ANNUAL REPORT
2016

NATIONAL BANK
OF GREECE
## GROUP FINANCIAL HIGHLIGHTS

### Profit and loss account data (€ millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>1.782</td>
<td>1.765</td>
</tr>
<tr>
<td>Net fee &amp; commission income</td>
<td>192</td>
<td>44</td>
</tr>
<tr>
<td>Earned insurance premins net of claims &amp; commissions</td>
<td>76</td>
<td>88</td>
</tr>
<tr>
<td>Net trading income / (loss) &amp; results from investment securities</td>
<td>(115)</td>
<td>(74)</td>
</tr>
<tr>
<td>Net other income</td>
<td>129</td>
<td>(43)</td>
</tr>
<tr>
<td>Total operating income</td>
<td>2.064</td>
<td>1.780</td>
</tr>
<tr>
<td>Total operating expenses &amp; other non-cash expenses</td>
<td>(1.169)</td>
<td>(1.125)</td>
</tr>
<tr>
<td>Operating profit / (loss) before provisions</td>
<td>895</td>
<td>565</td>
</tr>
<tr>
<td>Credit provisions &amp; other impairment charges</td>
<td>(809)</td>
<td>(4.175)</td>
</tr>
<tr>
<td>Share of profit / (loss) of equity method investments</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Profit / (loss) before tax &amp; minorities</td>
<td>87</td>
<td>(3.608)</td>
</tr>
<tr>
<td>Taxes</td>
<td>(34)</td>
<td>1.000</td>
</tr>
<tr>
<td>Profit / (loss) from discontinued operations</td>
<td>(2.913)</td>
<td>(1.590)</td>
</tr>
<tr>
<td>Minorities</td>
<td>27</td>
<td>29</td>
</tr>
<tr>
<td><strong>Attributable profit / (loss)</strong></td>
<td><strong>(2.887)</strong></td>
<td><strong>(4.227)</strong></td>
</tr>
</tbody>
</table>

### Balance sheet data (€ millions)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from banks (net)</td>
<td>2.227</td>
<td>2.799</td>
</tr>
<tr>
<td>Loans and advances to customers (net)</td>
<td>41.643</td>
<td>45.375</td>
</tr>
<tr>
<td>Investment securities &amp; financial assets</td>
<td>14.761</td>
<td>18.603</td>
</tr>
<tr>
<td>Other assets</td>
<td>19.900</td>
<td>44.398</td>
</tr>
<tr>
<td>Total assets</td>
<td>78.531</td>
<td>111.175</td>
</tr>
<tr>
<td>Due to banks</td>
<td>18.188</td>
<td>25.166</td>
</tr>
<tr>
<td>Due to customers</td>
<td>40.459</td>
<td>42.959</td>
</tr>
<tr>
<td>Debt securities in issue &amp; other borrowed funds</td>
<td>673</td>
<td>1.252</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>12.304</td>
<td>32.699</td>
</tr>
<tr>
<td>Total shareholder equity</td>
<td>6.907</td>
<td>9.099</td>
</tr>
<tr>
<td>Total equity &amp; liabilities</td>
<td>78.531</td>
<td>111.175</td>
</tr>
</tbody>
</table>

### Key figures & ratios

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings (losses) per share (€)*</td>
<td>(0.33)</td>
<td>(3.94)</td>
</tr>
<tr>
<td>Net interest margin</td>
<td>2.8%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Core Tier I**</td>
<td>16.3%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Total CAR</td>
<td>16.3%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Staff number (year end)</td>
<td>15.515</td>
<td>19.806</td>
</tr>
</tbody>
</table>

*Earnings / (losses) per share- Diluted from continuing and discontinued operations

### Credit ratings

<table>
<thead>
<tr>
<th></th>
<th>Long-term</th>
<th>Short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s</td>
<td>Caa3</td>
<td>NP</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>SD</td>
<td>SD</td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>RD</td>
<td>RD</td>
</tr>
<tr>
<td>Capital Intelligence Ratings</td>
<td>SD</td>
<td>SD</td>
</tr>
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LETTER TO SHAREHOLDERS

Ladies and Gentlemen,

In the past year, the Greek economy had to face significant challenges. While key economic indicators are giving mixed signals, they appear to augur a change in course, and the risk of further prolongation of the recession is subsiding substantially despite the geopolitical turbulence in the surrounding region. The economy seems to have bottomed out. GDP remains largely unchanged, industrial production is recovering, and gross fixed capital investment is growing, albeit marginally. In the first quarter of 2017, economic activity was positive and investment cost picked up despite the ongoing uncertainty due to the protracted process of completing the 2nd Review by the Institutions. However, we should not allow the positive signs of stabilization — even at this point in time — following the completion of the Review and the consequent improvement in international investor confidence (as reflected in the sharp drop in yields on Greek government bonds) to lure us into a false sense of security.

The goal is to attain a high and sustainable rate of growth driven, to a significant extent, by large and quality foreign direct investment that generates new business activity both in manufacturing and high value-added services — i.e. investments that will be channeled not only to the usual sectors such as tourism and logistics where Greece holds a strong competitive advantage owing to its geographical position, not to mention its outstanding climate, landscape and sea, acting as a commercial gateway to Central and Eastern Europe, but also to other export-oriented sectors. There can be little doubt, however, that Greece’s human capital comprises our key comparative advantage. Greece is among the top three countries globally (in percentage terms) that exports its economically active population around the world, and in particular people of high educational background, who go to take up posts that require high-level expertise whether in business, scientific centers, or universities. This brain drain of course represents a wasted opportunity for growth, as the country is not effectively exploiting the top quality human capital that is available. To keep this human capital in the country it is imperative that the reforms should not lose momentum. Specifically, it is essential that time-consuming court and legal procedures be streamlined and bureaucracy simplified while, above all, it is important that the climate of antagonism between state and citizen (or businessman), which foreign investors consider to be one of the key obstacles to attracting long-term FDIs in Greece (the World Bank ranks us very low in this area), must change.

I remain optimistic and am confident that — as has happened on other occasions in the past — Greeks will once again prove that they can reverse the crisis and turn the situation into a springboard for the revival of the Greek economy.

Despite the lackluster macroeconomic environment in 2016, and having successfully completed the recapitalization exercise at the end of 2015, the financial system maintained its strong capital position and secured a new equilibrium. Despite small fluctuations, bank deposits stabilized over the past 18 months and, at the same time, capital controls on businesses were eased somewhat, facilitating their transactions as well as transactions with customers and suppliers. Economic activity was supported by exports that rose to a new record high both as a percentage of GDP, and in absolute prices, thus reflecting the gradual transition to a more sustainable growth model. The businesses that seem to be surviving the crisis have managed to adapt to the new financial conditions and increase their outward orientation, benefitting from the significant recovery in their competitiveness in terms of labor costs (following the circa 25% loss in competitiveness of the previous decade).

As can be appreciated, the ability of the banking system as a whole to lend to the private sector was limited while the effective management of non-performing exposures remains the greatest challenge for banks. Uncertainty caused by the protracted process of completing the 2nd Review coupled with the substantial fiscal pressure on private sector liquidity in the drive to achieve the targets interrupted the slowdown in NPL growth in the first four months of 2017, though finalization of the new legislative framework in Q2 2017 should set in motion a new downward trend. More energetic and effective management of this problem — as legislation allows banks more leeway in taking it is extremely important that the level of NPLs be reduced so that badly needed banking resources can be directed to developing businesses that play such a basic role in generating economic growth. We are confident that the targets we agreed with the ECB’s Single Supervisory Mechanism regarding the reduction of NPLs in the period 2016-2018 will be achieved, as NBG has already exceeded the interim targets and has paved the way for attaining the targets of the following quarters. The return of deposits is another key factor that will enable the flow of liquidity from banks to the real economy. But to add momentum to this gradual return of confidence there needs to be an acceleration in the privatization process, with added determination, plus the completion of reforms.
The recent conclusion of an agreement to develop the area at Elliniko (one of the biggest private investments in this sector within the EU, attracting considerable international attention) can serve as a landmark in reinforcing confidence in the potential of the country to carry out large-scale investments and at the same time underscore the economic growth process. Accordingly, swift implementation of the program to develop the neglected area of Elliniko will play a major role in attracting foreign investors, sending a strong message of credibility. As I have said on several occasions, foreign capital is the sine qua non for dynamic growth in Greece where, in contrast with our other EU partners, we have experienced a net dis-saving and disinvestment in fixed capital (in other words, domestic financial resources fall far short of the level of financing required for sustainable development). To ensure that the sacrifices of the Greek people will not be wasted, we need to apply the 4 Cs: Coordination of governmental authorities – Cooperation with the private sector whose recommendations should be heeded with due care – Consistency, so that lower ranking centres of power and authority do not invalidate the central guidelines of government policy, legislative provisions, and ministerial decisions, and - Continuity, so that we do not rest on our laurels with the first successes, but sustain our efforts in the long term.

In 2016, National Bank of Greece was in the vanguard in many key areas. The Bank recorded core pre-provision profit of €881 million, up by 29% y-o-y, reflecting the reduction in liquidity cost, as well as the significant rationalization of its operating expenses. At the end of 2016 the Bank’s voluntary retirement scheme led to a circa 10% reduction of the staff, and the positive feed through will appear in 2017 as the related expenses decrease. NBG has stepped up its efforts to reduce non-performing exposures (NPEs) in Greece by €2.8 billion, with the relevant ratio standing at 45.1% in 2016 versus 49.2% in 2015, largely due to successful restructurings and write-offs fully covered by loan provisions, without the Capital Adequacy Ratio (CET1) being adversely affected. The Bank managed to substantially reduce its dependence on the ELA mechanism, with its funding decreasing by €22.5 billion since the imposition of capital controls, and currently stands at just €5 billion. It may be noted that NBG remains the Greek bank with the smallest dependence on the ELA mechanism and on the Eurosystem in general and has the best loan-to-deposit ratio among its peers. In 2016 NBG also made significant strides in the implementation of its restructuring plan, the key developments being the completion of the sale of its stake in Finansbank to the National Bank of Qatar, the completion of the sale of ASTIR Palace Vouliagmeni to Apollo Investment Hold Co, and the signing of agreements for the sale of its subsidiaries in Bulgaria¹ and South Africa. The Core Tier I ratio (CET1) stood at 16.3% and 15.8% under transitional and fully loaded Basel III rules, and should be further strengthened by further implementation of the Bank’s restructuring plan which, as you may already be aware, includes the sale of other Group companies. Today, a substantial safety margin has been formed over the minimum capital adequacy specified by the Single Resolution Mechanism (SRM) so as to allow the Bank to deal with adverse economic conditions. NBG also restructured its Board of Directors so that its composition is in line with the law and the requirements of the SRM. Today, international experts participate in the Board (from Ireland, Belgium, Scandinavia), with experience of handling banking crises abroad, sharing their valuable experience with us. In addition, the role of our Corporate Governance, Group Internal Audit, Group Compliance and Risk Management Divisions was significantly reinforced, thereby bringing NBG abreast of its European peers, in line with European standards and international best practices. NBG’s staff has worked, and will continue to work, effectively for the Bank’s resurgence after the crisis, within a tough international environment that is being shaped also by the ever-growing penetration of digital technology in the banking industry.

We are proud of our CSR work, which has always been a key part of our tradition and seeks to offer assistance to those who have been most severely affected by the economic crisis, as well as to a variety of foundations and hospitals. The NBG Group, backed by its admirable tradition in the sphere of corporate social responsibility, pioneering initiatives and contribution to the economic and social transformation of Greece, and above all by the solid and long-standing trust of its shareholders, customers, depositors and employees, serves as a pillar of stability and confidence for the Greek economy and society in which it operates.

At the NBG Group, we do not see the endeavour to support the Greek economy (with the channeling of finance to healthy and viable business plans) as just a contribution to the country’s economic growth, but rather as an unquestioned responsibility and token of respect to the depositors and shareholders whose funds have been entrusted with us.

¹ The sale process was brought to completion in June 2017.
Dear Shareholder,

2016 was a year of consolidation and stabilization for the Greek economy. Positive signals from key economic indicators provided support to Group results. That said, the anticipation of the completion of the second review of the country’s fiscal adjustment Program during the course of the year hampered the overall recovery of the economy. In a difficult and uncertain environment, National Bank of Greece managed to post strong results in all its core business lines, reducing its Non-Performing Exposures, improving its liquidity, bolstering its capital base, and returning to positive profitability. All of these developments are tangible proof of NBG’s determination to meet its commitments vis-à-vis its Restructuring Plan and SSM targets for the reduction of NPEs.

Outperforming the SSM target by €0.5 billion, the Bank’s NPEs declined by €2.8 billion. Accordingly, NBG maintains the highest loan loss provision coverage ratio in the Greek banking system, while it also reported the biggest reduction in NPEs.

On the liquidity front, and in line with our commitments, following completion of the sale of Finansbank, NBG repaid CoCos worth €2 billion (which it had received as state aid under the recapitalization of 2015), while it also fully eliminated its exposure to Hellenic Republic senior debt guarantees. At year-end, the Bank’s exposure to the ELA was less than €6 billion, thus making the target of complete disengagement from the emergency liquidity mechanism in the short term within reach. As regards profitability, the Bank eliminated last year’s losses, posting a profit from its continuing operations of €53 million at Group level, with core pre-provision income rising 31% y-o-y, reflecting both the increase in revenues and the reduction in operating expenses.

NBG managed to boost its Common Equity Tier 1 capital by 750bps in 2016, having completed the divestments of Finansbank, Astir Palace, and NBGI Equity. At the end of the year, and having repaid the CoCos, CET1 settled at 16.3%, or 15.8% on a Basel III fully loaded basis.

NBG’s strategy will continue to focus on three key lines of action: increasing profitability, reducing operating expenses, and effectively managing the stock of NPEs. Already in the first months of 2017 we have witnessed some positive sign in the areas of profitability, credit expansion, and cost saving, as expenses have declined significantly aided by the voluntary exit program completed in the end of 2016. In addition, NBG continues to take all the necessary actions to meet the NPE reduction targets for 2017. The continued loyal implementation of the Restructuring Plan should further improve the Bank’s capital ratios, thereby strengthening its capital position.

I wish to express my warm thanks to all our shareholders and our staff for their support and for their contribution to attaining our goals. At NBG, we anticipate the economic activity to normalize after the completion of the second review, and the intensification of the reform effort. We, too, intend to contribute to economic recovery with our own means, by financing the economy and by seeking ways to reintegrate into the productive part of the economy those borrowers who, in spite of their genuine efforts, were unable to meet their obligations as a result of the crisis, by offering them radical and long-term solutions. Above all, however, we seek to protect the funds of our depositors and our shareholders. We remain optimistic and confident that in 2017, positive developments will continue and gain greater momentum.

Leonidas Fragkiadakis
Chief Executive Officer
BOARD OF DIRECTORS

Panayotis (Takis) – Aristidis Thomopoulos
Chair of the Board (Non-Executive Member)

EXECUTIVE MEMBERS

Leonidas Fragkiadakis
Chief Executive Officer

Dimitrios Dimopoulos
Deputy CEO

Paul Mylonas
Deputy CEO

NON-EXECUTIVE MEMBERS

Spyros Lorentziadis
Audit / Accounting

Eva Cederbalk
Banking Experience

INDEPENDENT NON-EXECUTIVE MEMBERS

Petros Sabatacakis
Economist / Risk and Financial Audit Expertise

Claude Piret
Independent Non-Executive Expert Member as prescribed by Art.10 of Greek Law 3864/2010 as in force.
Risk experience/Financial Services

Haris Makkas
Economist / Financial Services

Mike Aynsley
Independent Non-Executive Expert Member as prescribed by Art.10 of Greek Law 3864/2010 as in force.
Risk experience/Financial Services

Marianne Økland
Independent Non-Executive Expert Member as prescribed by Art.10 of Greek Law 3864/2010 as in force.
Financial Services / Shipping

REPRESENTATIVE OF THE HELLENIC FINANCIAL STABILITY FUND (HFSF) (Law 3864/2010)

Panagiota Iplixian
Economist

SECRETARY OF THE BOARD & BOARD COMMITTEES

Panagiotis Dasmanoglou
General Manager – Group Chief Compliance and Corporate Governance Officer
Notes:

The current Board, whose term expires in 2018, was reconstituted as a body at its 9 November 2016 meeting.

In 2016, and during the first half of 2017, the following changes were made to the Board’s membership:

- On 7 June 2017, Ms. Stavros Koukos submitted his resignation from non-executive member of the Board and now participates as an observer of the employees of the Bank in the Board.
- On 30 March 2017, Ms. Panagiota Iplixian was appointed as the new Representative of the Hellenic Financial Stability Fund on the Board of Directors, in replacement of Mr. Panayiotis Leftheris.
- On 27 December 2016 the Board of Directors elected Ms. Eva Cederbalk as non-executive member of the BoD, in replacement of Mr. Efthymios Katsikas who resigned from non-executive member.
- On 9 November 2016, the Board of Directors convened and decided on its reconstitution into a body. The Chair (non-executive) of the Board of NBG is Mr. Panayiotis-Aristidis Thomopoulos, the Bank’s Chief Executive Officer is Leonidas Fragkiadakis and the Bank’s Deputy Chief Executive Officers are Mr. Dimitrios Dimopoulos and Mr. Paul Mylonas. Mr. Panagiotis Dasmanoglou, General Manager of Group Compliance and Corporate Governance is Secretary of the Bank’s Board of Directors and of its Committees.
- On 2 November 2016, at the meeting of the Board of Directors, the Chair of the Board Mrs. Louka Katseli, as well as the independent non-executive members Mr. Dimitrios Afendoulis and Mr. Spyridon Theodoropoulos submitted their resignation. By decision of the Bank’s Board of Directors during its session taking place the same day, the Board elected Mr. Panayiotis-Aristidis Thomopoulos, Mr. Claude Piret and Mr. Spyros Lorentziadis as non-executive Board members, in replacement of the members who submitted their resignation.
- On 28 July 2016, the Board of Directors elected Mr. Haris Makkas as non-executive member of the Board of Directors. On 9 November 2016 the Board of Directors elected Mr. Haris Makkas as independent non-executive member of the Board of Directors.
- On 22 July 2016, Mrs. Angeliki Skandaliari ceased to be the Hellenic Republic Representative at the Board, according to the definitive expiry of the guarantees granted by the Hellenic Republic pursuant to Greek Law 3727/2008.
- On 19 July 2016, the Board of Directors appointed Mr. Panagiotis Leftheris as the new Representative of the Hellenic Financial Stability Fund on the Board of Directors, in replacement of Mr. Haris Makkas who submitted his resignation.
- On 29 June 2016, the Board of Directors elected Mrs. Marianne Økland as independent non-executive member of the Board of Directors, in replacement of Mr. Kurt Geiger who resigned from independent non-executive member.
- On 26 May 2016, the Board of Directors elected Mr. Kurt Geiger and Mr. Mike Aynsley as independent non-executive members.
- On 26 January 2016, Mr Andreas Boumis submitted his resignation as independent non-executive member of the Board of Directors.
EXECUTIVE COMMITTEE

Chair:
Leonidas Fragkiadakis - CEO

Members:
Dimitrios Dimopoulos – Deputy CEO
Paul Mylonas - Deputy CEO
Dimitrios Kapotopoulos – General Manager of Corporate Banking
Ioannis Kyriakopoulos – General Manager, Group Chief Financial Officer (CFO)
Alexander Benos – General Manager of Group Risk Management Chief Risk Officer (CRO)
Nelly Tzakou-Lambropoulou – General Manager of Retail Banking
Nikos Christodoulou – General Manager, Group Chief Operating Officer (COO)
Panagiotis Dasmanoglou – General Manager, Group Chief Compliance and Corporate Governance Officer (without voting right)
Georgios Triantafillakis – General Manager of Legal Services (without voting right)

GENERAL MANAGERS

Panagiotis Dasmanoglou
General Manager, Group Chief Compliance and Corporate Governance Officer

Dimitrios Kapotopoulos
General Manager of Corporate Banking

Ioannis Kyriakopoulos
General Manager, Group Chief Financial Officer (CFO)

Alexander Benos
General Manager of Group Risk Management, Chief Risk Officer (CRO)

Nelly Tzakou-Lambropoulou
General Manager of Retail Banking

Nikos Christodoulou
General Manager, Group Chief Operating Officer (COO)

Georgios Triantafillakis
General Manager of Legal Services

Marinis Stratopoulos
General Manager - International Activities

Petros Fourtounis
Group Human Resources General Manager

Ioannis Vagionitis
General Manager, Chief Credit Officer (CCO)

Constantinos Vossikas
General Manager of Corporate Special Assets

Georgios Kaloritis
General Manager of Internal Audit of the Bank and the Group
ASSISTANT GENERAL MANAGERS

Vasileios Kavalos
Assistant General Manager, Group Treasurer

Ioanna Katziliieri-Zour
Assistant General Manager, Group Marketing & Communications

George Koutsoudakis
Assistant General Manager of Corporate Banking

George Maligiannis
Assistant General Manager, Retail Collections

Vasileios Mastrokalos
Assistant General Manager, Group Strategy

Konstantinos Bratos
Assistant General Manager, Corporate Workout & Remedial Management

Dimitrios Pavlineris
Assistant General Manager, Branch Network

Vasileios Skiadiotis
Assistant General Manager of Retail Banking

George Frangou
Head of Group Real Estate, Deputy General Manager
FINANCIAL REVIEW 2016

In a difficult operating environment, NBG has managed to deliver strong results on all key aspects of the business, reducing NPEs, improving the liquidity profile, boosting capital adequacy, and returning to positive profitability.

On the asset quality front, the Bank has managed to maintain a solid pace of NPE reduction throughout the year, reducing the stock by €2.8bn. This result is above the 2016 target by €0.5bn. As a result, NBG is the bank with the lowest NPE ratio in Greece, the highest cash coverage and a solid track record in reducing NPEs.

