, which were up by 8% year-on-year. In Private Banking, and in conjunction with the bank's specialised Investment Advisory and Wealth Structuring teams, activities were broadened further, through innovative investment products and the launching of a new Family Office service under the regulatory framework of Luxembourg. In addition, portfolio and asset financing increased by 9%. Revenues from Investment Funds services increased, as a result of a major increase (>100%) in the funds under management of non-Group clients. Lastly, in the Corporate Banking sector, there was a rise in business in payments and cash management services for corporate and shipping clients, leading to a 78% increase in commission fees, compared to 2015.

Overall, the dedication and extensive experience of personnel, as well as the high quality and innovative nature of the services and products offered, continue to be the driving force behind the bank's continued growth, as it enters its fourth decade of operation. Moreover, Luxembourg's position as a leading financial hub and Eurozone's center of excellence for Wealth Management and Investment Funds, coupled with London's global reach, will continue to be key factors attracting new clients to the bank.

APPENDIX

EUROBANK ERGASIAS S.A.

SELECTED FINANCIAL DATA
FOR THE YEAR ENDED 31 DECEMBER 2016

The complete Annual Financial Report for the year 2016 is available on the Group's website www.eurobank.gr

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EUROBANK ERGASIAS S.A.
CONSOLIDATED INCOME STATEMENT

	Year ended 31 December 2016 € million	2015 € million
Interest income	**2,377**	2,586
Interest expense	**(829)**	(1,123)
Net interest income	**1,548**	1,463
Banking fee and commission income	**381**	370
Banking fee and commission expense	**(137)**	(178)
Net banking fee and commission income	**244**	192
Income from non banking services	**53**	52
Dividend income	**2**	2
Net trading income	**17**	28
Gains less losses from investment securities	**135**	15
Net other operating income	**63**	10
Operating income	**2,062**	1,762
Operating expenses	**(992)**	(1,017)
Profit from operations before impairments, provisions and restructuring costs	**1,070**	745
Impairment losses on loans and advances	**(775)**	(2,665)
Other impairment losses and provisions	**(65)**	(87)
Restructuring costs	**(66)**	(79)
Share of results of associated undertakings and joint ventures	**(4)**	0
Profit/(loss) before tax	**160**	(2,086)
Income tax	**49**	604
Tax adjustments	**31**	432
Net profit/(loss) from continuing operations	**240**	(1,050)
Net profit/(loss) from discontinued operations	**9**	(105)
Net profit/(loss)	**249**	(1,155)
Net profit/(loss) attributable to non controlling interests	**19**	26
Net profit/(loss) attributable to shareholders	**230**	(1,181)
	€	**€**
Earnings/(losses) per share		
-Basic earnings/(losses) per share	**0.11**	(4.02)
Earnings/(losses) per share from continuing operations		
-Basic earnings/(losses) per share	**0.10**	(3.68)

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EUROBANK ERGASIAS S.A.
CONSOLIDATED BALANCE SHEET

	31 December 2016 € million	2015 € million
ASSETS		
Cash and balances with central banks	**1,477**	1,798
Due from credit institutions	**2,759**	2,808
Financial instruments at fair value through profit or loss	**71**	100
Derivative financial instruments	**1,980**	1,884
Loans and advances to customers	**39,058**	39,893
Investment securities	**12,463**	16,291
Property, plant and equipment	**638**	666
Investment property	**905**	925
Intangible assets	**145**	127
Deferred tax assets	**4,945**	4,859
Other assets	**1,952**	2,151
Assets of disposal groups classified as held for sale	**-**	2,051
Total assets	**66,393**	73,553
LIABILITIES		
Due to central banks	**13,906**	25,267
Due to credit institutions	**7,780**	4,516
Derivative financial instruments	**2,441**	2,359
Due to customers	**34,031**	31,446
Debt securities in issue	**102**	150
Other liabilities	**778**	742
Liabilities of disposal groups classified as held for sale	**-**	1,941
Total liabilities	**59,038**	66,421
EQUITY		
Ordinary share capital	**655**	656
Share premium	**8,055**	8,055
Reserves and retained earnings	**(2,988)**	(3,241)
Preference shares	**950**	950
Total equity attributable to shareholders of the Bank	**6,672**	6,420
Preferred securities	**43**	43
Non controlling interests	**640**	669
Total equity	**7,355**	7,132
Total equity and liabilities	**66,393**	73,553

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