On the liquidity side of the business, NBG has disengaged completely from State guarantees on senior debt pledged to the ELA, reducing ELA exposure by €6bn despite repaying CoCos of €2bn at the end of the year. As a result, ELA exposure has been contained to less than €6bn, placing NBG in a position of having ELA elimination as a realistic target.

As regards capital, NBG enhanced CET1 by c750bps through the successful conclusion of the sales of Finansbank, Astir Palace and the NBGI private equity funds, thus receiving the regulator's approval to repay €2bn of capital in the form of CoCos at the end of last year. The successful completion of the remaining disinvestments, either agreed or in the pipeline, should boost capital ratios further.

On the profitability front, Group PAT from continuing operations turned positive against losses of €2.5bn in FY.15, with similar results and trends at the core operating level.

In 2017, the economic environment should continue to improve. Our strategic priorities entail further NPE reduction in line with SSM targets, substantial ELA reduction to pave the way for its elimination in early 2018, enhancement of our capital through additional transactions as per the restructuring plan and the maintenance of positive momentum in domestic organic profitability, including through an acceleration in disbursements to Greek corporates.

Profitability

Group

In 2016, profit after tax from continuing operations stood at €53 million at Group level vs. losses of €2.5 billion in 2015. Core pre-provision income increased by 29% yoy to €881 million on the back of significant funding cost improvements and deceleration in operating expenses. Net interest income amounted to €1.782 million (+1.0% yoy), with funding cost savings offsetting the negative impact from loan deleveraging. Net fee and commission income stood at €192 million from €44 million in 2015 on the back of lower funding expenses related to Pillar II and III bonds. Operating expenses amounted to €1.169 million (-3.7% yoy), reflecting both reduction in staff expenses (-3.3% yoy) and general and administrative (-5.1% yoy) cost containment. The voluntary retirement scheme is expected to reduce costs significantly in 2017. Provisions declined dramatically at Group level and stood at €715 million from €3.593 million a year earlier.

Greece

In 2016, core pre-provision income increased by 31% yoy to €818 million on the back of significant funding cost reduction of 0.47% (-68 bps yoy) and deceleration in operating expenses.

Net interest income amounted to €1.573 million in 2015, with time deposit repricing and ELA reduction offsetting the negative impact from loan deleveraging. The reduction of assets due to additional EFSF bond disposals of €3.3 billion during the year contributed to the improvement of net interest margin by 15 bps yoy, to 278bps.

Net fee and commission income stood at €149 million in 2016 versus zero income in 2015 (-€2 million) on the back of lower funding expenses related to Pillar II and III bonds (€54 million versus €197 million yoy) which were fully redeemed in Q3.2016.

Operating expenses amounted to €991 million in 2016, down by 3.7% yoy, due to reduction in staff expenses (-3.4% yoy) and general and administrative (-5.6% yoy) cost containment. Cost-to-core income ratio improved to 55% in 2016 from 62% in 2015. The voluntary retirement scheme (VRS), which was completed in December 2016, is expected to reduce staff expenses by €60 million in 2017. The VRS was expensed in Q4.2015 and involved 1,171 employees leaving the network and administrative functions.

Profit after tax from continuing operations reached €17 million against losses of €2.5 billion in 2015, reflecting the significant deceleration in domestic cost of risk (212 bps in 2016 versus 1,004 bps yoy), the reduced cost of funding and reductions in operating expenses. The annual results included also the gain from the sale of Astir Palace of €150 million, thus increasing other income and offsetting negative trading income.

SE Europe1:

In SE Europe1 the Group recorded profit after tax from continuing operations of €36 million against losses of €8 million in 2015, reflecting core income resilience, re-
duced NPL provisions (€31 million versus €65 million yoy) and lower operating expenses (3.3% yoy).

Non-Performing Exposures declined by €2.8 billion in 2016

Domestic NPE stock contracted for a third consecutive quarter by -€0.9 billion qoq. In 2016, the total decline in NPE stock amounted to €2.8 billion, i.e. 1/3rd of the targeted reduction of €8.5 billion agreed with the SSM by 2019. The sustained NPE reduction is a result of favourable curing trends and write-offs fully covered by loan provisions, amounting to €1.6 billion and €1.2 billion in 2016, respectively. As a result, the NPE ratio in Greece dropped to 45.1% in Q4.2016 versus 49.2% qoq despite loan deleveraging, remaining at the lowest level in the sector. NPE coverage from accumulated provisions settled at 56.5%, i.e. the highest level among Greek banks.

At Group level, the +90dpd formation stood at €53 million in 2016 versus €1.2 billion in 2015. The significant slowdown in new loan delinquencies reflects the domestic market, where +90dpd formation was significantly reduced to just €65 million versus €869 yoy.

In Greece, the cost of credit risk reached 212 bps versus 1,004 bps in 2015. The +90dpd coverage ratio from accumulated provisions stood at 75.4% in Greece and 74.3% at the Group level, the highest level in the sector.

In SE Europe, the +90dpd ratio dropped by 50bps on an annual basis to 24.0% in 2016, on stable coverage of 58.6% yoy.

Enhanced liquidity among competitors

In 2016, Group deposits slightly increased by 0.4% to €40.5 billion, reflecting deposit inflows of €0.2 billion in Greece. In SE Europe, deposits decreased by 1.5% yoy to €3.6 billion.

Despite the repayment of CoCos, Eurosystem funding dropped to €10.4 billion in March 2017 from €24.0 billion by the end of 2015. Note that the ELA exposure has dropped to just €5.6 billion from €11.5 billion at the end of 2015. The sharp ELA reduction reflects the successful execution of the Bank’s restructuring plan, the reinstatement by the ECB of the waiver for marketable debt instruments issued or fully guaranteed by the Hellenic Republic, the sustained deleveraging and small deposit inflows. NBG is the Greek bank with the smallest dependence on the ELA mechanism, with ELA over assets (excluding EFSF & ESM bonds) standing at 8%. The Bank’s cash value of excess collateral that can be pledged to the ELA amounts to €8.1 billion.

With ELA exposure being at €5.6 billion, NBG maintains a unique funding advantage ahead of the anticipated domestic economic recovery. Furthermore, as a result of positive deposit trends in Greece and loan deleveraging, the Loan to Deposit ratio dropped further to 86% in Greece and 88% at Group level, the lowest level in the Greek banking sector.

Capital adequacy

Gradually implementing its restructuring plan, as proven by the completed disposals of Finansbank, NBGI Private Equity Funds and Astir Palace, NBG’s Common Equity Tier 1 (CET1) ratio stood at 16.3%, enhanced by ca. 750bps yoy.

In 2017, NBG’s capital increased upon completion at 14 June 2017 of the sale of its subsidiaries United Bulgarian Bank A.D. (UBB) and Interlease E.A.D., and is expected to be further enhanced after the completion of the agreed disinvestments of South African Bank of Athens (SABA) and Ethniki Insurance.

CET 1 ratio under fully loaded Basel III rules stands at 15.8%.
THE NGB SHARE

In 2016, the Athens Exchange (ATHEX) posted significant losses mainly because of political uncertainty, particularly in the second half of the year. NBG’s share presented greater volatility, its year high standing at €0.34 on 04.01.2016 and its year low at €0.10 on 11.02.2016, and its closing price on 31.12.2015 at €0.34.

NBG’s market capitalization as at 31 December 2016 stood at €2.3 billion vs €3.1 billion in the previous year. The total trading volume of shares stood at €2.0 billion, lower than the previous year (€2.4 billion), comprising 13.6% of the annual trading volume in the domestic capital market vs 17.8% in 2015.

TABLE1

<table>
<thead>
<tr>
<th>NBG STOCK MARKET DATA(1)</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-end price (€)</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Year high(€)</td>
<td>0.3</td>
<td>25.8</td>
</tr>
<tr>
<td>Year Low (€)</td>
<td>0.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Yearly standard deviation for NBG share price (%)</td>
<td>5.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Yearly standard deviation for banking sector (%)</td>
<td>5.5</td>
<td>8.6</td>
</tr>
<tr>
<td>NBG market capitalization at year end (€ billions)</td>
<td>2.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Annual trading volume (€ billions)</td>
<td>2.0</td>
<td>3.3</td>
</tr>
<tr>
<td>NBG-to-ATHEX trading volume ratio (%)</td>
<td>10.6</td>
<td>17.8</td>
</tr>
</tbody>
</table>

Sources: ATHEX, Bloomberg, NBG calculations

(1) For ease of comparison, share prices have been adjusted
SHAREHOLDER STRUCTURE

As at 31 December 2016, NBG’s share capital was divided into 9,147,151,527 common shares of a nominal value of €0.30 each.

At the end of December 2016 NBG’s free float was broad-based, including circa 195,000 institutional and retail shareholders. As at 31/12/2016, NBG’s shareholder data indicate (DIAGRAM 2) that the HFSF held 40.4% of its share capital, while 47.8% was held by international institutional and retail investors, and 7.7% by domestic retail investors. Excluding the HFSF’s shareholding, the participation of international institutional and retail investors stood at 80.2% while that of domestic retail investors stood at 13.0% (DIAGRAM 3).

DIAGRAM 2

* Including Subsidiaries, Insurance companies, Hospitals, Associations etc.

DIAGRAM 3

* Including Subsidiaries, Insurance companies, Hospitals, Associations etc.
1.1 THE GLOBAL ENVIRONMENT

The global economy continued to steadily recover in 2016, with real Gross Domestic Product ("GDP") increasing by 3.1% year-over-year ("y-o-y") in 2016 from 3.2% y-o-y in 2015. In the US, a weak first half, due to inventories consolidation and a significant reduction in business spending in the energy sector, weighed on full-year growth. Overall, real GDP growth decelerated to 1.6% y-o-y in 2016, from 2.6% y-o-y in 2015 (DIAGRAM 1.1.1). In the euro area, the economy continued to recover gradually, as domestic demand was aided by the increase in employment and the acceleration in credit expansion amid the expansionary monetary policy by the European Central Bank ("ECB"). For 2016, real GDP grew by 1.7% y-o-y from 2.0% y-o-y in 2015. In Japan, the economy maintained its growth trajectory, supported by the gradual improvement in workers’ incomes and supportive fiscal policy, with real GDP increasing by 1.0% y-o-y in 2016 from 1.2% y-o-y in 2015.

International oil prices followed an upward trend in 2016, particularly towards the end of the year in response to the agreement between OPEC and selected countries (Russia) to gradually reduce oil production in the first half of 2017. By the end of the year, the price of crude oil had risen by approximately 45% to USD 54/barrel vs USD 37/barrel in 2015. In terms of average annual prices, oil fell by 11% to USD 43/barrel in 2016 from USD 49/barrel in 2015, which compares with a decrease of 48% in 2015. In addition, prices of food products in terms of average annual change rose by 1% in 2016 vs a decline of 16% in 2015. As a result of these developments, inflation in the developed economies ac-

Monetary policies in advanced economies remain accommodative. The US Federal Reserve ("Fed") increased the target for the federal funds interest rate by 25 bps to 0.50-0.75% in December 2016 and by 25 bps to 0.75-1.00% in March 2017, with officials expecting the aforesaid rate to settle at 1.25-1.50% by end-2017 (DIAGRAM 1.1.2). Moreover, the Fed will continue, at least in the first half of 2017, to reinvest principal payments and to roll-over maturing Treasuries and agency mortgage backed securities ("MBSs"), thereby maintaining an accommodative monetary policy stance. The ECB, amid heightened deflationary pressures, cut its main refinancing rate by 5 bps to 0.0%, its marginal lending facility rate by 5 bps to 0.25% and its deposit rate by 10 bps to -0.4% in March 2016. In addition, the ECB decided to expand its monthly purchases under the asset purchase program by €20 billion to €80 billion until March 2017, and to include in its purchases investment grade euro denominated bonds issued by non-bank corporations. In December 2016, the ECB extended its asset purchase program by another 9 months (until at least December 2017), albeit at a reduced monthly pace of €60 billion effective from April 2017, as deflationary concerns have subsided. Last, the Bank of Japan ("BoJ") adopted in January 2016 negative interest rates and continues to aggressively expand its balance sheet mainly through purchases of Japanese Government bonds at an annual pace of JPY80 trillion and equity exchange-traded funds ("ETFs") purchases of JPY6 trillion per annum. In September 2016, the BoJ introduced its "yield curve control" framework that includes targeting 10Yr JGB yields to remain around zero percent, in order to foster growth.

Source: Eurostat, US Bureau of Economic Analysis & IMF, "NBG Estimates"
Fiscal consolidation, which commenced in the wake of the financial crisis of 2008/2009 and has since led to significant improvements in public finances, slowed down on both sides of the Atlantic (Diagram 1.1.3). The fiscal deficit in the US increased to 4.1% of GDP in 2016 from 3.5% in 2015, reflecting higher spending on health and interest payments. In the euro area, the fiscal deficit remained virtually unchanged, at 2.0% of GDP in 2016 vs 2.1% in 2015. Nevertheless, the cyclically adjusted primary surplus decreased slightly underpinned by moderate fiscal expansionary policy, mainly because of the extra spending to cope with the refugee crisis and moderate tax cuts in certain countries.

**SEE Europe (SEE-5)*

*SEE-5 comprises Albania, Bulgaria, the Former Yugoslav Republic of Macedonia, Romania and Serbia

The fundamentals and performance of the economies and the banking sectors of SEE-5 improved on a large scale in 2016. Indeed, economic activity gained momentum, inflation retreated, fiscal consolidation continued and banking sector profitability strengthened. That said, the current account deficit widened, remaining though at manageable levels.

Real GDP growth accelerated to a post-global crisis high of 4.1% in 2016 from 3.3% a year earlier, despite a tighter fiscal policy (the fiscal deficit narrowed to 1.6% of GDP in 2016 from 2.2% a year earlier). The aforesaid acceleration was supported by private consumption and exports. Stronger real disposable income, reflecting, inter alia, large VAT cuts in Romania (the largest economy in SEE-5, accounting for c. 62.0% of GDP), improving labor market conditions, deepening deflation (average inflation declined to -0.9% in 2016 from -0.1% a year earlier), combined with a more accommodative monetary policy and favorable global oil prices, boosted private consumption. Strong external demand, mainly from the recovering economies of the European Union – SEE-5’s major trading partner – underpinned exports.

**On a negative note, despite favorable global oil prices (the average price of the Brent Barrel declined by 15.7% to €40.7 in 2016 (Source: Reuters), the current account deficit widened slightly to 2.0% of GDP in 2016 from 1.8% a year earlier, reflecting the rebound in domestic demand. This negative development is not, however, a cause for concern, as the deficit remained at manageable levels -- well below the pre-global financial crisis range of 15-17% of GDP -- and the quality of its financing was sound. Indeed, foreign direct investments continued

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**Source:** IMF, *Estimates IMF

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**Diagram 1.1.3:** Budget Deficit (% of GDP)

- **USA:** 7.9, 4.4, 4.2, 3.5, 4.1, 3.7, 3.0, 2.6, 2.1, 2.0, 1.7
- **EU:** 12, 13, 14, 15, 16, 17*

**Diagram 1.1.4:** Real GDP Growth (%)

- **SEE-5:** 2.6, 3.4, 2.1, 3.4, 2.0, 4.1, 1.7
- **EU:** 2.0, 1.7, 2.0, 3.4, 2.1, 3.4

**Diagram 1.1.5:** Current Account Balance (% of GDP)

- **SEE-5:** -4.9, -4.9, -5.1, -5.2, -1.8, -1.8, -2.0
- **EU:** -1.8, -1.8, -2.0, -2.0, 3.1, 3.4

**Source:** NBG, National Authorities

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to more than cover the current account deficit for the third year in a row (144.0% in 2016).

Amid a favorable operating environment, the fundamentals and the performance of the SEE-5 banking sector also improved in 2016. Indeed, the bottom line profitability is estimated to have increased to around €2.0 billion in 2016 from €1.8 billion a year earlier. This performance reflects lower provisions for bad loans, following the de-escalation of the ratio of non-performing loans to total gross loans. Moreover, the capital adequacy ratio improved further. The improved asset quality and solvency bode well for a strong rebound in lending activity in the near future, in view of the region’s low penetration rate (loan-to-GDP ratios ranged between 28.3% in Romania and 53.0% in Bulgaria in December 2016), especially in the retail segment (retail lending-to-GDP ratios ranged between 11.2% in Albania and 22.1% in FYROM in December 2016), and adequate liquidity (the SEE-5 average loan-to-deposit ratio eased further to 84.0% in December 2016 from 89.9% in the same month a year earlier -- well below its pre-global financial crisis high of 133.7%).

**DIAGRAM 1.1.5**
CREDIT EXPANSION TO THE PRIVATE SECTOR
(y-o-y change, %)

![Graph showing credit expansion to the private sector](image)

For 2017, despite strong external headwinds, we expect the fundamentals and performance of the economies and the banking sectors of SEE-5 to remain strong. There are, however, downside risks to this positive outlook, stemming from: i) tighter-than-expected global liquidity conditions, as further policy rate adjustments by the Fed might be on the agenda if growth and inflation pick up in response to the fiscal policies under the Trump administration; ii) weaker-than-expected economic activity in the region’s main trading, investing and financing partner – the euro area – in the event of increased protectionism by the new US administration and/or protracted political uncertainty following this year’s elections in France (May and June) and Germany (September); and iii) renewed domestic political uncertainty and subsequent fiscal derailment, due to a heavy election calendar (within 2017).

### 1.2 THE GREEK ECONOMY

2016 may be described as a year of stabilization, after an extremely difficult 2015, when the Greek economy displayed remarkable stamina (GDP contracted by 0.3% y-o-y) within a very challenging environment of high uncertainty and tight liquidity conditions prevailing the private and public sectors, due to significant external funding shortages and capital flight, which eventually led to the imposition of capital controls.

GDP remained flat on an annual basis, supported by the recovery of private consumption (by 1.4% y-o-y 2016) compared to the weak performance of 2015, and by the stabilization of investments (after a cumulative decline of 63.1% between 2008 and 2015), with non-residential private investment posting a modest increase of 0.9% y-o-y and public investment spending contracting by 12.8% y-o-y in the first nine months of 2016. Residential construction activity declined further (-12.6% y-o-y, inFY.16, according to the relevant national accounts data), while downside pressure on house prices eased considerably in2016 (-0.6% y-o-y in the fourth quarter of 2016 and -2.3% y-o-y on average in 2016 vs -5.0% in 2015).

**DIAGRAM 1.2.1**
GDP GROWTH

![Graph showing GDP growth](image)

Source: Ameco, ELSTAT
The improvement in the economic climate – particularly business sentiment – and the increase in private sector investment was aided by the completion of the first review of the new Economic Support Program for Greece in June 2016, and the payment of €2.7 billion in government arrears to the private sector in the second half of the year. Notably, manufacturing production increased by 4.2% y-o-y in FY.16, exhibiting the largest expansion since 2007, on the back of solid production growth in export oriented sectors such as food, oil products, basic metals, chemicals and non-metallic mineral products.

The net impact of the country’s current account balance on growth was negative (at constant prices), as exports of goods and services posted a decline of -1.5% y-o-y for FY.16, while imports of goods and services grew by +0.5% y-o-y for FY.16. Notably, export activity, particularly of services, continued to be weighed by the negative impact of the capital controls, with businesses in export-oriented sectors holding onto at least a part of their liquidity reserves, and carrying out their financial and operational transactions outside the economy and the Greek banking system. These trends, in tandem with other changes in the structure of demand and transactions in certain sectors (mainly tourism), may well lead to an underestimation of their final contribution to economic activity and exports. Accordingly, the current account in 2016 displayed a deficit once again, amounting to 0.6% of GDP, after the small surplus of 0.1% of GDP posted in 2015.

The labor market showed signs of improvement in 2016, with employment rising by 2.1% annually, and the unemployment rate declining to 23.5% from 25.0% in 2015 (annual averages), of which 73.1% corresponds to long-term unemployed. These rates remain the highest in the euro area and highlight the importance to further broaden the network of targeted social protection, which is planned to take a single form through the gradual introduction of a minimum guaranteed income from 2017. Flexible forms of work have played an important role in creating new jobs (74,900 are related to flexible forms, according to the labor force survey, LFS) with part-time work corresponding to 1/3 of the cumulative job creation in FY.16. The level of the average wage in the economy showed signs of stabilization in 2016, after a cumulative reduction of 21%
between 2009 and 2015.

Deflationary trends continued in the Greek economy in 2016 – despite the inflationary impact of the VAT hikes as of July 2015 – with the average annual change in the consumer price index standing at -0.8%. However, the upward trends in oil and energy prices led to the stabilization of the CPI in December 2016 (0.0% y-o-y), and then its increase in the first months of 2017.

**DIAGRAM 1.2.5**
**HARMONISED CPI**

![Harmonised CPI Diagram](image)

Source: EU COMMISSION

On the fiscal front, Greece has outperformed the Third Program target, posting a primary surplus of at least 3% of GDP in 2016 vs the Program target of 0.5% of GDP. The finalization of this figure should serve to increase the credibility of the adjustment effort for 2017 (minimum primary surplus target set at 1.75% of GDP) limiting in essence the recessionary impact of the further fiscal consolidation.

The General government debt to GDP ratio reached 179.7% in 2016 (according to estimates of the European Commission) and is forecast to decline gradually to 177.2% by end-2017. Furthermore, the Eurogroup of 25 May 2016 committed to provide new conditional concessions with a view to ensuring debt sustainability by agreeing on a package of debt measures, which will be phased in progressively and subject to the pre-defined conditionality under the ESM program.

The Eurogroup of 5 December 2016 endorsed the implementation since early 2017 of the short-term debt relief measures, which mainly include: i) a smoothing of the future debt repayments profile through the extension of the repayment schedule of official loans from the European Financial Stability Facility, ii) a reduction of interest rate risk through debt swaps by the ESM with a view to stabilizing the ESM’s overall cost of funding and, thus, reducing the risk that Greece would have to pay higher interest rates on its loans in the future, and iii) financing by the ESM of its future disbursements to Greece under the Third Program with the issuance of long-term notes that closely match the maturities of loans to Greece.

**DIAGRAM 1.2.6**
**PRIMARY SURPLUS AS A % OF GDP**

![Primary Surplus Diagram](image)


Source: MINISTRY OF FINANCE, EU COMMISSION

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According to ESM estimates, the prospective benefit from the implementation of the above short-term debt relief measures on Greece’s gross public debt is estimated at 20 percentage points of GDP by 2060, while they should contribute to a reduction of the longer-term financing needs of the Greek State towards sustainable levels. This development led to a de-escalation of Greek Government Bond yields at end-2016 (10y GGB yield: 7.0% in December vs an average of 8.35% in 2016 and 5.93% in the first six months of 2017).

Anticipated developments – Outlook

Official projections for a strong economic recovery in 2017 and 2018 of 2.1% and 2.6% y-o-y respectively, on average (Sources: EU Commission Winter Forecast, February 2017 and IMF Country Report No. 17/40, February 2017) are mainly based on the improving conditions in specific business segments that survived the crisis, a sustainable increase in employment, and a stabilization of hourly wages, which will result in higher disposable income. The recovery is estimated to be supported by: i) improving sentiment compared to the previous year; ii) strong tourism (as indicated by the positive trends in early bookings for 2017) and positive trends in goods’ exports, iii) accelerating business and public investment activity supported by inflows of program funding and EU structural funds, iv) a further normalization in liquidity conditions (reflecting, inter alia, additional progress in the clearance of government arrears), and v) an expected further relaxation of capital controls.

The completion of the second review of the Third Program, which will unlock €8.5 (of which about €1.0 billion will be used for arrears clearance), is expected to provide a considerable boost in activity and economic confidence and more than compensate for the negative impact of the new fiscal measures. A potential participation of Greek assets in the ECB’s quantitative easing (Public Sector Purchase Programme (“PSPP”)) during 2017 would accelerate the improvement in liquidity conditions and support further economic confidence and activity.
1.3 THE GREEK BANKING SECTOR

Comprehensive Assessment Exercise 2015

Pursuant to the statement issued by the Euro Summit on 12 July 2015 and the ECB decision of 5 August 2015, the ECB launched its Comprehensive Assessment Exercise 2015 for the four Greek systemic banks. The Comprehensive Assessment Exercise 2015 included an Asset Quality Review ("AQR") and a Stress Test consisting of a base scenario and an adverse scenario. The AQR was carried out on the basis the balance sheet at 30 June 2015. The Stress Test was a review exercise based on forward-looking estimations, assessing the resilience of the economic position of each bank in view of further significant deterioration in the economic environment as of June 2015 (after AQR adjustments) through to the end of 2017.

Recapitalization 2015

The recapitalization of Greek banks was successful with all of the systemically important banks (NBG, Piraeus Bank, Alpha Bank, Eurobank) raising sufficient funds from the private sector to meet the needs arising from the AQR and baseline scenario of the stress test, and was completed on time in 2015. Greek banks raised a total of €13.7 billion through capital increases, of which €8.3 billion came from the private sector.

Developments in 2016

The Greek banking system remained in deleveraging mode during 2016, with lending to the private sector contracting further, albeit, at a slightly slower pace vs end-2015 (-1.4% y-o-y in December 2016 vs -2.0% y-o-y in December 2015), with loans to households declining by 2.8% y-o-y in December 2016 (vs -3.1% y-o-y in December 2015). Corporate credit showed signs of stabilization by the end of 2016 (+0.1% y-o-y in December 2016 vs a decline of -0.7% y-o-y in June 2016 and -1.2% y-o-y in December 2015). In 2016, retail bank deposits increased cumulatively by €4.3 billion, with household deposits increasing by €2.6 billion and corporate deposits by €1.6 billion, reflecting, inter alia, the improvement in economic sentiment and concomitant decline in private sector's holdings of euro notes from the historical highs of 2015. Accordingly, the Greek banking system's financing from the Eurosystem decreased to €66.6 billion in December 2016 vs 107.5 billion a year earlier, with dependence on Emergency Liquidity Assistance ("ELA") contracting by €25.2 billion over the same period.
SECTION 2

ACTIVITIES OF THE GROUP IN GREECE
## 2.1 RETAIL BANKING

As at 31.12.2016, the NBG Group retail loan book, before provisions, stood at €27.7 billion, down 8.9% y-o-y.

### Mortgage lending

In 2016, mortgage lending in Greece presented anemic growth. The rapid decline in loan book volumes as older loans were paid off, alongside low demand for loans and the slack real estate market has not been supportive to market growth. Real property prices dropped by 2.3% in 2016.

Within this context, NBG maintained a market share in new loans of 25%. Emphasis was placed on the improvement of customer service and efforts to streamline procedures. Soon, the new system for managing mortgage loan applications will be launched; the aforesaid system was developed in 2016 in order to streamline the underlying procedure both for customers and the branches. Moreover, the Bank launched the new mortgage loan calculator in NBG’s website: https://www.nbg.gr/el/retail/housing-loans/calculator/. At the same time, infographic, the application that guides customers to choosing the appropriate mortgage loan, was improved and enriched with additional useful information.

The year ended with the coordinated effort of the Bank’s services to reduce printed statements sent by post. The Bank sends thousands of housing loan statements monthly by post. The Bank’s energy footprint and its impact on the environment is significant, while the available alternatives, such as the borrower’s notification by email and SMS, as well as access to loan statements through NBG’s secure website, ensure zero environmental impact, as there is no need to use paper, toner or consume energy to print and deliver. Already, over 50 thousand customers have signed up for the Bank’s electronic service. The borrowers’ notification via electronic means improves by far the quality of customer service compared to regular post, minimizing delivery time and enhancing security.

With a view to supporting borrowers and helping those in financial distress, NBG provided facilities to 3 thousand customers in the form of loan extension agreements and the possibility to pay interest-only installments for up to six years. In addition, several new debt reprofiling solutions were introduced.

### Credit cards and consumer loans

One of the Bank's strategic targets in 2016 was the increase in the use of debit cards with POS devices for the purchase of products and services.

Accordingly, the Bank continued to replace ETH-NOCASH PLUS cards with Debit MasterCard and Debit MasterCard Business Cards that enable contactless transactions at businesses equipped with the special POS devices.

In addition, the Bank continued to manage the prepaid “Solidarity Card” granted to 150,000 individuals, beneficiaries of food subsidies. Moreover, within the context of participation in “Social Solidarity Income” programs, the Bank issued and marketed the prepaid rechargeable contactless card PREPA-ID VISA KA.

Last, NBG issued a rechargeable prepaid Visa card incorporating contactless technology to meet the needs of a specific category of customers. The product was widely welcomed by the Bank’s clien-
tele and recorded strong growth rates throughout the year. The card has a 5-year duration and participates in the go4more program.

With regard to the credit card portfolio, the Bank issued new cards with a chip and pin/contactless technology, while also commenced the replacement of the existing portfolio through early renewals.

In the meantime, the Bank continued its efforts to expand the credit card portfolio on a quality basis by supporting reward and loyalty programs. Emphasis was placed on the go4more customer loyalty program.

In 2016, the Bank placed special emphasis on the sphere of acceptance, management and clearing of card transactions at businesses. This service was provided via electronic card acceptance readers (POS), the cost of which is met either by the business (i-bank POS) or the Bank subject to conditions.

To this end, we sought to attract new businesses and enhance and upgrade existing business relationships. We implemented a comprehensive action plan (promotion and advertisements). And we focused on the modernization of the existing network and the development of new business relationships and cooperation with business sectors that did not previously accept card transactions (e.g., taxis, kiosk owners and others).

**Lending to small businesses**

Within the context of enhancing domestic economic activity, the Bank financed working capital requirements and investment plans of existing and new businesses, providing credit both through co-funded/guarantee schemes and own funds. Specifically, within 2016, €10.2 million were extended to SMEs through the Jeremie Initiative and COSME program, as well as ETEAN programs on particularly favourable terms. The total amount of new loans disbursed within the year, including the loans through the said co-funded/guarantee programs, stood at €154.8 million.

In addition, recognizing the dynamic and growth potential of the agricultural sector as a key pillar of the primary sector of the Greek economy, the Bank has applied an expanded action plan for the sector's support and growth, using funding tools and solutions across the entire range of banking operations. Within this framework, NBG continued in 2016 its Contract Farming financing program by which it finances farmers and livestock breeders, who collaborate with selected commercial and assembly agricultural companies for the production of products that are bought by the latter on the basis of sales agreements between both parties. As a result, the production and trading cycle of the buyers and farmers is upgraded, and both sides enjoy significant benefits (reduction of production cost, better planning of inventories). In the production period of 2016 more than 1,000 farmers enjoyed the benefits of the program.

Furthermore, within the context of supporting the sustainability of our existing customers, NBG provided facilities to help SMEs repay outstanding debts through debt restructuring or rescheduling programs and arrangements. The aforesaid facilities for the repayment of outstanding customer debts totalled €399.8 million as at 31.12.2016¹.

For yet another year, the Bank will continue to support the growth of Greek entrepreneurship:
- by providing liquidity to healthy SMEs,
- by participating in Actions as part of its efforts to facilitate access by SMEs to financing on favorable terms, including EIB, COSME
- by developing innovative products and services.

In addition, in cooperation with other European and domestic bodies, the Bank is exploring the participation in new programs such as EASI that concerns micro-credit, while it is also participating in the development of products in cooperation with ETEAN in the context of the new programs implemented in 2014-2020.

Last, the Bank shall continue to manage effectively customers who have difficulty in meeting their obligations, complying with the applicable provisions of

¹ These do not include restructured/rescheduled debts that have been transferred to bad debt.
the Code of Conduct and meeting the legislative framework for debt arrangements.

**Group Retail Collections Management**

The Group Retail Collections Management function is responsible for the management of all overdue debts deriving from mortgage and consumer loans, credit cards and small business loans (<€150,000) of legal persons and individuals.

More specifically, it is responsible for the coordination, support and implementation of all necessary steps and actions regarding the aforesaid portfolios as of the 1st day in arrears up until their potential definitive write-down.

With a view to ensuring effective management, an appropriate and functional organizational structure has been adopted so as to cover fully and in a discrete manner the spectrum of the key responsibilities (strategy, support, approval procedure, implementation). Throughout the entire management process approximately 1500 employees are involved via all channels of communication and management (internal collections center, collection agencies, law firms, branch network). The management of loans in arrears includes 6 main stages/strategies:

- Collections
- Restructurings
- Legal
- Settlements
- Managing the portfolio of customers who are subject to the beneficial provisions of Law 3869
- Managing Loans guaranteed by the Hellenic Republic

Within the context of the methodical and coordinated efforts to manage non-performing loans and exposures, NBG prepared and submitted to the SSM (Single Supervisory Mechanism) a strategy containing a detailed analysis (with specific reduction targets) of how the Bank intends to reduce NPE/NPLs over the period 2016-2019.

Specifically, in 2016, 89,416 loans totalling €1.7 billion in the portfolio managed by Group Retail Collections were either restructured or placed under new repayment arrangements (settlements), as presented in detail in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Restructurings</th>
<th>Settlements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accounts</td>
<td>Balances (€)</td>
</tr>
<tr>
<td>Mortgage Loans (ML)</td>
<td>12,467</td>
<td>5,893,506,858</td>
</tr>
<tr>
<td>Consumer Loans (CL)</td>
<td>37,374</td>
<td>506,979,201</td>
</tr>
<tr>
<td>Small Business Loans (MBL)</td>
<td>3,854</td>
<td>12,955,130</td>
</tr>
<tr>
<td></td>
<td>86,697</td>
<td>6,525,648,290</td>
</tr>
</tbody>
</table>

In seeking to meet the targets, a significant number of projects have been developed, the most important of which are the following:

- ongoing segmentation of the portfolio, in order to select the best solution for the borrower,
- extensive training of the Branch Network staff on managing customers with overdue debts so as to improve collections and be able to propose the most appropriate restructuring solution,
- active management of customers who have taken recourse to Law 3869/2010, regarding the instalments to be paid by court decision,
- development of an Early Warning System, so that the Bank can intervene in a timely way in cases where the customer shows signs that he is having difficulty in meeting his debt obligations,
- development of new products and replacement of old ones, as part of ongoing reviews of the effectiveness of overdue debt settlement programs,
- design of a tool for making financial assessments of individuals. The underlying tool, after assessing the economic status and assets of the borrower, shall make a specific proposal for debt settlement individually for each borrower.
2.2 BUSINESS BANKING

The corporate lending portfolio in Greece for businesses with turnover over €2.5 million stood at €17.0 billion, down by 2.8% y-o-y.

DIAGRAM 2.2.1
NBG LENDING TO BUSINESSES WITH TURNOVER ABOVE €2.5 MILLION

Corporate lending

The ongoing recession, capital controls and liquidity problems led a considerable number of businesses to seek reprofiling of their loan obligations or transfer thereof to non-performing status.

As a result, the key targets of the Corporate Finance Division in 2016 were as follows:

- Maintenance of the quality of the loan portfolio via tailor-made solutions for each business.
- Provision of support for viable businesses’ investment plans by providing long-term financing and working capital.
- Provision of support for viable businesses’ liquidity via refinancing of existing loans so as to help businesses meet the growing and unforeseen consequences of the protracted crisis.
- The systematic clean-up of the portfolio by transferring businesses to the specialized Special Asset Unit for further debt recovery actions.
- Maintaining the level of Corporate deposits
- Enhancement of cooperation with businesses in the sphere of cross selling, as part of efforts to grow fee and commission income.

Project finance

In 2016, the domestic credit portfolio grew significantly (up by 19.2%). This growth is mainly due to funds granted to existing approved projects, as well as to new approvals given in 2016. New domestic lending totaled €56.6 million and was channeled mainly to RES and PPP projects.

In the following years, the PPP and energy sectors are expected to comprise the key mechanism for the expansion of project finance in Greece, in the financing of which NBG aspires to play a significant role, either through own funds or through its participation in any new JESSICA programs. In addition, NBG seeks to participate in financing new large projects, including the concession of 14 regional airports in which the Bank seeks to play a role.

JESSICA Initiative

Since December 2011, in its capacity as an "Urban Development Fund" the Bank has undertaken the management of resources of European Structural Funds within the context of the Joint European Support for Sustainable Investment in City Areas - JESSICA Initiative.

In its capacity as manager of the "Urban Development Fund" for Attica and the Ionian Islands totaling €58.8 million, the Bank participated in the financing of 4 Urban Development projects of a total budget of €133.7 million in school infrastructures, technological applications and road transport.

In 2016, the Urban Development Fund* focused mainly on the disbursement of funds and monitoring the implementation of financed projects. In aggregate, by 31 December 2016, financing agreements for projects worth €41.2 million had been concluded, €10.2 million of which were disbursed within 2016. Full disbursement of JESSICA funds in financed projects was completed in October 2016.

To sum up, the Project Financing portfolio figures presented the following picture:

<table>
<thead>
<tr>
<th>Project Finance (€ millions)</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approvals</td>
<td>Balance</td>
</tr>
<tr>
<td>In Greece</td>
<td>342.3</td>
<td>205.9</td>
</tr>
<tr>
<td>Abroad</td>
<td>206.2</td>
<td>202.4</td>
</tr>
<tr>
<td>Jessica</td>
<td>41.2</td>
<td>31.0</td>
</tr>
<tr>
<td>Total</td>
<td>599.7</td>
<td>439.3</td>
</tr>
</tbody>
</table>

Syndication Desk

Last year, the issue of syndicated loans increased both in respect of new loan facilities and the refinancing of existing loans.

In total, in 2016, 23 syndicated loans were issued totalling €1,660 million, with the Bank's participation
amounting to €366 million. In 9 of those, we played a leading role as Coordinator/Arranger and in 2 NBG was a Co-arranger.

Advisory Services

In 2016, advisory services to the public and private sector with regard to concession projects and Public and Private Partnership (PPP) projects remained at the same levels due to the general economic situation.

However, it is reasonably estimated that the demand for advisory services relating to the development and financing of projects will revive both as regards the Greek State for infrastructure projects, and as regards private investors. This development will generate opportunities to offer services both to State agencies and private investors.

Lending to medium-sized businesses

NBG actively participated in the use of financial tools offered by the National Strategic Reference Framework 2007-2013, in cooperation with European and Domestic Developmental Organizations, ensuring favorable financing terms for Greek businesses, including low-interest loans for the implementation of investment and business plans, start-ups and existing businesses, via the Actions “Business Restarting” and “Island Tourism Entrepreneurship” with the co-funding of the Hellenic Fund for Entrepreneurship and Development (ETEAN), as well as the JEREMIE initiative, contributing significantly to the absorption of the funds available in 2016.

In addition, NBG successfully completed the “Grouped Loans for SMEs” program of the European Investment Bank, backed by the Hellenic Guarantee Fund for Small and Medium-Sized Enterprises (Guarantee Fund), providing €130 million in total for the implementation of 96 investment and business plans of Greek businesses on favorable financing terms.

Also, with a view to addressing the problem of youth unemployment (under 25), which exceeds 50% in Greece, NBG implemented the “Jobs for Youth” Initiative, providing, in cooperation with the European Investment Bank, competitive interest rates to businesses that promote employment for young people by creating and maintaining circa 300 jobs for young people under 25.

Standing by the efforts of sectors and firms of the Greek economy to strengthen their business during the critical stage of their recovery, NBG signed with the European Investment Fund (EIF) the first agreement in Greece, for the amount of €100 million, in implementation of the COSME Loan Guarantee Facility, with the support of the European Fund for Strategic Investments (EFSI), a core feature of which is the substantially reduced requirement for collateral, so as to support more SMEs.

Moreover, leveraging the benefits of the first Greek securitization of business loans carried out in 2007, NBG entered an agreement with the European Investment Bank that enhances access by SMEs and MidCaps to bank financing, on the basis of which it is expected that the amount of €215 million will be channelled on particularly favorable terms.

By virtue of this agreement, approximately 300 business will benefit from the program, while it should also contribute to employment, as it is anticipated to create more than 200 jobs for under 25s through the “Young Employment” Initiative.

Besides the above, NBG entered a further agreement for the financing of SMEs and MidCaps, through which it is expected that the amount of €100 million will be available on particularly favorable terms, providing incentives for the creation and maintenance of jobs for people under 25 through the “Young Employment” Initiative.

Within the context of this strategy and with a view to developing innovative products and services for the support of SMEs, special emphasis was placed on sectors that comprise key pillars of Greek economic growth, and which include: a) the Greek tourist industry, creating specialized structures for servicing and managing the needs of specific businesses, and b) the primary sector, actively contributing to the transformation of our agricultural economy, through central agreements for the upgrade and modernization of farming and livestock facilities in Greece that produce high value added products and are export oriented.

Leasing

In 2016, Ethniki Leasing sought to develop new leasing operations in selected business sectors aiming at customers of strong credit standing. In parallel, the company supported businesses that are facing problems in servicing their debt obligations by offering debt restructuring arrangements, extending the maturity of contractual obligations, and by any other way facilitating debt sustainability within the policy framework applied by NBG Group.

New leasing of Ethniki Leasing increased significantly y-o-y (€92.7 million in 2016, vs €55.9 million
in 2015). Ethniki Leasing ranked 2nd in 2016 (just €0.2 million from first place) in new leasing among its peers, vs its 1st position in 2015 and 2014.

The company’s key priority was to increase core profitability and to contain operating costs. The Company’s operating result before depreciation, provisions and tax stood at € 10.9 million in 2016 vs €2.1 million in 2015.

Ethniki Leasing kept its capital adequacy ratio at levels well above the regulatory minimum requirement (8.0%). Specifically, as at 31 December 2016, the capital adequacy ratio calculated according to Basel II rules stood at 20.6%.

In 2017, Ethniki Leasing will continue its efforts to support businesses that are facing problems and to develop new leasing lines, contributing to the implementation of investment programs by customers of strong credit standing in selected business areas, within the context of the overall credit expansion of NBG Group.

Shipping

In 2016, financial conditions improved as a result of the successful recapitalization of the country’s systemic banks, as well as the progress in the restructuring of part of the loan book. In light of the above, the Bank pursued a targeted and cautious expansion in shipping finance, in cooperation mainly with the existing NBG clientele in the Greek shipping industry. Moreover, emphasis was placed on the management of the existing portfolio and especially on those cases that presented -- or expected to present -- difficulties in meeting normal repayment of loan obligations.

In 2016, conditions in dry cargo shipping gradually improved, following record lows in the first quarter, while future prospects for the current year appear significantly more upbeat. Liquid cargo shipping saw a decline in activity in the second half of the year that gradually bottomed out as a result of the steadily improving market conditions. Changes in the regulatory framework regarding the operation of ships and environmental protection are also taken into account and are expected to affect the course of reforms in the shipping market in the long run.

Low fuel prices had a beneficial impact on the performance of the larger shipping lines and the outlook for recovery of the sector and its consolidation in larger configurations mainly through ongoing acquisitions and the sale of vessels with a view to reforming the sector and reducing bank borrowing.

The Bank continued its long-standing commitment to support Greece-flagged shipping, taking measures to improve repayment prospects and to enhance existing collateral for part of current exposures.

In 2016, 36% of the portfolio concerned vessels older than 5 years, with the average age being 12 years. The largest part concerned bulk carriers (42%) and tankers (40%). Exposure to the passenger shipping segment is smaller and the prospects of smooth debt repayment appear more positive.

In 2017, the Bank will likely intensify its efforts to improve the prospects for the regular repayment of loans, primarily in the area of bulk carriers, anticipating the impact of the gradual reversal of the downward trend in the freight market.

In 2017, a purpose-designed unit will monitor and address shipping NPLs, which are already covered to a large extent by provisions.

The Bank should be able to cautiously take advantage of opportunities to further expand through the extension of new lending that focuses on quality, financial health, credibility, transparency and the experience of the shipping firms concerned.

Global transaction services

In 2016, having adjusted to the adverse operating environment generated by the capital controls in 2015, NBG worked to create the appropriate conditions so as to meet the needs of Greek businesses. NBG cooperated closely with the European Bank for Reconstruction and Development and was the first bank in the Greek market to implement the EBRD Trade Facilitation Program providing credit and financing for trade, while subsequently entered into a similar agreement with the International Finance Corporation (IFC). Holding the first place as regards the absorption of the current EIB program (88%) that expired at the end of 2016, NBG played a significant role in the Organization’s decision to leverage EFSI’s mechanisms and incorporate a new Supply Chain Financing program in its actions.

After numerous distinctions earned by the internationally renowned magazine “Global Finance”, NBG’s Global Transaction Services received yet another award by the “Trade Finance Review” through a vote by industry specialists and large corporate customers, thus affirming the Bank’s unabated commitment to Trade Finance.

Aiming at converging fully with the new European regulatory framework for payments and addressing
the new market conditions generated by the implementa-
tion of the Payment Service Directive 2 (PSD2) at the begin-
ing of 2018 via the introduction in the market of new Payment Service Providers, the Bank drew up a plan to deploy the technological potential on the supply of new value added payment services. In addition, the Bank is developing its business strategy so as to ensure that it maintains its existing market share in payments and to create the right conditions for stronger results.

In 2016, the Bank implemented the first phase of the projects to upgrade the applications for the management of Trade Finance and Payments. Once they have been completed, the Bank will be in a position to meet the needs of any modern business, significantly enhancing the customer's experience and ensuring reductions in operational risk and costs.

In 2016, despite the adverse business environment, NBG granted credit facilities worth €1,062 million and lent €440 million through Trade Financing, increasing commission income by 22.2% y-o-y. Commissions from payments increased by 7% following the increase of 26% posted in 2015. In the meantime, the Bank maintained its strong market shares in payments and trade finance.

Corporate Special Asset Unit

The Corporate Special Asset Unit focuses primarily on the management of the corporate loan book that requires special management or has become definitively in default, aiming at maximizing recovery rates for existing loans. The loan book under management stood at €5.5 billion at the end of 2016 (€6.0 billion at Group level) and comprised €2.2 billion outstanding loans definitively in default and €3.3 billion loans in arrears but still in pre-default status.

Within the context of the Bank's systematic efforts to manage loans in arrears and non-performing exposures, the Bank prepared and submitted to the Single Supervisory Mechanism (SSM) a revised Strategy setting out the targets to reduce distressed loans for the period 2016 through 2019, on the basis of multiple scenarios, as well as the strategy adopted to achieve the aforesaid targets. The basic scenario provides for a reduction of 39% over a four-year horizon.

To achieve these targets, the Bank is implementing specific projects so as to enhance its efficiency in managing and successfully restructuring the bulk of its existing portfolio, thereby contributing to the recovery of Greek economy.

To this end, the strategy of the Corporate Special Asset Unit focuses on the provision of tailor-made long-term rescheduling solutions, so that customers become viable and able to gradually meet their debt obligations.

For the Corporate Special Asset Unit to form an objective and reliable opinion of the economic situation of the businesses under their supervision and be able to propose the most appropriate solutions, it has adopted sustainability assessment models for their debtors, as well as a model for determining net current value under the various alternative rescheduling proposals.

However, in the event that debtors under the management of the Corporate Special Asset Unit are considered non-viable, the aforesaid Unit alongside the Property Management Division explore the possibility of reaching a consensual resolution with the customer (amicable settlement) for the purposes of avoiding liquidation of collateral via court proceedings, while in the event that debtors are not cooperative in line with the institutional framework and relevant circulars, the Bank pursues collection of the relevant claims through liquidation of collateral already obtained.

2.3 ASSET MANAGEMENT

Deposits - Investment products

As at 31.12.2016, NBG's deposit balances stood at €32.2 billion, down by 0.92% y-o-y. The corresponding total deposit market share improved by 0.15 pps to 26.5% from 26.4%.

As regards the deposit mix, the Bank maintained its comparative cost advantage vs competition (time to demand deposits: 0.45 to 1 vs 0.64 to 1 for other banks).

Moreover, NBG continued its product promotion campaigns aiming at sustaining, enhancing and expanding its deposit base. Specifically, the Bank:

- Continued the marketing of "Ethniki Sight Account", whose privileged terms encouraged beneficiaries to carry out their transactions (payments, payroll, etc.) through this account.
- Maintained its efforts to attract salaried employees of the private sector, and to approach salaried employees of the Public Sector and of Public Legal Entities.
- Improved services to beneficiaries of agricultural subsidies by crediting related amounts in their accounts, as well as further penetrating this customer group through the
expansion of its business relationship with agricultural cooperatives.

- Launched five (5) new capital-guaranteed products that offer the possibility of higher returns linked to the underlying financial values, as well as a new time deposit product for i-bank Internet Banking users.

**Mutual Funds**

NBG Asset Management Mutual Funds SA is the only mutual funds company included among the 171 largest firms in terms of profitability for the period 2014-2015, according to an article entitled “LEADERS OF THE ECONOMY” published in the “Imerisia” newspaper in January 2017 on the basis of Hellas List data.

Profit before tax for 2016 amounted to €3,731 thousand.

The UCITS managed by the Company posted remarkable returns given the conditions prevailing. NBG International SICAV European Allstars ranked first in the euro area equity UCITS category, according to data of the Hellenic Fund and Asset Management Association.

The order books of institutional and individual customers also posted significant returns. The assets of the underlying order books increased by 7.2% y-o-y, with total assets under management amounting to 492.6 million at the end of the year.

In 2017, as the domestic and international economic environment normalizes, NBG Asset Management Mutual Funds SA, the investment arm of the NBG Group, aims at increasing its assets, both in the UCITS market and the asset management business, by expanding its customer base to individuals and institutional clients - pension funds. In addition, the Company intends to maintain, both in UCITS and the order books, competitive returns compared to both domestic and international peers. At the end of 2016, total Company assets deriving from UCITS and order book management services stood at €1,375.7 million, up by €4.0 million y-o-y.

**2016 projects**

In 2016, NBG implemented projects aiming at maintaining its liquidity, providing optimum services to its customers, while reducing related costs. In particular:

- Development of the i-bank Alert service enabling the receipt of alerts on deposit account and card activity
- Development of a platform supporting the Bank’s investment products
- Development of a system monitoring and managing the Bank’s fee-based operations
- Development of the Electronic Safe Deposit Administration & Management System
- Further upgrading of the systems and applications that support deposits

**Outlook regarding the progress of operations in 2017**

The Division's key actions for 2017 are the following:

1. Development of new products and re-launch of existing ones, focusing on the return of funds to the Bank and meeting the needs of depositors/investors.
2. Increase of liquidity and broadening of revenues through the upgrade of services and procedures / systems for fee and commission collection.
3. Streamlining of costs, with a view to enhancing profitability, taking into consideration market conditions and the institutional and regulatory framework.

4. Capitalization on the institutional framework that provides for the mandatory use of bank accounts for an increasing number of transactions:
   i. payment of EFKA insurance contributions
   ii. payment of payroll, insurance contributions and salaried services tax
   iii. holding professional accounts
   iv. build-up tax-free threshold.

5. Launch of the “Farmer’s Card” aiming at financing farmers’ short-term transactional needs and also ensuring inflows of EU subsidies under the Basic Support Scheme.

6. Further upgrading of systems related to deposits, investments and fee-based operations, as part of the effort to simplify processes, improve customer service and reduce costs, including inter alia:
   i. Further upgrade of systems / applications such as:
      i. the new investment products platform
      ii. the new system for the Bank’s fee-based business
   ii. Modernization of the deposits system
   iii. Further expansion of the i-bank Alert service to cover an increasing range of transactions.

Private banking

2016 was a difficult year for our Private Banking Division, mainly due to the capital controls that affect particularly our customers’ range of investment options and leeway, as well as portfolio transfers from our competitors. Despite the adverse climate, the Division managed to achieve its targets regarding the return on assets, reduction of operating costs, and marginal growth of the funds under management. This success signals a new era for the Division, the key features of which are professionalism, outward orientation, competitiveness and growth. It aims at generating value added for the customer, while respecting the customer’s risk profile and the Group’s principles and tradition.

Besides attaining the 2016 targets, equally important was the completion of the Division’s reorganization that took place during the year, leading to a full review of its modus operandi, the adoption of meritocratic criteria and performance controls, as well as to the renewal of the client offering in Greece and abroad. This division reshuffle was successfully completed with the Bank’s voluntary retirement scheme by which the Bank achieved a substantial reduction in its operating costs by circa 30%.

In 2017, a gradual easing of the capital controls is expected, thereby broadening customers’ investment options. The Division is expected to significantly enhance its competitive position in the market and to further expand its customer base and assets, as well as to further increase returns on such funds.

2.4 INVESTMENT BANKING

Treasury

Activity in 2016 was significantly impacted by the capital controls introduced in 2015. With a view to addressing the situation that had emerged, we took a number of actions aiming at ameliorating the impact.

- We entered into repo agreements with major foreign banks using ECB or ELA eligible bonds.
- Following a relevant ECB decision to include the bonds issued by the EFSF & ESM for the recapitalization of Greek banks in the QE program, we sold part of the Bank’s portfolio of aforesaid notes, reducing thus our borrowing level and reaping capital gains.
- At the end of June 2016, following the ECB’s decision to accept Greek bonds as collateral, we increased ECB funding, reducing ELA funding accordingly.
- In addition, we participated successfully in targeted long-term refinancing operations (TLTRO) with the ECB, achieving lower funding cost in the medium/long term.
- Last, we issued an SME loan securitization bond amounting to €0.3 billion, the first note issued by a Greek bank during the crisis, which was sold to international institutional.

By the end of the year, the aforementioned actions and the liquidity arising from the sale of assets led to a significant reduction in our Eurosystem funding (down by around half y-o-y).

Throughout most of 2016, customer deposits remained broadly unchanged, while by the end of the year they presented a slight increase y-o-y. The cost of deposits declined further during the year,
both in absolute terms and in terms of the Euribor margin.

Meanwhile, NBG played a significant role as a primary dealer of bonds issued under the euro area support mechanisms (EFSM and ESM) for yet another year, actively participating in all syndicated issues and auctions of bonds and treasury bills of these organizations.

Last, the Bank actively participated in the auctions of Greek T-bills, thereby contributing to the uninterrupted financing of the country's short-term needs.

**Brokerage**

NBG Securities ranked third in the ATHEX ranking list, with an 11.7% market share, and second as regards market share in FTSE/ASE Large Cap futures contracts, at 20.9%. Furthermore, it ranked second as regards Options on the index, holding a share of 32.3%.

The Company continued to operate as a market maker for all listed derivatives and key equities in terms of capitalization, having gained high market shares and strong quality assessments.

During 2016, the Research Division focused on and further enhanced the quality of its activities by publishing analysis and contacting institutional investors and the managements of the covered listed companies on a daily basis. The Division’s analysts met with a number of investors, while the Company participated in conferences of the Hellenic Exchange to promote collaboration between institutional investors and the managements of Greek listed companies.

The main targets for next year are:

- market share increase
- return to profitability
- optimization of the Company’s operating activities following the substantial changes that have taken place, the voluntary retirement scheme, closure of domestic and overseas branches, relocation of the head office, and further streamlining of operating expenses
- increase in sales to foreign brokers/dealers
- further growth of DMA trading (electronic transactions platform)
- further development of e-trading through the Company's trading site.

**Custodian services**

With its long standing presence in custodian services in the Greek market, NBG offers top quality services to its Greek and foreign clients in respect of their investment activities in domestic and global markets.

The persistently low level of activity in investment services, as a result of the crisis and the capital controls, continued to affect custodian activities, while also depriving local custodian service providers of significant competitive advantages because of their low credit ratings.

Consistently focusing on providing top-class tailor-made options, NBG adapted to the aforesaid environment and, having redefined its targets, developed new activities and is in the final implementation phase of introducing innovative products and services to domestic financial companies.

Against this backdrop, and besides the ongoing upgrade of the services provided to the Bank's retail customers, NBG already provides back office services to its subsidiary NBG Securities, while is in cooperation with its Malta-based subsidiary, NBG Malta, for the latter to provide custodian services to the domestic market, which appears to have significant growth potential.

At the institutional level, following the successful alignment of our systems and processes with the environment of the Europe-wide transaction securities settlement engine TARGET 2 SECURITIES, we continue to closely monitor all successive phases of its implementation through to completion (18.9.2017), having ensured to date the uninterrupted operation of all relevant international transactions of our customers. In addition, in the context of ongoing alignment with the regulatory and institutional framework in general, adjustment to the new and particularly challenging environment governing the operation of UCITS V is in the process of development.
2.5 STRATEGY FOR OPERATIONS

UPGRADE

Branch network

As at 31.12.2016, the units of the Bank’s branch network totalled 509 branches and 56 transaction offices or agencies. They offer wide geographical and population coverage and are present even in remote or economically weaker areas of the country, acting as a point of service for over 6 million customers.

In 2016, the Branch Network continued to play a crucial role in:

- the implementation of the Bank’s strategic priorities: sustaining liquidity, cleaning up the loan books, attaining significant operation volumes despite the adverse climate, and further enhancing customer relations.
- the provision of quality services to customers, individuals and businesses, coping with the special conditions generated by the ongoing capital controls.

As part of the Bank’s ongoing efforts to enhance the business operations of the network and the services provided to customers, the following actions have been scheduled for 2017:

- operational implementation of customer-focused culture in all branches
- completion of the restructuring plan regarding the branch network, launched in 2016, with a view to rationalizing the operation of the branch network, saving resources and maintaining the Bank’s presence in areas of increased business activity
- enhancement and modernization of the branches’ image and operation by adopting cutting-edge solutions aimed at providing quality services and improving customer experience
  - installing barcode scanners and electronic signature tables at transaction points
  - generating i-bank & premium banking corners within selected high-traffic branches
  - operational and system improvements, including centralization of operations, simplification and automation of procedures, so as to free up time for the staff to focus on customers
  - developing and upgrading systems, such as the new international trade platform, and unifying the software for handling loan re-scheduling requests, with a view to carrying out more effectively strategically important operations of the Bank
- implementation of actions (designed in 2016) aiming at the effective management of the workload at the branches’ counters, through:
  - further developing and enhancing alternative transaction networks
  - actively encouraging customers to use alternative networks on the basis of targeted strategy per customer group and type of transaction
  - extending state-of-the-art technology to cut down customer queuing time (such as the i-bank pass, a service for issuing e-queuing tickets) and to facilitate and speed up payment services to businesses (i-bank Pay 4 Business).

Alternative networks

In 2016, all i-bank networks posted a significant increase in operations and revenues. At the same time, the Bank launched significant new cutting-edge services and upgraded the services provided to individuals and businesses.

The use of i-bank Internet & Mobile Banking continued to increase rapidly in 2016 as well. i-bank Internet Banking registered users totalled 1.3 million and money transactions totalled 29 million, while the aggregate value of transactions exceeded €40 billion. Active users of Mobile Banking amounted to 194 thousand.
In addition, the i-bank Alert service provides instant alerts on account and card activity, via e-mail and/or SMS.

In 2016, the Bank launched i-bank Pay, a cutting-edge electronic wallet, the only such service in the Greek market that combines payments and collections through mobile phone/tablet. i-bank Pay users can send amounts of money to friends through their phone contact list or friends list on Facebook (P2P), and make payments to merchants and businesses (P2B) in three pioneering ways: to the merchant’s mobile phone, to the merchant’s i-bank POS through a QR code, or at the payment desk via the i-bank Connector device.

During the course of the year, the i-bank Simple Pay Spot network enabling payment of third-party bills (public utilities, telecoms, insurance companies etc.) was expanded.

The rapid increase in the use of cards and electronic transactions (mainly as a result of the capital controls), the increase in the number of Internet and Mobile Banking users, the enrichment of the offering of i-bank services and the upgrade of the Bank’s card portfolio led to a further increase in customer services via the Contact Center. Incoming telecom traffic exceeded 2,700,000 calls. In addition, in line with market needs, the Bank placed emphasis on **outgoing calls** aimed at promoting services and electronic transactions. For example, in 2016 the Contact Center successfully marketed **4,500 POS devices**.

With a view to upgrading customer services and effectively handling large volumes of operations, the Bank deployed innovative automated services using a Voice Portal (181818) and Natural Language Understanding (NLU) software. In 2016, more than **130,000 PIN** numbers for debit cards were delivered through automated services.

The five (5) **i-bank stores** were used both to promote i-bank services and to familiarize customers with the use of such services. In 2016, more than **1,000,000** customers visited the premises, while more than **140,000** banking tasks were carried out.

Transactions carried out through the Bank’s **1,448 ATMs** (as at 31.12.16) increased by 4.3 million y-o-y and amounted to 134 million transactions of a total value of €16.9 billion.

Due to the ongoing capital controls, the number of transactions remained high, without compromising the availability of the Network.

Against a backdrop of total compensation payouts worth €30 thousand, the Our fraud detection unit successfully prevented fraudulent transactions of all kinds (ATM, Internet Banking, new debit cards), of a total value of €180,000.

The Bank’s 48 APS centres serviced **800K transactions** worth €139.3 million.

In 2016, as part of our program to fully upgrade the network and provide optimum service to customers, we completed the replacement or upgrade of old ATMs to Win7. In addition, we deployed the capability for dynamic currency conversion (DCC) to serve customers from abroad with accounts in foreign currency, thereby boosting revenues for the Bank through ATMs.
2.6 NBG OMBUDSMAN

The NBG Ombudsman has completed seven years of operation.

To date, NBG Group is the only domestic banking group that offers its customers additional options in order to resolve their problems.

The main objective of the NBG Ombudsman is to enhance the trust between the Group and its customers in the midst of adverse economic and social conditions.

To attain this goal, it develops actions in three areas: Promoting amicable resolution of disputes, seeking solutions to issues that have not been resolved in previous stages of investigation and seeking ways to remedy the root causes of each issue. The NBG Ombudsman is bound by the code of ethics of the International Ombudsman Association and provides its services free of charge, while to this date it has been entrusted by almost 10,000 customers with the investigation of their complaints. During the year, the NBG Ombudsman focused on maintaining its high quality services through continuous training and certification of its staff and improvement of its operational potential.

A key role in this effort is the process of linking up the root cause of problems identified with customers (Root Cause Analysis) with the Group's operational risk model, which is currently implemented on a pilot basis.

Aiming at promoting the concept of amicable solution at national and international level, the NBG Ombudsman hosted the European Ombudsman-Mediation Meeting and the foundation meeting of EBEN Ambassadors, while it participated in events and conferences hosted by other bodies (the National and Kapodistrian University of Athens, the Panteion University, MTEY, IOA, EBEA, CSR Hellas, Transparency International, EIIE, EFMA and others).

In recognition of its work, it was awarded by the European Business Ethics Network (EBEN Hellas) for the third consecutive year.

The requests received in 2016 reflect the successful resolving of the problems generated during the first phase of the imposition of capital controls, following improvements in the legal framework and the anticipated adjustment to the new situation by economic players and business structures.

7 out of 10 complaints were answered within 1 week, while a positive outcome was secured for 70% of the cases accepted for investigation.

In 2017, the NBG Ombudsman will develop actions aimed at boosting the efficiency of the investigation process, promoting awareness about its function, building-up relations with the community, and ensuring its effective operation.

DIAGRAM 2.6.1
SECTION 3

INTERNATIONAL ACTIVITIES OF THE GROUP
3.1 THE GROUP’S INTERNATIONAL PRESENCE

Despite the persistent headwinds that the NBG Group has been facing in the markets where it operates – mainly due to the challenging and rapidly changing economic environment – the results of the Group’s international operations were impressive in 2016, with net profit (not taking into account the profit resulting from the revaluation of the funds of the branch network in Egypt, and excluding operating cost allocation at Group level) totalling €103 million vs €28.6 million in 2015, up by more than 100% y-o-y and exceeding the budgeted amount by €9.0 million, or 9.6%.

The solid capital adequacy and utilization of liquidity stemming from the recapitalization in December 2015, together with the completion of the sale of Finansbank in 2016, restored to a large extent customer confidence in the Bank, thus resulting in a 3% y-o-y increase in total deposits at the Group’s units outside Greece.

The Group’s international subsidiaries, with clearly formulated targets under the guidance of the parent company, and focusing in particular on attaining qualitative results, managed to achieve their primary goal, i.e. sound improvement in financial performance. Specifically, the priorities set were as follows:

- to contain/reduce operating costs, while rationalizing the branch network and central services (a -1.4% y-o-y reduction in operating expenses, not including cost allocation at Group level) (the cost-to-income ratio improved by 3% to 54%);
- to reduce the cost of retail deposits, by leveraging the trend of local markets, as most of the Group’s international entities have adequate liquidity;
- to maintain well-weighted credit criteria, which contributed to the further improvement in asset quality and the increase in the coverage ratio by 2% to 60%;
- to reduce the NPL ratio (+90 dpd) by 1.5% vs 2015, the a target of reducing NPLs further in the years ahead;
- to ensure robust capital adequacy;
- to reduce the amount of liquidity provided by the parent company, with the loan-to-deposit ratio at 91% (down 6% y-o-y).

In 2016, the Asset Quality Review (AQR) at United Bulgarian Bank (UBB), under the supervision of the Central Bank, was completed with strong results. Within 2017 a similar review will be conducted at Banca Romaneasca, our subsidiary in Romania.

Note that, with the aim of successfully executing the restructuring plan, the Bank signed on 30 December 2016 an SPA with KBC Group for the sale of United Bulgarian Bank, our Bulgarian subsidiary, together with its leasing subsidiary Interlease EAD. The said transaction was completed on June 14, 2017. The Bank also signed on 7 March 2017 an SPA with AFGRI Holdings for the sale of South African Bank of Athens, our subsidiary in South Africa. The said transaction is expected to be completed in the second half of 2017.

International Retail Banking

The retail loan books in 2016 continued to report improved yields on the back of reduced NPLs and increased consumer lending that offers high returns, while costs were contained and credit expansion was pursued under prudent criteria.

After being stable y-o-y in 2015 following the imposition of capital controls in Greece, retail deposits in the Bank’s international operations grew in 2016, with related cost closing the year at half the level of 2015. Expansion of the retail loan book managed to cover the repayments of older loans through an 18% increase in new loan disbursements, thereby maintaining the loan book at the roughly the same level as in the previous year. Note that the Group reaffirmed its strategic priority to extend credit to small businesses, with SBL lending posting a growth to the tune of 24%.

At the same time, total NPLs contracted by 15%, bringing the NPL ratio to 12.5%, lower than initial forecasts. This was achieved through the application of effective practices regarding the collection and restructuring of retail loans, as well as via the sale of loan portfolios, particularly in Bulgaria and Romania.

With regard to commercial policy, projects designed to enhance customers’ banking experience were continued, with a focus on upgrading debit and credit cards (contactless transaction technologies) and POS networks. Likewise, the development of e-banking applications – alongside the strategy to grow income from fees and commissions – is now at the centre of business projects designed for retail customers, which focus on the marketing of packages of services tailored to meet the needs of specific customer segments (e.g., payroll customers, pensioners, affluent customers, small businesses, young people).
International Corporate Banking

Within the context of the Group’s restructuring plan, our international corporate banking activities in 2016 focused on maintaining the quality of the corporate portfolio and covering existing NPLs with the required level of provisions. As per the aforesaid strategy, we managed to maintain our market share through selective credit expansion, based on strict eligibility criteria and long-term relationships with businesses that have consistently demonstrated their ability to effectively weather the current adverse conditions.

3.1.1 OVERSEAS BRANCHES (EGYPT, UK)

In Egypt, NBG operates through a network of 17 branches, which offer integrated retail and corporate banking services.

The social and political conditions in Egypt, a country with a population of 95 million, showed signs of considerable normalization in 2016, while the economy reported growth of around 2.5%. Against this backdrop, business in NBG’s branch network in Egypt recorded positive performance, supported for yet another year by:

- the excellent quality of the loan book (NPLs below 3%), which expanded selectively through participations in loans to large corporate with sufficient collateral, as well as through credit facilities to affluent retail customers,
- the maintenance of a strong deposit base (with the Loan/Deposit ratio at 71%), alongside efforts to contain the cost of deposits, and
- consistent efforts to contain operating costs (given that inflation in Egypt is currently at 23.3%).

As a result of these efforts, NBG in Egypt recorded profit before tax of €0.7 million in 2016.

Last, in 2016 NBG’s London Branch posted strong performance, with PAT of €14.0 million, focusing on private and transactional banking, trade finance and corporate financing.

3.2 STOPANSKA BANKASA

Stopanska Banka AD Skopje (SB) continued its impressive performance in 2016, achieving profit before taxes of €44.9 m, while PAT amounted to €40.9 m. This strong profitability was delivered in an environment of significant challenges, ranging from uncertainty in the global markets to challenges in the regional economic and domestic political scene.

The key pillars of such performance are the well-designed and deployed business strategy, sound and prudent management, and the consistent focus on planned business initiatives that allow the Bank to deliver impressive financial ratios (ROE of 15%, ROA of 2.9%, cost-to-income ratio of 38%), while enjoying a solid capital adequacy ratio of 16%.

Addressing the challenges generated by the political turbulence in the country during 2016, SB continued to experience real stress-test scenarios, proving that it is able to cope successfully with adverse conditions, while remaining the most stable, sound and reputable commercial bank in the country. The Bank not only succeeded in fully recovering the deposit outflows in the entire banking sector in April and May 2016, but achieved also deposit growth of 2% y-o-y. This allowed the Bank to finance fully its assets by domestic deposits and to keep a very satisfactory loans-to-deposits ratio of 88%.

The Bank also successfully maintained the quality of its loan books, and as a result its NPL ratio improved by 0.4 pp, to 9.7%, of which the retail NPL ratio stood at 5.7%.

Corporate lending focused on supporting solid companies and well-structured projects. SB also continued to offer new corporate products, such as discounting and prepayment of LCs and Factoring, indeed being the first bank in the country to launch factoring products).

SB is by far the biggest player in retail banking in the country and consistently pioneers state-of-the-art banking products and services in Albania. In 2016, besides achieving an annual growth rate of 10%, it focused on a number of key innovative features. Innovations in customer service were launched, such as the single application process and proxy template allowing transactional and savings accounts to open much faster, the contactless payment feature for cards, and the new platform for young people, branded TOPSI, as a means of rejuvenating and reinventing the overall SB brand.

SB is generally known and recognized as the most active bank in CSR events in Albania, supporting various projects and introducing fresh CSR concepts with a broader impact for the whole community.

Last, in 2016 the bank was in a position to disburse a substantial dividend to its shareholders, amount-
ing to €45 m, thus providing an excellent return after many years.

### 3.3 BANCA ROMANEASCA SA

Despite the unfavorable environment during 2016, Banca Romaneasca (BROM) reported a positive result, with PAT at €5.4 m. BROM successfully improved pre-provision income on the back of improved net interest income, lower cost of funding and reduced operating expenses.

The Bank continued its efforts to optimize its cost/income ratio, benefiting from a decreasing cost base. The cost of funding decreased on average during 2016 by 15 bps, reaching 12 bps by the end of the year, whilst the average cost of deposits dropped by 81 bps, reaching the level of 87 bps by end of year 2016. The downward trend in the cost of deposits continued also in the first part of 2017.

BROM’s assets decreased by 4% to €1.4 billion at the end of 2016, with the reduction being much lower than that observed in 2015 vs 2014. Customer deposits decreased by just 1.5% in 2016 to €741 million, from €752 million at the end of 2015, as the stable deposit base was supported by the positive trends observed in the last quarter of 2015, when customer confidence started to recover.

BROM continued to take steps towards safeguarding the quality of its assets by improving its collection infrastructure, including write offs. NPLs presented a decrease of 9.4% y-o-y.

During 2016 the Bank successfully sold to a third party a fully written-off non-performing portfolio of unsecured consumer loans.

**Retail**

In the last quarter of 2016, BROM was able to grow its unsecured portfolio at a higher rate than the market. Secured lending represented a challenge for all banks in Romania, due to legislative initiatives that impacted the market, casting a degree of uncertainty among clientele and the banks.

2017 will likely present a different dynamic vs 2016 regarding retail lending growth, and accordingly BROM will focus more on the transaction aspect of its retail business, launching transaction packages and attractive and competitive card propositions.

**Corporate Banking**

In 2016, BROM’s corporate banking business focused on traditional products in factoring and reverse factoring, as well as on trade finance lines with the support of IFC and EBRD. In addition, the bank has kept its focus on its traditional sectors such as automotive, FMCG and leasing, but also on specialized financing aimed at the oil and gas and energy sectors, and financing investments backed by European funds.

The agribusiness showed a healthy performance, both under APIA state conventions, as well as in the case of other tailored-made products for the sector. Banca Romaneasca is underpinned by a healthy capital base, with total CAR at 21.3% at year-end (under Basel III rules), well above the average for the Romanian banking sector (18.3%).

### 3.4 VOJVODJANSKA BANKA AD

Vojvodjanka Banka (VB) remained among the country’s top 10 banks in terms of assets, as a systematically important bank with 1,468 employees and over 1.2 million clients. Its footprint remained strong, with an extensive branch network of 105 branches and 138 ATMs, situated at prime locations across Serbia. The number of new clients has grown substantially, up by 39% for new retail clients and 8% for new corporate clients since 2013.

The Bank recorded positive results in all business segments in 2016: profit after tax for the fourth consecutive year that amounted to €3.5 million in 2016; total assets grew by €25 million, currently exceeding €1.1 billion; customer deposits increased by €14 million, despite the low interest rates. This bodes well for further credit expansion to clients in the period ahead, and once again confirms the Bank’s strong liquidity position. Operating costs decreased by €1 million, as a result of higher efficiency in all business segments, with the number of employees less by 111 y-o-y.

As a self-funded bank with a capital adequacy ratio well above the regulatory threshold, the Bank focused on lending to small and medium-sized enterprises and retail banking. Volumes continued to grow and, in the case of retail loans, stood around 5% higher and are expected further growth this year. The main driver of growth was the consumer loan book, which posted growth of 9%, maintaining at the same time high average yield of 14.95%. Moreover, mortgages and cash loans increased substantially in 2016, with a 6% increase in the number of issued debit cards and 24% growth in number of transactions made by cards.

In an environment of significantly decreasing yields, the corporate performing portfolio increased by 5.7%. The observed increase in volumes did not
weigh on asset quality, as the +90 dpd ratio remained stable vs the previous year.

The overall NPL ratio decreased significantly in 2016, reaching 17.1%, while at the same time provision coverage increased to 72% at the end of 2016.

The Bank also started working on the development of factoring as a new product for corporate clients, as part of the EBRD’s factoring advisory services in Serbia, funded by Luxembourg, while with the IFC the Bank initiated cooperation in the area of agrifinance.

One of the main goals of VB in the years ahead is the full digitalization of its operations, with a focus on client and tailored-made products for key targeted segments – Young, Affluent, Small business and SMEs. The Bank is committed to follow the latest trends in the use of new technology in the banking industry both locally and internationally, in further optimization of its business processes.

### 3.5 BANKA NBG ALBANIA SH.A

NBG Albania, headquartered in Tirana, provides a wide range of commercial and retail banking products and services, focusing on retail lending, while it holds a 9% market share in housing loans.

As at 31.12.2016, NBG Albania had 26 branches and 2 agencies.

NBG Albania is a self-funded entity with its liquidity ratios well above the minimum regulatory requirements.

In line with regulatory requirements and NBG Group guidelines, NBG Albania upgraded its corporate governance framework and implemented its risk management policies, focusing on maintaining healthy asset quality, strong liquidity and a sound capital base. In addition, in the wake of the economic crisis special attention was paid in 2016 to the Bank’s NPL management.

Key financials and ratios with respect to NBG Albania as at the 2016 year end, are presented in the table below:

<table>
<thead>
<tr>
<th>KPIs (in € millions)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total net loans</td>
<td>635</td>
<td>646</td>
<td>674</td>
</tr>
<tr>
<td>Total deposits</td>
<td>800</td>
<td>790</td>
<td>804</td>
</tr>
<tr>
<td>Net L/D</td>
<td>79%</td>
<td>82%</td>
<td>84%</td>
</tr>
<tr>
<td>Net Interest income</td>
<td>42.4</td>
<td>46.7</td>
<td>42.6</td>
</tr>
<tr>
<td>Net Interest margin</td>
<td>437bps</td>
<td>460bps</td>
<td>423bps</td>
</tr>
<tr>
<td>Pre-provision margin</td>
<td>9.8</td>
<td>16.1</td>
<td>10.2</td>
</tr>
<tr>
<td>Net Profit</td>
<td>4.2</td>
<td>3.0</td>
<td>3.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EUR millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Loans</td>
</tr>
<tr>
<td>Total Assets</td>
</tr>
<tr>
<td>Customer Deposits</td>
</tr>
<tr>
<td>Total Equity</td>
</tr>
<tr>
<td>Net Profit (before capital translation)</td>
</tr>
<tr>
<td>NIM</td>
</tr>
<tr>
<td>Cost to Income ratioi</td>
</tr>
<tr>
<td>Capital Adequacy Ratioi</td>
</tr>
</tbody>
</table>

### 3.6 NATIONAL BANK OF GREECE (CYPRUS) LTD

The Republic of Cyprus, between 2013, when it adopted the Economic Adjustment Program, and mid-2016, when creditor oversight came to an end, posted significant improvements in its credit rating – moving up 5 notches – with the latest rating by Fitch (BB-) keeping the credit status of Cyprus in the category of positive growth prospects.

The successful return of Cyprus to the markets through the issue of a ten-year government bond by raising €1 billion, at the lowest interest rate ever achieved (4.25%, maturing in 2025) reflects the restoration of international investors’ confidence in the Cypriot economy.

The framework created in the country sets the right incentives for both lenders and borrowers to enter into negotiations for the purpose of reprofiling their non-performing debts.

The implementation of the Central Bank’s restructuring code, the establishment of units whose mission is the management and the recovery of overdue debts within banking institutions, the implementation of the loan sale framework, as well as the existence of the framework for sales and insolvency are, among other things, positive developments that should help resolve the issue of non-performing loans.

The bank’s positive performance in 2016 was comprised of the following:

- Improvement in the Capital Adequacy Ratio (CET 1), to 27.1%
- Surplus liquidity –at 110% of its equity
- Profit before tax at €5.46 million, and profit after tax at €4.6 million.
4.1 INSURANCE

Via its subsidiary Ethniki Insurance, the Group offers a full range of retail and business insurance products and services to the domestic market.

Ethniki Insurance, the largest insurance company in Greece, recorded profits before tax of €57.8 million in 2016 vs €76.7 million in 2015, down €18.9 million, mainly due to weaker results in the General Insurance sector. This level of profit continues to be particularly satisfactory, as the Company has managed to maintain its profitability at healthy levels amid adverse economic conditions.

The Company’s operating costs reached €85.3 million vs €101.8 million, down 16.2% vs 2015, without including the provision for a possible Audatex fine amounting to €15.0 million and impairment of tangible assets of €1.5 million in the 2015 costs.

The robust profitability levels in 2016, coupled with targeted actions, have contributed to the strengthening of the Company’s regulatory capital. Specifically, Ethniki Insurance’s eligible equity for the purpose of covering the Solvency Capital Requirement as at 31 December 2016, stood at €551.6 million vs €476.8 million a year earlier, resulting in an enhanced solvency ratio of 170% vs 118% on the date of the Company’s switch to the new regulatory framework, using transitional measures.

The key financial data of Ethniki Insurance are as follows:

<table>
<thead>
<tr>
<th>Key financial data</th>
<th>2016 (€ millions)</th>
<th>2015 (€ millions)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>3,331</td>
<td>3,269</td>
<td>1.9%</td>
</tr>
<tr>
<td>Equity</td>
<td>722</td>
<td>672</td>
<td>7.5%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>58</td>
<td>77</td>
<td>-24.7%</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>43</td>
<td>98</td>
<td>-55.9%</td>
</tr>
</tbody>
</table>

In June 2016, the Company launched “NBG Efapax +”, a new one-off premium payment product, available through NBG’s branch network, which includes guaranteed return and life insurance, and posted significant production of €55.2 million within six months.

The network of Ethniki Insurance in Greece consists of 13 branches, 155 sales offices, 2,128 insurance advisors and 1,469 associated insurance agencies, while its products are marketed through the Bank’s extensive branch network (bancassurance), as well as via direct selling through the Ethniki Protect online platform.

Besides Greece, Ethniki Insurance maintains also an active presence in Romania, through Societatea Commerciala Asigurari Garanta SA, in Bulgaria through UBB-Metlife Zhivotozastrahovatelnno Drujestvo AD and UBB Insurance Broker AD, and in Cyprus through Ethniki Insurance (Cyprus) and Ethniki General Insurance (Cyprus). Ownership of UBB-Metlife and UBB Insurance Broker AD was transferred within 2017, in the context of the sale of UBB AD from NBG to KBC.

In 2017 Ethniki Insurance continues to keep its customers/insurees at the focal point of its concerns, while also develops programs for the ongoing training of its staff, incorporating cutting-edge features in its business models and adapting its risk assessment methodologies to evolving conditions by offering significant discretionary leeway to its network.

The Company’s key objective in the current year is to remain at the top of the league in the insurance market and offer cutting-edge products to its customers, effectively responding to the new demands stemming from the economic environment. At the same time, Ethniki Insurance will continue to endeavour to further enhance its operating efficiency, offering top-quality services, leveraging its human resources, and ensuring sustainable profitability through which it will be able to realize its investment plans and fortify its capital position.

4.2 REAL ESTATE

In 2016 the Bank’s Property Management Division was highly active in the management and exploitation of the real estate of the Bank itself and of the real estate of the NBG Group companies. Special emphasis was placed on the review of city-planning/technical issues, with a view to finalizing the inclusion of the Bank’s real estate assets under Law 4178/2013 and the issuance of ~600 certifications of legality as regards building license issues.

Within the context of implementing a range of planned actions regarding the exploitation and management of real estate assets, the Bank’s Property Management Division announced three sales of 129 properties, in Greece and abroad, at an aggregate starting price of €23.9 million through a public bidding process. Already, seven (7) of these properties have been auctioned at a total sale price of €6.28 million and an estimated profit of €2.7 million.

Despite the adverse economic environment, the imposition of capital controls and the constrained
liquidity conditions, the total collection of credited proceeds from the sale of properties amounted to €7.2 million, while the total collection of dues from leases and subleases of properties to €2.8 million. The efforts to lease properties continued in 2016 and NBG entered into 21 new agreements with a total annualized lease of €71 thousand, while the total number of lease agreements reached 135, generating aggregate annual lease revenues of €2.8 million.

Further renegotiations for the reduction of payments for property leased from third parties generated a total annualized saving of €485 thousand.

NBG’s waiver from its usufruct rights over the property of Astir Palace Vouliagmeni was successfully completed, with the relevant consideration standing at €86.2 million.

An amount of ≈ €128 thousand was collected concerning the interest and court fees related to the compensation from the expropriation of a property owned by NBG.

The upgrade of the Real Property subsystem from Classic RE to Flexible RE and the automated control of book monitoring was successfully completed in 2016, thus ensuring the effective management of our Unit’s real estate portfolio, which, at 31.12.2016, comprised 1,447 properties of a total book value (under IFRS) of €213 million (specifically: 117 own-occupied and investment properties worth €137 million, and 1,330 properties from auction proceedings worth €76 million).
5.1 GROUP RISK MANAGEMENT

Risk control and management plays a fundamental role in the overall strategy of the Group, aiming to both effectively monitor the recognized and potential risks for the organization and to align with the legal and regulatory requirements.

The Group has clearly defined its risk profile and risk appetite and has designed a risk strategy and management policy. Utterly responsible for the development and application of this general framework of risk management at a Group level is the Board of Directors (the Board) and more specifically the Board Risk Committee (the “BRC”), directly supported by the Audit Committee.

The BRC forms and submits for approval to the Board of Directors the risk appetite and risk strategy of the Bank and the Group, on an annual basis. It also sets the principles, approves the policies that govern risk management and monitors the appropriate management of risk. The Committee is composed exclusively of non-executive Board members, at least three in number, the majority of whom (including the Chairman) are independent members of the Board. The members and the Chairman of the Committee are elected by the Board of the Bank, following recommendation by the Board’s Corporate Governance & Nominations Committee. The BRC has the responsibility to review reports and evaluate the overall risk exposure of the Bank and the Group on a regular basis, taking into account the approved risk strategy and the business plan of the Group. The proposals to the BRC are submitted by the Group Chief Risk Officer (CRO). During 2016 the Board Risk Committee convened 12 times. Detailed information on the responsibilities, composition and modus operandi of the Committee is included in the Charter of the Committee which is available on the Bank’s website at www.nbg.gr (section: The Group / Corporate Governance / Board of Directors / Committees).

A central role in the risk management framework, that is to recognize, evaluate, monitor and control risks accepted by the Group, has been assigned to the two Group Risk Management Units: the NBG Group Risk Control and Architecture Division (GRCA) and the NBG Group Market and Operational Risk Management Division (GMORM). The Units identify the risks of different portfolios and activities, and supervise all subsidiaries operating in the financial sector.

The two Group Risk Management Units are supportive to the following:
- the Asset Liability Committee of the Bank (ALCO), which defines the strategy and policy concerning the structure and management of assets and liabilities, taking into account current market conditions and risk limits that the Bank has set.
- the Group Compliance Department, which is responsible for ensuring compliance to existing rules and regulators. Such rules and regulators are the current Greek legislation, the Basel Committee of Banking Supervision, the European Central Bank (ECB), the Single Supervisory Mechanism, the European Banking Authority (EBA), Bank of Greece (BoG), the Greek Securities Exchange Commission and the decisions of all competent authorities supervising the Group’s subsidiaries. Group Compliance Department reports to the Board via the Audit Committee.
- the Group Internal Audit Division, which reports to the Board through the Audit Committee. This Unit is part of the risk management framework, acting as an independent supervisory body that focuses on its effective implementation.

The two Group Risk Management Units also cooperate with the Credit Units, which supervise the credit departments of the financial institutions across the Group and participate in their approval granting bodies. Credit Units’ independence ensures an unbiased first level control for risk undertaken. These Units are also responsible for developing and updating specific Credit Policies.

Market risk

NBG

Estimation and Management

The Bank, in order to ensure the efficient management of market risk, calculates the Value at Risk (VaR) of its Trading and Available for Sale (“AFS”) portfolios, on a daily basis, along with the VaR per risk type(interest rate, equity and foreign exchange risk). The above have been implemented through RiskWatch, by Algorithmics (currently IBM). In particular, due to the predominantly linear nature of its portfolio, the Bank has adopted the variance-covariance (VCV) methodology, with a 99% confidence interval and a 1-day holding period. The most significant types of market risk to which the Bank is exposed are interest rate, equity and foreign exchange risk.
VaR estimates are used both as a risk management tool, as well as for regulatory purposes. For internal use, the Bank calculates the VaR of its Trading and Available-for-Sale (AFS) portfolios, on a daily basis, using the latest 75 exponentially weighted daily observations to construct the VCV matrices. The risk factors, relevant to the financial products in NBG’s portfolio, are interest rates, equity indices, foreign exchange rates and commodity prices.

The VaR estimates are also used for the calculation of the Bank’s capital charges against market risk. Under the current regulatory framework, the calculations refer only to NBG’s Trading portfolio and are based on 252 equally weighted daily observations per risk factor.

The Bank has established a framework of VaR limits in order to control and manage the risks to which it is exposed, in a more efficient way. These limits have been determined based on best practices and are consistent with the Bank’s Risk Appetite, as outlined in the Risk Appetite Framework (“RAF”); they refer to specific types of market risk, such as interest rate, foreign exchange and equity risk, as well as to the overall risk of the Bank’s Trading and AFS portfolios.

Finally, in order to verify the predictive power of the VaR model, the Bank conducts backtesting on a daily basis. In accordance with the guidelines set out in the Capital Requirements Regulation 575/2013, the calculations refer only to the Bank’s Trading portfolio and involve the comparison of the hypothetical, as well as the actual daily profit and loss (P&L) of the portfolio with the respective estimates of the VaR model, used for regulatory purposes. Any excess of the hypothetical / actual losses over the VaR estimate is reported to the regulatory authorities no later than five business days. In 2016, there were only two (2) cases in which the backtesting result exceeded the corresponding VaR estimate.

On a Group level, the only other subsidiary with significant market risk was Finansbank, which was divested at the end of the second quarter of 2016. Furthermore, UBB, which has market risk through its holdings in Bulgarian sovereign debt was agreed to be sold on December 30th, 2016, while the rest of the subsidiaries bear immaterial market risk.

**Total market risk**

During 2016, the total VaR (99%, 1-day) of the Bank’s Trading and AFS portfolios ranged between €5.1mio and €21.3mio, while the average for the year stood at €9.6mio. As of December 30th, 2016, the total VaR was €11.1mio (see Chart 1).

As shown below in Chart 1, the total VaR increased at the end of the second quarter of the year, mainly due to an increase in interest rate risk (see Chart 2).

**DIAGRAM 1**

**NBG TOTAL VAR (99%, 1-DAY)**

**Interest rate risk**

The most significant type of market risk to which the Bank is exposed, is interest rate (IR) risk which arises mainly from the interest rate, over-the-counter (OTC) and exchange traded derivative transactions, as well as from the Trading and AFS bond portfolios. Interest rate risk is quantified through IR VaR. During 2016, the IR VaR (99%, 1-day) of the Trading and AFS portfolios of NBG ranged between €4.4mio and €19.7mio, while the average for the year stood at €9.1mio. As of December 30th, 2016, the IR VaR was €10.9mio.

The evolution of IR VaR (Chart 2) depends on the sensitivity of the Bank’s Trading and AFS portfolios to key risk factors, namely the euro swap rates and the respective government yields, as well as on the level of the respective volatilities.

Regarding the later, the most significant event during 2016 occurred at the end of the first semester, when the outcome of the British referendum on exiting the Eurozone triggered large changes in the financial markets, which subsequently led to a significant increase of the underlying volatilities and to considerably higher VaR estimates for the Bank. In the following months, rates exhibited moderate fluctuations and remained relatively stable, until the end of the third quarter, thus causing the respective volatilities and the IR and Total VaR to decrease.

However, during the last quarter of 2016, the sensitivity of the Bank’s portfolios increased. In particular, the combination of the mixture of the Bank’s OTC
derivatives portfolio and the upward movement of the euro swap rates during the last three months of the year, led to the increase of the sensitivity of the Bank’s Trading portfolio, which contributed to the overall increase of the IR and Total VaR.

Nonetheless, by the end of the year, the Bank’s IR and Total VaR decreased relative to the highest value, reached at the end of the second quarter.

**Equity risk**

The Bank has a moderate exposure to equity risk, which arises from the positions it retains in stocks and equity derivatives. More specifically, the Bank holds a limited portfolio of stocks, the majority of which are traded on the ATHEX and retains positions in stock and equity index derivatives traded on the ATHEX, as well as, on international exchanges. The portfolio of equity derivatives is used for proprietary trading, as well as, for hedging the equity risk arising from the Bank’s cash position and equity-linked products offered to its clientele. During 2016, the Equity VaR (99%, 1-day) of the Trading and AFS portfolios of NBG ranged between €0.7mio and €2.3mio, while the average for the year stood at €1.2mio. As of December 30th, 2016, the Equity VaR was €0.9mio.

In the first semester of 2016, the Bank’s equity VaR (Chart 3) remained almost at the same level with the end of 2015 and any minor fluctuations are attributed to the changes in the prices of the underlying equity indices and their respective volatilities (Chart 4). However, at the end of the second quarter, the ATHEX, along with the European markets, followed a downward trend after the announcement of the British referendum in favor of leaving the Eurozone. The prices of stocks and equity indices plunged sharply, which led to higher volatilities and caused the equity VaR to increase. In the following months, as the market quieted down, the volatilities gradually decreased, resulting to lower VaR estimates for the Bank.

**Foreign Exchange risk**

Foreign exchange (FX) risk stems from the Bank’s Open Currency Position (OCP). The OCP primarily arises from foreign exchange spot and forward transactions. During 2016, the FX VaR (99%, 1-day) of the Trading and AFS portfolios of NBG ranged between €0.2mio and €0.9mio, while the average for the year stood at €0.4mio. As of December 30th, 2016, the FX VaR was €0.2mio.

In 2016, the FX VaR remained at relatively low levels and presented minor fluctuations, as shown below in Chart 5, due to the limited Open Currency Position of the Bank.
Stress Testing

The daily VaR estimations refer to “normal” market conditions. However, supplementary analysis is necessary for capturing the potential loss that might arise under extreme and unusual circumstances in the financial markets. Thus, the Bank conducts stress testing on a weekly basis, on both the Trading and Available for Sale portfolios, based on specific scenarios, depending on the risk factor type (interest rate, equity, exchange rate).

Other Subsidiaries

United Bulgarian Bank (UBB)

The Trading and AFS portfolio of UBB consists mainly of Bulgarian sovereign bonds, in local (BGN) and foreign currency, and to a less extent of other EU sovereign debt and corporate issues, in EUR and USD. Additionally, the subsidiary retains moderate positions in commercial paper, municipal bonds and Bulgarian corporate issues.

As of December 30th, 2016, the total value, in nominal amounts, of UBB’s bond portfolio stood at €837.2mio, out of which 64% was classified in the Trading portfolio and 36% in the AFS portfolio. Moreover, 62% of UBB’s bond portfolio comprised of Bulgarian government bonds in BGN, EUR and USD, 3% of corporate bonds, issued by Bulgarian companies, in EUR, 29% of short term commercial paper, issued by credit institutions outside Bulgaria, in EUR, USD and GBP, whereas the remaining 6% was EU sovereign debt and foreign corporate issues, denominated in EUR and USD.

UBB has very limited exposure to FX risk. According to the subsidiary’s OCP at the end of 2016, the only significant position held in foreign currency was in EUR. However, this position does not create FX risk, because, since January 1st, 1999, BGN is pegged against EUR at 1.9558 BGN / EUR.

In order to monitor and efficiently manage market risk, UBB calculates the VaR of its Trading and AFS portfolios, on a daily basis, as well as the VaR per risk type (interest rate, equity and foreign exchange). Similar to the Bank, calculations are based on a 99% confidence interval and 1-day holding period and the platform on which they are implemented is Risk Value, by Systemic Risk Management. UBB has also established a framework of VaR limits in order to control and manage the risks to which it is exposed in a more efficient way. These limits refer to specific types of market risk, as well as to the overall market risk of the subsidiary’s Trading and AFS portfolios. As of December 30th, 2016, the total VaR of UBB stood at €2.2mio.

Banca Romaneasca

The AFS portfolio of Banca Romaneasca consists mostly of Romanian government bonds, issued in local and foreign currency (RON and EUR respectively).

Romaneasca’s interest rate risk arises from its sovereign bond holdings. As of December 30th, 2016, the total value of the AFS portfolio stood at €200.3mio, in nominal amounts. Romanian government bonds (RGBs) issued in RON comprised 88% of this amount, whereas RGBs denominated in EUR stood at 11%. The remaining 1% were corporate issues in RON.

Moreover, Banca Romaneasca has a very limited exposure to FX risk. According to the subsidiary’s OCP, FX risk was mainly due to positions in EUR, CHF, JPY, CAD and HUF, at the end of 2016. For the efficient management of FX risk, the subsidiary calculates the FX VaR of its portfolio on a daily basis. As of December 30th, 2016, this stood at €8thou.

Vojvodjanska Banka

The AFS portfolio of Vojvodjanska Banka consists of Serbian government bonds and T-bills, and shares traded on the Belgrade stock exchange.

Vojvodjanska Banka’s interest rate risk arises from its sovereign bond and T-Bill holdings. As of December 30th, 2016, the total nominal amount of the portfolio stood at €170.4mio, out of which 58% was due to government bonds and 42% due to T-bills, issued by the Serbian government, in local currency (RSD) and in EUR.
Vojvodjanska Banca has a very limited exposure to equity risk. As of December 30th, 2016, the value of its equity portfolio was €678thou.

Finally, the subsidiary has a small exposure to FX risk. According to the subsidiary's OCP at the end of 2016, the main FX positions were in EUR, USD and CHF. For the efficient management of FX risk, Vojvodjanska Banca calculates the FX VaR of its portfolio on a daily basis. As of December 30th, 2016, it stood at €16.6thou.

Credit Risk

Credit risk control and management plays a fundamental role in the overall strategy of the Group, aiming to effectively monitor both recognized and potential risks for the organization as well as to align with legal and regulatory requirements. The Group's credit risk management function is spread across four different levels of defense, traced as follows:

- The First Line involves the operational function i.e. business units taking credit risk. They own the risk, hence they are accountable for it, so they are also responsible for implementing corrective actions to address process and control deficiencies. Their ultimate objective is to minimize risk for a given level of expected return by establishing and implementing internal rules to their “day-to-day” business.
- The Second Line of Defense is performed by Credit Units, acting independently of business units. They receive credit proposals by operational units, on which they perform an impartial risk assessment, through the “four eyes principle”, eventually underwriting the risk and having a veto right in the credit approving procedure.
- The Third Line is secured by Group Risk Control and Architecture (GRCA) Division: its role is to identify, monitor, control and quantify risks at portfolio or entity level. GRCA assists other units undertaking risks and establishes the adoption of appropriate pricing and risk measurement tools. In this sense, it assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the Group. Group Compliance contributes to ensure compliance to applicable laws and regulations.
- Finally, the Fourth Line of Defense is the object of Group Internal Audit which provides independent assurance to the Board, based on the highest level of independence and objectivity within the organization.

The duties and responsibilities of all lines of defense functions above are clearly identified and separated in the Group's Risk Strategy.

GRCA occupies central stage in credit risk management since it recognizes, evaluates, monitors and controls risks accepted by the Group. It reports to the Group CRO and possesses the following responsibilities:

- To specify and implement credit risk policies emphasizing on rating systems, risk assessment models and risk parameters according to the guidelines set by the Board;
- To assess the adequacy of methods and systems that aim to identify, measure, monitor, control and report credit risk undertaken by the Bank and other financial institutions of the Group and periodically validate these methods and systems;
- To establish guidelines for the development of assessment methodologies for Expected Loss (EL) and its components, i.e. Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) for each exposure class in corporate and retail portfolios;
- To calculate the Regulatory and Economic Capital required to support all banking risks, as well as prepare relevant regulatory and MIS reports;
- To introduce best practices and standards for the development, validation and calibration of all credit risk models at Group level.

A. Corporate Portfolio – NBG

Portfolio outline

The persistence of the severe economic crisis in Greece during 2016 (negative GDP growth in 7 consecutive years) forced Business Units to put a lot of effort in (a) increasing the quantity and quality of collateral pledged and (b) reviewing most credit programs to improve repayment likelihood of corporate clients.

Since 2008, the Bank is using five (5) corporate rating models, all of them implemented through the web-based Risk Analyst™ (RA) platform (an upgraded version of Moody’s Risk Advisor™ software), backed where necessary by the ratings of Moody’s Investors Service and S&P’s. It comes as no surprise that the deterioration in the financial statements of companies led to rating downgrades by most of the models.
The table below illustrates the distribution, per model type, of outstanding corporate exposures and obligors:

**TABLE 1**

<table>
<thead>
<tr>
<th>Rating/Model</th>
<th>Exposure (€mio)</th>
<th>% performing exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Rating Model</td>
<td>6,266.4</td>
<td>52.1%</td>
</tr>
<tr>
<td>Expert Judgement</td>
<td>317.6</td>
<td>2.9%</td>
</tr>
<tr>
<td>Slotting Criteria-Project Finance</td>
<td>2,037.4</td>
<td>16.9%</td>
</tr>
<tr>
<td>Slotting Criteria-Objective Finance</td>
<td>1,401.4</td>
<td>13.5%</td>
</tr>
<tr>
<td>Moody's- S&amp;P</td>
<td>32.1</td>
<td>0.3%</td>
</tr>
<tr>
<td>In Default</td>
<td>6,182.7</td>
<td>-</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>16,975.5</td>
<td>109.0%</td>
</tr>
</tbody>
</table>

The vast majority of obligors of the corporate portfolio are entities with full financial data and their distribution on the ORR Scale indicates sufficient dispersion without any high concentration (over 25%) in any rating grade.

**DIAGRAM 6**

**NBG – CORPORATE CUSTOMERS' DISTRIBUTION PER ORR**

Compared with the previous year, exposures in default (Rating grades 20 & 21, above), decreased mainly due to write-offs. The exposure-weighted average PD for performing corporate obligors on 31.12.2016 is estimated at 7.7% (cf. correspondence between ORR and PDs):

**TABLE 2**

<table>
<thead>
<tr>
<th>ORR</th>
<th>PD</th>
<th>ORR</th>
<th>PD</th>
<th>ORR</th>
<th>PD</th>
<th>ORR</th>
<th>PD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.09%</td>
<td>6</td>
<td>0.50%</td>
<td>11</td>
<td>2.65%</td>
<td>16</td>
<td>14.50%</td>
</tr>
<tr>
<td>2</td>
<td>0.12%</td>
<td>7</td>
<td>0.70%</td>
<td>12</td>
<td>3.75%</td>
<td>17</td>
<td>20.30%</td>
</tr>
<tr>
<td>3</td>
<td>0.20%</td>
<td>8</td>
<td>1.00%</td>
<td>13</td>
<td>5.25%</td>
<td>18</td>
<td>28.50%</td>
</tr>
<tr>
<td>4</td>
<td>0.25%</td>
<td>9</td>
<td>1.35%</td>
<td>14</td>
<td>7.35%</td>
<td>19</td>
<td>40.00%</td>
</tr>
<tr>
<td>5</td>
<td>0.35%</td>
<td>10</td>
<td>1.90%</td>
<td>15</td>
<td>10.30%</td>
<td>20</td>
<td>21 (default)</td>
</tr>
</tbody>
</table>

Collateral distribution per origination unit (diagram 8) indicates that shipping facilities achieve the highest coverage (appr. 80%, 4.8% lower than FY2015), with the corresponding percentage for the entire corporate portfolio being close to 45% (displayed an insignificant decrease of 0.4% compared to FY2015). The collateral coverage ratio in the shipping sector is negatively impacted from distressed shipping markets (mainly the dry sector), which resulted to substantially low levels of market prices, currently standing at historical lows in FY 2016.

**DIAGRAM 8**

**NBG - CORPORATE EXPOSURES COVERED BY “STRONG” COLLATERAL**

**Sector analysis**

Turning now to the sectoral distribution of the Bank’s corporate portfolio, no significant concentration risk in any industry exists.

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1 Excluding defaulted obligors
The sector presenting the largest balances is Transportation & Storage (15.2%) due to the ocean shipping exposures. Shipping remains an important sector of the Greek economy and NBG has historically been an active participant since the early 60’s in the local market with long lasting relationship with the existing clients and conservative addition of new names in Bank’s clientele. The second largest sector (Wholesale Trade) reaches 11.1% of total exposures, being well diversified, since it is comprised of a large number of various trading activities.

B. Retail Portfolios – NBG

Year 2016 was a very demanding year in terms of Retail Credit Risk Control as the Bank had to:

- handle the consequences of increased uncertainty, affected clients’ payment behavior and “dismaying” retail portfolios’ performance
- confront difficulties carried from previous years & the current environment towards issues such as “Foreclosures” and “Personal Insolvency - Law 3869/2010” and the Bank’s continuing effort for Deleveraging that adds extra burden to delinquency ratios
- implement NPE strategy focusing on ECB’s Guidance in terms of collection strategy & B.U.’s policies
- incorporate EU Regulation 2016/445 article 4 on the exercise of options and discretions, regarding the days past due on the default definition (article 176) for exposures secured by RRE
- proceed with necessary transitional arrangements to prepare for the introduction of IFRS9

To effectively address these challenges, the Bank set new goals and reassessed its strategies whenever needed, within the year. Thus, in the first months of 2016, the Bank focused mainly on managing troubled assets and offered modification solutions to “correct” the harsh effect of 2015, while in the following months it also focused in controlling early delinquencies mostly through collection efforts.

End of year the 90+d.p.d. ratio of Mortgage Loans remained stable (as FY2015) addressing to a “shrinkable” portfolio, both in terms of Total balances and in terms of 90+ d.p.d. balances. Consumer Loans’ and Credit cards’ 90+ d.p.d. ratio fell to its lowest values since December 2014, as a result of the Collection department’s actions, but mostly because of the write-offs that took place within the last semester.

Housing Loans

Housing loans represent by far the largest portfolio of the Bank (€16,671mio on 31.12.16), consequently, it is very closely reviewed and constantly monitored using advanced credit risk techniques. Since the beginning of 2008, the Bank has adopted the Advanced IRB approach (A-IRB) for calculating capital requirements against credit risk for “retail exposures secured by residential real estate”.

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The PD and LGD models the Bank developed for housing loans are based on 20 years of historical data. They reflect its long term experience in mortgage lending and take into account the Greek legal framework as well as the Bank’s policies regarding foreclosure of real estate collateral. The credit risk parameters produced by the models (PD and LGD), besides being the key inputs for the Expected Loss and the Risk Weighted Assets calculation, are further used in:

- Provisioning purposes
- ICAAP (adjusted for recent performance experience)
- Stress testing
- New loans’ pricing
- Quality assessment and monitoring

as well as the regular internal reporting to the BRC and the Executive Committee of the Bank. By year end 2016, the percentage of loans allocated to low PD pools (less than 2.0%) has been improved compared to year end 2015 by 4pcp. Half of the population (51.5%) remains rated in low value PD pools (<2.0%) while 31.7% of the accounts are defaulted (vs. 29.4% in December 2015). The upsurge of the defaulted accounts percentage is justified from the change of the Regulatory Default definition from 180+ to 90+ d.p.d.

**Consumer Credit Lending**

The Consumer Credit portfolio (€4.7bn) includes Credit Cards, Consumer Term loans, Revolving facilities and Consumer Auto loans. In 2016, total balance declined by 13.3% compared to 2015, due to deleveraging and write-offs.

Almost half of the portfolio (49%) refers to products offering facilitation of debt servicing to existing customers. There are products that offer Modification products for early and late delinquencies having rescheduling and restructuring character, respectively.

**DIAGRAM 13**

NBG – CONSUMER CREDIT – BALANCES DISTRIBUTION

Vintage analysis illustrates that new disbursements granted after 2010 improve by the year and exhibit lower and lower 90+ ever frequencies.

**TABLE 3**

NBG – CONSUMER LOANS – VINTAGE ANALYSIS (90+ EVER) FOR NEVER MODIFIED LOANS

<table>
<thead>
<tr>
<th>Vintage</th>
<th>Loans</th>
<th>6MOB</th>
<th>12MOB</th>
<th>24MOB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>50,874</td>
<td>1.91%</td>
<td>5.75%</td>
<td>14.05%</td>
</tr>
<tr>
<td>2011</td>
<td>18,622</td>
<td>1.40%</td>
<td>5.45%</td>
<td>13.81%</td>
</tr>
<tr>
<td>2012</td>
<td>15,324</td>
<td>1.83%</td>
<td>6.38%</td>
<td>14.97%</td>
</tr>
<tr>
<td>2013</td>
<td>15,192</td>
<td>0.74%</td>
<td>2.74%</td>
<td>4.35%</td>
</tr>
<tr>
<td>2014</td>
<td>9,382</td>
<td>0.17%</td>
<td>0.62%</td>
<td>1.62%</td>
</tr>
<tr>
<td>2015</td>
<td>4,991</td>
<td>0.14%</td>
<td>0.62%</td>
<td></td>
</tr>
<tr>
<td>1H2016</td>
<td>1,807</td>
<td>0.11%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Small Business Loans (SBLs)**

This portfolio has been struck by the crisis much more than any other retail portfolio with around 65% (vs. 64.2% in December 2015) of exposures concerning customers in default. Customer ratings for performing (non-defaulted clients) are adequately dispersed in the rating scale without high concentration in any grade. More than half of the balances (55.3%) are allocated to obligors with a grade better than or equal to D1 (these customers have a probability of default lower than 20%). This segment shows a slight improvement compared to 52.5% a year earlier.
C. Subsidiaries

The standards for the risk undertaken by NBG’s subsidiaries as well as the framework for the estimation and measurement of the basic risk parameters for the Corporate and Retail portfolio are set by the NBG headquarters. The Bank also controls systematically and approves, when necessary, the credit assessment models developed by the subsidiaries.

Corporate Portfolio

An overview of the corporate banking portfolios of NBG SEE subsidiaries is presented below. On 30.12.2016, National Bank of Greece S.A. entered into a definitive agreement with KBC Group for the divestment to KBC of its 99.91% stake in UBB.

TABLE 4
SEE – CORPORATE PORTFOLIO OVERVIEW

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Balances (€mio)</th>
<th>FY2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBB</td>
<td>754</td>
<td>582</td>
<td>-29</td>
</tr>
<tr>
<td>BROM</td>
<td>77</td>
<td>244</td>
<td>-68</td>
</tr>
<tr>
<td>Stopanska</td>
<td>39</td>
<td>121</td>
<td>-66</td>
</tr>
<tr>
<td>Vojvo</td>
<td>10</td>
<td>50</td>
<td>-75</td>
</tr>
<tr>
<td>Albania</td>
<td>17</td>
<td>22</td>
<td>-23</td>
</tr>
<tr>
<td>Total Corporate Portfolio</td>
<td>1,428</td>
<td>1,208</td>
<td>-17</td>
</tr>
</tbody>
</table>

Corporate volumes in SEE subsidiaries decreased by €279mio (-7.2%). The greatest balance changes, in 2016 compared to 2015, took place in UBB (from €1,6bn to €1,4bn i.e., -11%). This led to an improvement in the 90+ pdp ratio, falling to 35.2% in December 2016 compared to 36.9% in December 2015.

BROM’s overall corporate balances declined in 2016 (-12.3%), with a subsequent increase in the 90+ pdp rate by 6.1pcp to 48.7%, compared to 42.6% of the previous year-end.

NBG Cyprus, along with Cyprus Branch’s figures, has the second largest portion (21%) of the total corporate SEE portfolio. The relevant portfolio decreased by 3.8% during 2016 (from €785mio to €755mio), while 90+ pdp ratio increased slightly from 43.8% year-end 2015 to 44.9% year-end 2016.

Retail Portfolios

An overview of the retail banking portfolios of NBG SEE subsidiaries is presented below.
TABLE 5
SEE – RETAIL PORTFOLIO OVERVIEW

<table>
<thead>
<tr>
<th>(€mio)</th>
<th>UBB</th>
<th>BROM</th>
<th>Stopanska</th>
<th>Vojvo</th>
<th>NBG Albania</th>
<th>FY2016</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances</td>
<td>400</td>
<td>224</td>
<td>436</td>
<td>184</td>
<td>14</td>
<td>1,254</td>
<td>-18</td>
</tr>
<tr>
<td>90+</td>
<td>66</td>
<td>14</td>
<td>30</td>
<td>23</td>
<td>1</td>
<td>135</td>
<td>-79</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>66</td>
<td>8</td>
<td>62</td>
<td>7</td>
<td>0</td>
<td>144</td>
<td>-6</td>
</tr>
<tr>
<td>90+</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>12</td>
<td>-4</td>
</tr>
<tr>
<td>Housing Loans</td>
<td>458</td>
<td>613</td>
<td>151</td>
<td>113</td>
<td>97</td>
<td>1,441</td>
<td>-43</td>
</tr>
<tr>
<td>90+</td>
<td>85</td>
<td>19</td>
<td>3</td>
<td>16</td>
<td>13</td>
<td>131</td>
<td>-29</td>
</tr>
<tr>
<td>SBUs/Microloans</td>
<td>10</td>
<td>6</td>
<td>45</td>
<td>16</td>
<td>3</td>
<td>79</td>
<td>-10</td>
</tr>
<tr>
<td>90+</td>
<td>8</td>
<td>6</td>
<td>2</td>
<td>9</td>
<td>1</td>
<td>10</td>
<td>0</td>
</tr>
</tbody>
</table>

Total Retail Portfolio

| Balances | 944 | 811 | 594 | 316 | 114 | 2,919 | -98 |
| 90+ | 164 | 34 | 39 | 65 | 15 | 297 | -103 |

Retail volumes in SEE Subsidiaries remained almost steady (-1.9%). The greatest balance changes took place in BROM, where the retail portfolios decreased by 8.9%, because of extensive write-offs in the year 2016 (described further below). A small decrease in retail portfolios appeared also in UBB (-4.8%) and NBG Albania (-4.6%). On the contrary, retail balances of Stopanska increased by 10.3% and there was a slight increase in Vojvo by 4.6%.

Excluding UBB exposures, BROM’s retail portfolio is the largest portfolio, having a 43% share in the SEE Subsidiaries. Housing loans is the main retail market of the Bank (72%), followed by Consumer Loans (26.3%), both exhibited a decrease in the year 2016. Within the first semester of 2016, BROM registered significant decreases in almost all retail products, due to the request from National Bank of Romania regarding the amounts which needed to be written-off (in case of consumer loans the NPL (%) decreased from 27.1% as of FY2015 to 6.5% as of FY2016, in case of mortgage loans the NPL (%) decreased from 4% as of FY2015 to 3.2% as of FY2016).

Counterparty risk

National Bank of Greece

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

The framework for managing CCR that pertains to Financial Institutions (FIs) is established and implemented by the Group Market and Operational Risk Management Division (GMORMD). It consists of:

- Measuring the exposure per counterparty, on a daily basis
- Establishing the respective limits per counterparty
- Monitoring the exposure against the defined limits, on a daily basis

The methodology for measuring exposure to a FI depends on the characteristics of the transaction. Specifically, unsecured interbank placements and commercial transactions produce an exposure that is equal to the face amount of the transaction, whereas secured interbank transactions and OTC Derivatives have Pre-Settlement Risk, which is measured through each product’s Credit Equivalent Factors (CEFs), as described in the Counterparty Credit Risk Policy.

NBG seeks to further mitigate CCR by standardizing the terms of the agreements with counterparties through ISDA and GMRA contracts that encompass all necessary netting and margining clauses. Credit Support Annexes (“CSAs”) have also been signed with almost all active FIs, so that net current exposures are managed through margin accounts, on a daily basis, by exchanging cash or debt securities as collateral.
Additionally, due to NBG’s conservative profile, as far as CCR is concerned, interbank transactions are carried out mainly with low and medium risk (investment grade) FIs, whose credit ratings range between AAA and BBB-. The only exception pertains to the rest of the Greek banking sector, with which a separate framework is in place, in order to serve NBG’s business needs with domestic banks. To minimize risk, interbank placements with Greek banks are O/N and T/N, while the maximum tenor with foreign banks cannot exceed three months, although practically almost all interbank transactions mature within the week.

The methodology, by which limits are allocated to each counterparty, is based on the Obligor Limit, as defined in NBG’s Corporate Credit Policy. More specifically, the maximum level of exposure per FI that is allocated to interbank transactions is equal to 70% of the Obligor Limit, while the remaining 30% is allocated to commercial transactions.

The Obligor Limit is based on the (lowest) credit rating of the counterparty, as provided by internationally recognized rating agencies (mainly Moody’s and Standard & Poor’s).

The Bank has established a limit-framework that complies with the above rules, for both interbank and funded commercial transactions. Limits exist for each product type and are set at the respective counterparty’s Group level, as analyzed in the Counterparty Credit Risk Policy. Sub-limits are then allocated to the subsidiaries of each counterparty Group, in accordance with the business needs of NBG.

The limit-framework is revised annually, according to the business needs of the Bank and the prevailing conditions in the international and domestic financial markets. Subsequently, all limits are monitored by GMORMD on a daily basis.

**Other subsidiaries: UBB, Banca Romaneasca, Vojvodjanska Banka**

The rest of the Group’s subsidiaries have limited CCR, mainly through interbank transactions. Nonetheless, a limit structure, similar to NBG’s, is in place to ensure the efficient management of the respective risk. All interbank transactions are performed with FIs, which are located in low or very low risk countries and carry high credit ratings, with the exception of transactions with local or Greek banks. Also, the maximum tenor of interbank placements with other FIs (domestic and foreign) cannot exceed three months.

To an even lesser extent, the subsidiaries undertake counterparty risk through commercial transactions (funded or unfunded), which they manage through their respective limit framework.

All limits are monitored by the local subsidiary’s risk management, as well as by GMORMD, on a daily basis.

**Issuer Risk**

The Bank maintains a moderate portfolio in Greek and international corporate bonds, which is managed under a framework of corporate issuer limits, based on their credit rating and sector. As of December 30th, 2016, the Bank’s nominal positions in international and Greek corporate bonds stood at €147mio.

The portfolio of corporate bonds primarily consists of positions in bonds issued by financial institutions (37%), telecommunications (24%) and the energy sector (23%), while smaller positions in the commercial/retail (3%) and other sectors (13%) are also present (Chart 17).

As far as the credit standing of the portfolio is concerned, 24%, or €35 mio, of the portfolio consists of medium risk (investment grade) issues, while non-rated issues stood at 53%, or €78 mio (Chart 7). Finally, 63% of the total portfolio comprises of Greek names and 37% of international issues.
Country risk

Country risk is the current or prospective risk to earnings and capital caused by events in a particular country, which are at least to some extent, under the control of the government but not under the control of a private enterprise or individual. The main categories of country risk consist of sovereign, convertibility and transfer risk. Sovereign risk stems from a foreign government’s lack of capacity and/or unwillingness to repay its debt or other obligations. Convertibility and transfer risk arise when a borrower is unable to convert funds from local to foreign currency, in order to repay external obligations. Therefore, country risk stems from all cross border transactions, either with a central government, or with a financial institution, a corporate or a retail client.

The on and off-balance sheet items, which potentially entail country risk are the following:

- participation in the equity of the Group’s subsidiaries, which operate in other countries;
- interbank secured and unsecured placements and risk that arises from OTC transactions, with financial institutions that operate abroad;
- loans to corporations or financial institutions that operate abroad, positions in corporate bonds of foreign issuers and cross-border project finance loans;
- funded and unfunded commercial transactions with foreign counterparties; and
- holdings of sovereign debt and the sale of protection through Credit Default Swaps, where the underlying reference entity is a sovereign.

In this context, NBG’s exposure to country risk arises from the participation in the Group’s subsidiaries operating abroad, the Bank’s holdings in foreign sovereign bonds and cross border activities in the form of interbank/commercial transactions and corporate lending.

GMORMD monitors country risk exposure as defined above on a daily basis, mainly focusing on the countries of South East Europe as well as on Egypt, Malta and South Africa, where NBG Group has presence (Chart 8).

DIAGRAM 21
NBG GROUP – COUNTRY RISK ALLOCATION

It should be noted that, as per the divestment plan for all the major non-Greek banking subsidiaries, agreed with the European Commission and presented in the restructuring plan, the sale of Finansbank (FB) was completed in June 2016. This sale resulted in a material decrease of the Group’s country risk exposure, as a total.

Therefore, as presented in the Table below, NBG’s country risk exposure as of December 30th, 2016, amounted to 3.2% of the Group’s total assets (vs 6.9% as of December 31st, 2015), a material decrease due to FB’s sale.

TABLE 6
NBG COUNTRY RISK

<table>
<thead>
<tr>
<th>Country</th>
<th>Moody’s Rating</th>
<th>S&amp;P Rating</th>
<th>Exposure / Group Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>B1</td>
<td>B+</td>
<td>0.13%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Baa2</td>
<td>BB+</td>
<td>0.50%</td>
</tr>
<tr>
<td>Romania</td>
<td>Baa3</td>
<td>BBB-</td>
<td>1.09%</td>
</tr>
<tr>
<td>Serbia</td>
<td>B1</td>
<td>BB-</td>
<td>0.33%</td>
</tr>
<tr>
<td>FYROM</td>
<td>BB-</td>
<td></td>
<td>0.14%</td>
</tr>
<tr>
<td>Egypt</td>
<td>B3</td>
<td>B-</td>
<td>0.14%</td>
</tr>
<tr>
<td>S. Africa</td>
<td>Baa2</td>
<td>BBB-</td>
<td>0.06%</td>
</tr>
<tr>
<td>Cyprus</td>
<td>B1</td>
<td>BB</td>
<td>0.37%</td>
</tr>
<tr>
<td>Malta</td>
<td>A3</td>
<td>A-</td>
<td>0.38%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>3.19%</strong></td>
</tr>
</tbody>
</table>

Operational Risk (OR)

Operational risk (OR) is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. OR includes legal risk, but excludes strategic and/or business risk and reputational risk.
Operational risk management framework

NBG Group recognizes the importance of OR and has established a high quality, effective framework, namely the Operational Risk Management Framework (ORMF), for its management across all Group operations, since 2007.

Operational risk management is integrated into the day-to-day business, adding value to the organization, based on the following pillars:

- Identification, prioritization and management of potential risks, through the Risk and Control Self-Assessment (RCSA) process;
- Collection of OR losses through the respective process and the maintenance of a sound and consistent loss database;
- Analysis of operational risks over time and identification of warning signals through the definition and monitoring of Key Risk Indicators (KRIs);
- Analysis of the Group’s potential exposure to extreme events of high impact / low frequency nature, through the Structured Scenario Analysis process;
- Initiation of mitigation actions, through the creation and monitoring of Action Plans;

All the above components improve the control environment and strengthen NBG Group’s OR culture, while generating a positive reputational impact.

Operational risk management principles

ORMF is designed in such a way as to:

- be aligned with the risk appetite of the Bank, as approved by the Board of Directors;
- anticipate any potential operational risks resulting from products, activities, processes or systems and establish procedures for their evaluation and mitigation;
- identify the contributory factors of operational losses sustained by the Group and establish measures to mitigate them;
- establish an efficient system of governance, where responsibilities in the areas and bodies involved in operational risk management are clearly defined.

Three lines of defense in operational risk management

The governance model of the Group’s operational risk management is based on the “three lines of defense model”, as illustrated in the figure below:

Group Market & Operational Risk Management Division (GMORM) lies within the second line of defense and Group’s Internal Audit in the third line of defense.

All NBG Group Units constitute the first line of defense. Heads of their Units are considered as the Risk Owners and they in turn appoint OR Correspondents. The latter liaise between local OR Management teams and their Unit (business, support or specialized) and convey the key principles of OR management. They are responsible for coordinating the implementation of ORMF in their Units. Additionally, they raise OR culture and reinforce risk awareness on OR issues, while being constantly updated on any policy or methodological changes by GMORM.

Training initiatives and risk culture

The Group fosters awareness and knowledge of operational risk at all levels of the organization. OR Correspondents receive training on an annual basis, with 2016 being the 11th consecutive year, in which seminars and awareness campaigns were organized for the correspondents, as well as for the Risk Owners of the Bank and the Group. NBG Group has delivered training on OR management to more than 1,000 people, while a considerable number of employees have been trained through e-learning seminars in the foreign subsidiaries, over the last five years.

The active management of operational risk was further strengthened by the implementation of Algorithmics’ (currently IBM) OpVar software in the Bank, as well as in all major Group subsidiaries. At the end of 2016, a total of 928 users (OR Correspondents, BU Managers and OR Managers) were using OpVar, at Group level. In 2017 NBG is planning to migrate to a new more advanced software for the management of OR by the same provider.
NBG Group’s operational risk profile

The implementation of the ORM Framework aims to strengthen the Group’s OR profile. In this context, the key pillars of ORMF provide all necessary elements that enable the senior management to obtain a clear view of NBG Group’s profile.

In 2016, NBG continued with the successful implementation of the Bank’s restructuring plan. The two most significant events were the announcement for the completion of the sale of its major subsidiary (Finansbank A. Ş.), and the definitive agreement with KBC Group for the divestment to KBC of its 99.91% stake in its Bulgarian subsidiary United Bulgarian Bank A.D.

The sale of Finansbank reduced the total exposure significantly and resulted in the decrease in the number of identified high operational risks.

Evolution of the main metrics

i. Risks & Control Self-Assessment Process (RCSA)

The RCSA is a bottom-up self-assessment process conducted at least annually and performed through the OpVar tool. Potential high risk areas are highlighted and risk mitigating measures are identified through workshops, aiming to evaluate risks specific to the countries and business sectors where NBG Group operates. Risk assessment is complemented by the qualitative assessment of the control environment.

Once operational risks are identified, risk mitigation is required following the “as low as reasonably practicable” principle, by balancing the cost of mitigation with the benefits thereof and finally accepting the remaining residual risk. Risks resulting from business actions, which do not comply with the respective national or international regulations and legislation are not accepted.

During 2016, the RCSA was performed in 18 Group entities, where 6,415 risks were identified: 72 with high, 1,152 with medium and 5,191 with low severity. The above results do not include the assessments of Finansbank group, since its sale was finalized in June 2016. NBG Bank identified 27.5% of the total risks, South Eastern Europe entities 61.7% and domestic subsidiaries 10.8%, respectively.

According to the RCSA output, total Group exposure in operational risk is low and remains unchanged during the last six years.
ii. Loss Data Collection

The Group has in place all necessary mechanisms for the appropriate collection and management of OR loss events that occur at the Bank and Group Level. This process is a critical step for the operational risk management.

OR loss events are mapped to the process they stem from. This approach allows the identification of significant loss events per process and thereby helps identify processes with significant operational risk exposure. Direct operational losses that have a negative financial impact on the Bank’s financial statements are mainly collected. However, although emphasis is primarily placed on the collection of direct losses, risk owners are encouraged to report near misses, i.e. events with no financial loss as well as operational risk gains for risk management purposes. OR loss events resulting in credit or market risk losses are also reported, but are appropriately flagged.

The OR correspondents are mainly responsible for the continuous collection of all losses above €1,000 arising from OR loss events in the “Loss database OpVar Reporting System”. GMORM is responsible for the timely loss event reporting, the completeness of the loss database and the correct classification of each event.

GMORM performs systematic risk analysis, root cause analysis and lessons learned activities, for high severity events, in order to identify inherent areas of risk and define appropriate risk mitigating actions, which are monitored for resolution.

The sale of Finansbank in June 2016, resulted in a great reduction in the NBG Group OR loss database, since Finansbank’s OR loss data constituted the largest part of the Group’s loss database both in terms of total OR loss amounts and in terms of maximum single OR loss.

iii. Key Risk Indicators (KRIs)

KRIs are used to monitor the operational risk profile and alert the organization on impending problems, in a timely manner. They enhance the bank’s risk culture and trigger risk mitigating actions. The GMORM develops and monitors KRIs, which track changes in the operational risk profile within a given period. Indicative examples of KRIs, defined and monitored by NBG Group, are the number of customer complaints, the number and/or amounts of significant claims and employee turnover, the number of employee’s disciplinary punishments, and the number of ATM and/or branch robberies.

When a KRI is established, the source of the data, the collection frequency and the escalation triggers are defined. Data sources include the Compliance, Legal, Human Resources and Security Divisions, which provide GMORM with the relevant information on a periodic basis. Once the escalation triggers are breached, the process of investigating the related risk, establishing a control environment and subsequently creating action plans, is initiated.

iv. Structured Scenario Analysis (SSA)

The SSA is a systematic process of obtaining expert opinions, based on reasoned assessments of the likelihood and impact of plausible OR high impact / low frequency loss events, consistent with the regulatory standards.

NBG Group systematically uses information on external events occurring in the banking industry, in order to compliment the SSA process.

Operational Risk Subcategories

The Bank additionally monitors four subcategories of operational risk, in a systematic way. These subcategories that give rise to Conduct, Legal, Model and Information & Communication Technology (ICT) Risk are identified during the annual RCSA process.

Conduct, Legal, Model and ICT related losses are captured and reported as OR loss events and are accordingly flagged, using the EBA’s (European Banking Authority) definitions.

Liquidity risk

The Bank’s principal sources of liquidity are its deposit base, Eurosystem funding via the Main Refinancing Operations (“MROs”) and the Targeted Longer-term Refinancing Operations (“TLTROs”), with ECB, as well as through the Emergency Liquidity Assistance (“ELA”) mechanism, with the Bank of Greece, and through repurchase agreements (repos), with major foreign Financial Institutions (“FIs”). ECB funding and repos with FIs are collateralized mainly by EFSF / ESM bonds, while ECB funding is further collateralized with highly rated corporate loans. ELA funding is collateralized mainly by loans, as well as by covered bonds issued by the Bank. During 2016, the Bank’s liquidity profile was significantly improved, mainly due to its decreasing reliance on Eurosystem funding and in particular on ELA funding. The key areas of improvement, namely the Bank’s mixture of funding sources and the respective funding cost, are further analyzed below.
On December 30th 2016, Eurosystem funding stood at €12.3 billion, a decrease of €11.7 billion, when compared to the respective figure as of December 31st, 2015. Particularly, ECB funding stood at €6.7 billion, while ELA funding amounted to €5.6 billion, a decrease of about €5.8 billion and €5.9 billion, respectively, when compared to the end of 2015. The main drivers for these developments were the divestment of subsidiaries (Finansbank S.A., NBG I and Astir Palace), which brought in €3.9 billion of liquidity, as well as the sale of the EFSF recapitalization bonds, in the amount of €3.3 billion. Additionally, the Bank regained access to the secured interbank market, thus replacing Eurosystem funding with repos with FIs, in the amount of €4.7 billion. As far as the Bank’s customer deposits are concerned, they stood at €37.2 billion as of December 30th 2016, amounting to a very small increase of €0.5 billion during 2016, due to the existence of capital controls.

Moreover, the Bank’s funding cost sharply decreased by 68 basis points during 2016 and stood at 0.47%, as of December 30th 2016. This development is mainly attributed to the significant reduction of ELA funding, predominantly due to the aforementioned sale of the subsidiaries, and to ECB’s decision to reinstate the waiver on accepting notes issued by the Hellenic Republic as collateral for refinancing operations. In addition, the decreased need for ELA funding allowed for the complete cancelation of the most expensive type of collateral, namely the Pillar II and Pillar III notes, in the amount of €11.8 billion. Finally, the funding cost further improved due to the repayment of the Contingent Convertible bonds (CoCos), issued in favor of the Hellenic Financial Stability Fund, in the amount of €2.0 billion.

The Bank’s unencumbered ECB and ELA eligible collateral during 2016 remained almost unchanged and stood at €8.9 billion on December 30th 2016, of which €0.1 billion was collateral eligible for funding with the ECB and €8.8 billion was collateral that could be posted in order to draw liquidity from ELA. The Chart below shows the evolution of NBG’s main funding sources throughout 2016:
Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) refers to the Liquidity Buffer of high quality liquid assets that a Financial Institution (FI) holds, in order to withstand the net liquidity outflows over a 30 calendar day stressed period and is defined as follows:

\[ \text{Liquidity Coverage Ratio} = \frac{\text{Liquidity Buffer}}{\text{Net Liquidity Outflows (30 days)}} \]

The LCR intends to capture the liquidity capacity of an FI over a 30 calendar day stressed period. More specifically, LCR measures whether an FI holds sufficient, unencumbered, high quality liquid assets (HQLAs) to replenish the net outflows that could face under a sudden liquidity shock, triggered by a combination of idiosyncratic and market-wide stressed scenarios, such as:
1) a significant credit rating downgrade of the FI,
2) a run-off of its customer deposits,
3) a significant loss of wholesale funding,
4) a significant impairment of the securities pledged as collateral,
5) additional collateral needs for derivative products,
6) a partial loss of contingent funding, such as committed or uncommitted liquidity or credit lines.

During 2016, while phase-in arrangements were in effect, the LCR regulatory threshold was set at 70%. This threshold will gradually rise to the regulatory minimum requirement of 100%, by January 2018. However, due to the recent liquidity crisis in Greece, the Bank remained dependent on ELA funding throughout the year. In this context, the use of the LCR as a liquidity metric, is not considered applicable. However, the Bank has developed and submitted to the regulator a detailed plan for the restoration of the LCR, based upon the Funding Plan, as well as a set of additional macroeconomic assumptions.

Net Stable Funding Ratio

In the context of the Basel III liquidity requirements, the Net Stable Funding Ratio (NSFR) is a long term liquidity metric and aims at controlling excess maturity transformation risk and capturing funding risk. It encourages an FI to limit excessive reliance on short-term, unstable funding sources and use more stable and longer term liquidity sources to fund its on and off-balance sheet assets.

The NSFR compares the amount of “Available Stable Funding” to the amount of “Required Stable Funding” and requires that an FI holds this ratio at a minimum level of 100%, on an ongoing basis. The NSFR is defined as follows:

\[ \text{Net Stable Funding Ratio} = \frac{\text{Available Stable Funding}}{\text{Required Stable Funding}} \geq 100\% \]

The ratio is currently in an implementation phase, with the proposed target of 100% being effective from January 1st 2018.

During 2016, the NSFR increased as a result of additional implementation developments. In the second quarter of the year the observed improvement is related to further applying the relevant Basel III methodology, intending to produce more representative calculations of the ratio. Subsequent to the application of the above modifications in Q2.2016, the NSFR remained stable and stood at 86.4% and 92.1% for the Bank and the Group, respectively, as of December 30th 2016.

The evolution of the Bank’s and the Group’s NSFR, during 2016, is presented below:

![Diagram 28: Bank and Group NSFR](image)

Additional liquidity monitoring metrics

Further to the liquidity ratios mentioned above, the Bank calculates additional liquidity monitoring metrics (“ALMM”), on a monthly basis, as per the Basel III/ CRDIV regulatory requirements. These tools further enable the Bank to identify and monitor key aspects of its liquidity and funding risk. The ALMM pertain to:
1) the concentration of funding by counterparty, which presents the top ten largest counterparties from which funding obtained exceeds a threshold of 1% of total liabilities,
2) the concentration of funding by product type, which is focused on the total amount of funding...
received from each product category that exceeds a threshold of 1% of total liabilities,
3) the prices for various lengths of funding, which provides information about the average balances of the new funds, obtained in each reporting month, distributed in time buckets, and their respective “Funds Transfer Pricing” (FTP) spread,
4) the rollover of funding, which displays the volume of funds maturing and new funding obtained, on a daily basis over a monthly horizon, and
5) the concentration of the counterbalancing capacity by issuer, which illustrates the 10 largest holdings of unencumbered central bank eligible assets (excluding unencumbered collateral eligible for ELA funding).

Regarding the concentration of funding by counterparty and product type, the Bank recognizes the need to diversify its funding sources, in line with the regulatory standards and the best banking practices. However, in the context of the current stressed liquidity situation that the Greek banking system is operating, NBG does not have many options to diversify its funding sources, thus maintaining a sizable exposure to Eurosystem funding. However, the Bank targets to eliminate ELA funding and further decrease its reliance on Eurosystem funding, in order to further diversify its funding sources as per the Funding Plan. Towards this direction, the Bank decreased the ELA and ECB funding significantly during 2016, managing to partially replace this exposure with secured funding with FIs.

The Bank’s liquidity adequacy is thoroughly evaluated in the annual Internal Liquidity Adequacy Assessment Process (“ILAAP” report 2016). In the context of the ILAAP, the Bank provides a broad analysis with regard to the identification, measurement and monitoring of the main liquidity and funding risks, under the current liquidity state. Moreover, the Bank’s liquidity prospects and challenges are further examined with a forward looking perspective, under a baseline scenario that incorporates the assumptions introduced in the Bank’s Business Plan, as well as under a number of stressed scenarios, intended to assess whether the Bank maintains an adequate buffer to withstand highly unlikely, but plausible liquidity shocks.

**SECURITIZATION RISK**

**Overview**

The objectives pursued through a securitization can vary from funding to the reduction of the credit risk and capital requirements or more sophisticated asset management.

In the past, the Bank had proceeded with securitizations in order to pledge them as collateral for repurchase agreements with the European Central Bank and the Bank of Greece. This process contributed to the enhancement of the Bank’s liquidity, as the constraints in accessing the capital markets increased. During 2016, the Bank was able to place senior asset-backed securities with institutional investors, which allowed the Bank to diversify its funding sources.

All the transactions the Bank has carried out were for funding purposes. The Bank has not proceeded with any transactions that a material credit risk transfer has occurred through a securitization or a synthetic securitization. Primary recourse for the securitization transactions lies with the underlying securitized assets. The related risk is mitigated by credit enhancement, typically in the form of subordination, reserve accounts and other structural mitigants. Additional features may include performance triggers and events of default stipulated in the related legal documentation, which, when breached, provide for the acceleration of repayment or other rights. The investors and the securitization vehicles have no recourse to the Bank’s other assets. The Bank has not derecognized any of the securitized assets and currently consolidates the existing securitization vehicles.

**Roles**

A participant in the securitization market can typically adopt three different roles: the originator, the sponsor or the investor role. An origination is an institution which is involved, either directly or indirectly, in the origination of the securitized assets. In a sponsorship role, an institution establishes and manages a securitization transaction, but has not originated the securitized assets nor recognized the assets on its balance sheet. In order to achieve its business objectives, the Bank assumes the originator role in all the securitization transactions it has entered into. The Bank has not yet assumed the role of the sponsor or the role of the investor.

**National Bank of Greece as Originator**

NBG, as originator, has carried out securitization transactions related to various asset classes: residential mortgage loans, consumer loans, credit cards, SME and corporate loans and other types of financial assets.
National Bank of Greece as Servicer

In transactions where the Bank is the originator, the Bank continues to service the assets being securitized. Depending upon the transaction this role may be outsourced or assigned to other specialized parties.

National Bank of Greece as Backup Servicer

The Bank may assume a backup servicer role in transactions where the originator is another Greek bank. Depending on the terms of the back-up servicing agreement, the Bank will be required, upon certain trigger events, to assume the role of the servicer for the securitized assets.

National Bank of Greece as Arranger

In transactions where the Bank is the originator, the Bank may act as an arranger. In these instances, the Bank will structure the securitization transaction and place the corresponding notes with investors.

National Bank of Greece in other Roles

Depending upon the specific details of a transaction, the Bank may undertake other roles in securitization transactions such as calculation agent, paying agent and account bank. In some cases, the Bank may act as a subordinated loan provider at arm’s length market rates.

National Bank of Greece as Investor

In the case of the Bank acting as investor in a securitization position, the Bank will use the Ratings Based Method of EU Regulation 575/2013 (CRR, Art. 261) for capital calculation purposes. For the Ratings Based Method, the Bank uses ratings provided by the rating agencies. As at December 31st, 2016 there was no exposure after credit risk mitigation to securitized positions for investment purposes.

National Bank of Greece Outstanding Securitizations

Titlos plc

Titlos plc is a securitization transaction involving Hellenic Republic receivables. The transaction was closed on 26 of February 2009 and had an original outstanding balance of €5,100mio. As of 31/12/2016, there were €4,293mio notes outstanding.

SINEPIA DAC (SME loans)

SINEPIA DAC is a securitization transaction involving SME and Corporate loans. The transaction was launched on 8th of August 2016 and had an original outstanding balance of €648mio. Six floating rate tranches of bonds were issued, 4 senior classes (A1 to A4, rated BB by S&P and B- by Fitch) with an original balance of €324mio and two junior tranches (M and Z, both unrated) with an original balance of €324mio. The senior classes were subscribed by the European Investment Bank, the European Investment Fund, the European Bank for Reconstruction and Development and the Bank. The junior notes were fully subscribed by the Bank. As at 31/12/2016, there were €265mio outstanding from the senior notes. No principal repayments were made to the junior notes.

The table below provides more details on the Bank’s securitizations:

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Asset Type</th>
<th>Issue Date</th>
<th>Final Maturity</th>
<th>Outstanding (€mio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Titlos</td>
<td>SME loans</td>
<td>08/08/16</td>
<td>18/07/35</td>
<td>123</td>
</tr>
<tr>
<td>Sineps</td>
<td>A1</td>
<td>08/08/16</td>
<td>18/07/35</td>
<td>28</td>
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<tr>
<td>Sineps</td>
<td>A2</td>
<td>08/08/16</td>
<td>18/07/35</td>
<td>41</td>
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<tr>
<td>Sineps</td>
<td>A3</td>
<td>08/08/16</td>
<td>18/07/35</td>
<td>73</td>
</tr>
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<td>Sineps</td>
<td>A4</td>
<td>08/08/16</td>
<td>18/07/35</td>
<td>259</td>
</tr>
<tr>
<td>Sineps</td>
<td>Z</td>
<td>08/08/16</td>
<td>18/07/35</td>
<td>65</td>
</tr>
</tbody>
</table>

5.2 REGULATORY COMPLIANCE

Within the context of appropriately incorporating the applicable Greek, EU and international legal and regulatory framework and best practices into the Group’s operations, the Regulatory Compliance Units oversee all compliance matters, in line with the applicable Greek and EU regulatory framework and supervisory authorities’ decisions, as well as all Corporate Governance and Shareholder service activities. Specifically, the Regulatory Compliance Units include various individual Divisions under the supervision of the Group Chief Compliance and Corporate Governance Officer, and they are responsible for the ongoing monitoring and efficient implementation of the regulatory framework in their field of responsibility, while providing guidance and support to the Bank’s Units and the Group entities.
With a view to complying with the regulatory framework in force, the Bank has put in place relevant policies and procedures. The areas monitored include, inter alia, Corporate Governance, Anti-Money Laundering and Countering Financing of Terrorism (“AML/CFT”), Tax and other Public Authority requests, Consumer/Investor Protection, Banking secrecy, Personal data protection and other. In addition, in order to safeguard the reputation and credibility of the Bank and the Group against shareholders, customers, investors, supervisory and other authorities, the Regulatory Compliance Units focused on preventing risks related to any potential lack of compliance, as well as on establishing an adequate and effective environment for monitoring the compliance of the Bank’s and the Group’s Units and for implementation of any necessary corrective measures.

In 2016, the challenges for the Greek banking system continued unabated, thus making the Compliance Units’ contribution to the swift adaptation to a constantly changing regulatory environment essential. Specifically, in 2016 capital controls were still in place, although legislative provisions were established aiming at partially easing the aforesaid controls, while at the same time the legislative and regulatory framework has been enriched regarding the management of NPEs. Accordingly, the Compliance Function contributed to the effective management of issues that emerged and provided the appropriate guidelines and assistance to the competent Bank Divisions.

More specifically, with regard to Non-Performing Loans/Exposures (NPLs/NPEs), it should be noted that in recent years a new legislative framework has come into effect while regulatory provisions on NPL/NPE management have been introduced by the Bank of Greece. Moreover, for the next three-year period specific Key Performance Indicators (KPIs), which must be observed by the Bank and its Group, have been set and are monitored by the SSM. With a view to ensuring compliance of the Bank with the new regulatory framework, the Compliance divisions provided advice and guidance to the competent units, such as the revised Code of Conduct under Greek Law 4224/2013, the new framework for establishing and operating credit servicing or credit acquiring firms, and so on.

As in previous years, in 2016 particular attention was paid to the training programs held in collaboration with NBG’s Group HR Development Division. Through seminars and e-learning programs, emphasis was placed on AML/CFT issues, consumer protection and protection of personal data, as well as on the certification/re-certification of the staff providing investment services. Furthermore, in the context of maintaining high ethical standards required under the revised Group Code of Ethics, a relevant e-learning training program was prepared and mandatorily attended by all Bank employees.

Last, the Regulatory Compliance Units continued to systematically follow and monitor developments and compliance to the applicable framework, while also participating in the submission of a series of regular and ad hoc reports to supervisory Authorities and acting as a contact point between the Authorities and the Bank.

Key objectives of the Bank for 2017 are to constantly ensure the compliance of the Bank and the Group with the legislative and regulatory framework and international best practices within a rapidly changing regulatory environment, to effectively support the Bank and the Group Units, to respond to requests submitted by the supervisory authorities, and to ensure a high level of corporate governance.

5.3 INTERNAL AUDIT

The Internal Audit function is an independent and objective activity providing a frame of assurance and advisory services, designed to add value and enhance the operations of the organization through regular assessment of the system of corporate governance, the risk management framework, and the internal audit process.

The relevant Unit, which under its own regulations operates at Group level, aims at covering the total audit universe through on-site controls carried out by the same, activities of local Internal Audit Units (IAU) and external auditors who are assigned to carry out controls in certain international subsidiaries. In addition, it provides internal audit services (outsourcing) in certain Group subsidiaries in Greece. All Group IAUs use a single:

- internal control methodology in compliance with the COSO 2013 principles and the International Internal Auditing Standards of the Institute of Internal Auditors (IIA);
- IT system control methodology based on the COBIT framework of the Information Systems Audit and Control Association (ISACA);
- online tool which enables efficient management of internal audit operations and standardization of control methodologies at Group level.

The Internal Audit’s control and advisory activities are adapted so as to enable the Unit to contribute to the attainment of the Group’s strategic goals as well
as to confront effectively the fallout from any kind of risk.

The updated schedule of audits for 2016 was duly completed in its entirety, while the audit program of the subsidiaries’ Internal Control Units was satisfactorily carried out. Besides scheduled audits, a significant number of investigations and extraordinary audits was carried out.

Moreover, in 2016, with a view to constantly enhancing its operations and efficiency and complying with international standards and best practices, the Internal Audit updated its Regulations, while it launched the parametrization of the new continuous auditing and fraud detection platform, which is expected to be put in operation within 2017.

5.4 CORPORATE GOVERNANCE

Given the special emphasis that the Group places on ensuring ongoing improvement of the corporate governance framework and practices applied, in 2016 the Group Compliance & Corporate Governance Division focused on supporting the adjustment of the Bank to the new legal and regulatory framework, as well as the obligations of the Bank that arise from the revision of the provisions of the Greek Recapitalization framework. Specifically, corporate governance at the Bank was mainly affected by the amendments to Greek Law 3864/2010, and the amended Relationship Framework Agreement (“RFA”), dated 3 December 2015, agreed between the HFSF and the Bank.

Throughout the year the Division supported the Board, its Committees and the Board Secretary regarding issues of corporate governance and effective operation of the governance bodies. Pursuant to the aforesaid framework, the Policy for the nomination of candidates to the NBG Board of Directors was updated in order to incorporate the new criteria that need to be met by the members of the Board and its Committees in line with the amendments to the applicable legal framework, the Board Committee Charters were revised to incorporate developments in the applicable framework, and the Board Corporate Governance & Nominations Committee and the Board Risk Committee were briefed on the developments in the regulatory framework.

In addition, the revised Policy for the annual evaluation of the Board of Directors and Board Committees was developed, the self-assessment of the Board and its committees was performed with the assistance of an external advisor, the HFSF carried out an evaluation of the Bank’s corporate governance, and the membership of the Board and its Committees was adjusted through the appointment of new members with significant experience and expertise. As part of the reshuffling of its Board membership, NBG initiated an open tender process by advertising the posts in Greece and abroad in order to fill the directorships in line with eligibility criteria under Law 3864/2010, as amended.

Furthermore, following the revision by the Bank of the Code of Ethics, the Group companies adopted or revised their respective Codes, following relevant instructions by the Division. Also, in 2016 the Bank adopted the Policy on Donations, Sponsorships, Charity Contributions and other Relevant Actions by the NBG Group, which aims at the implementation of best practices, taking into consideration the applicable legislative and regulatory framework, while it amended policies and procedures related to market abuse legislation. At the Group level, NBG’s subsidiaries continued to adopt existing policies, while the Division provided also its support within the context of implementation of the Group policies. In addition, in the context of the continuous adjustment to the latest developments and efforts to further strengthen the Group corporate social responsibility framework, in 2016 the incorporation of international standards in the field of social and environmental management was initiated and competent officers have been appointed in order to promote and monitor the implementation of the aforesaid standards at Group level.

The further strengthening of the CSR framework at the Group level, the continuous alignment with the current corporate governance requirements, the monitoring/ review of older and new Policies of the Bank, and the cooperation of the Group Units in implementing such, are the cornerstones of the Group’s Corporate Governance for 2017.
SUMMARY FINANCIAL STATEMENTS
INDEPENDENT AUDITOR’S REPORT

To the Shareholders of “NATIONAL BANK OF GREECE S.A.”

Report on the Audit of Separate and Consolidated Financial Statements

We have audited the accompanying separate and consolidated financial statements of “National Bank of Greece S.A.” (the “Bank”) and its subsidiaries (the “Group” as a whole), which comprise the separate and consolidated statement of financial position as of 31 December 2016, and the separate and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal controls as management determines are necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these separate and consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing, that have been transposed into the Greek law (Official Government Gazette /Β´/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the separate and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the separate and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as of 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Emphasis of Matter

We draw attention to the disclosures made in note 2.2 to the separate and consolidated financial statements, which refer to the material uncertainties associated with the current economic conditions in Greece and the ongoing developments that may affect access to certain liquidity facilities and could adversely affect the Bank’s and the Group’s going concern assumption. Our opinion is not qualified in respect of this matter.
Report on Other Legal and Regulatory Requirements

Taking into consideration that management is responsible for the preparation of Board of the Directors’ Report which also includes the Corporate Governance Statement, according to the provisions of paragraph 5 of article 2 (part B) of Law 4336/2015 we note the following:

a) The Board of Director’s Report includes a Corporate Governance Statement which provides the information required by the article 43bb of Greek Codified Law 2190/2920.

b) In our opinion, the Board of Director’s Report has been prepared in accordance with the applicable legal requirements of article 43a and 107A and paragraph 1 (cases c and d) of article 43bb of Greek Codified Law 2190/2920 and its content is consistent with the accompanying separate and consolidated financial statements for the year ended 31 December 2016.

c) Based on the knowledge we obtained during our audit of National Bank of Greece S.A. and its environment, we have not identified any material inconsistencies in the Board of Director’s Report.

Athens, 30 March 2017

The Certified Public Accountant

Alexandra Kostara
Reg. No. SOEL: 19981

Deloitte Certified Public Accountants S.A.
3a Fragoklissias&Granikou Str.
151 25 Maroussi
Reg. No. SOEL: E 120
National Bank of Greece S.A.

FINANCIAL DATA AND INFORMATION FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016
(Published in accordance with article 135 of Law 2190/1920, for enterprises preparing annual stand-alone and consolidated financial statements in accordance with IFRS) (amounts in million EUR)

The financial data and information listed below derive from the financial statements and aim to a general information about the financial position and results of National Bank of Greece and NBG Group. We therefore recommend the reader, prior to making any investment decision or other transaction concerning the Bank, to visit the Bank’s website (www.nbg.gr), where the set of financial statements is posted, as well as the auditor’s report.

Company Information

<table>
<thead>
<tr>
<th>Headquarter:</th>
<th>86, Esolou Str. 102 32 Athens</th>
</tr>
</thead>
<tbody>
<tr>
<td>Register Numbers of S.A.:</td>
<td>6062/06/8/86/01</td>
</tr>
<tr>
<td>Supervising Prefecture:</td>
<td>Athens Prefecture</td>
</tr>
<tr>
<td>Date of approval of Financial Statements by BoD:</td>
<td>30 March 2017</td>
</tr>
<tr>
<td>Certified Public Accountant - Auditor:</td>
<td>Alexandra B. Kostara (RN 5051, 19981)</td>
</tr>
<tr>
<td>Audit Firm:</td>
<td>Deloitte Certified Public Accountants S.A.</td>
</tr>
<tr>
<td>Independent Auditor’s Report:</td>
<td>Unqualified opinion - Emphasis of matter</td>
</tr>
<tr>
<td>Issue date of Auditor’s report:</td>
<td>30 March 2017</td>
</tr>
<tr>
<td>Website:</td>
<td><a href="http://www.nbg.gr">www.nbg.gr</a></td>
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</table>

Statement of Financial Position (Consolidated and Standalone)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks</td>
<td>1,501</td>
<td>2,208</td>
<td>844</td>
<td>1,130</td>
</tr>
<tr>
<td>Due from banks (net)</td>
<td>2,227</td>
<td>2,799</td>
<td>2,579</td>
<td>2,927</td>
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<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>1,879</td>
<td>2,486</td>
<td>1,851</td>
<td>2,125</td>
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<tr>
<td>Derivative financial instruments</td>
<td>4,482</td>
<td>4,077</td>
<td>4,616</td>
<td>4,074</td>
</tr>
<tr>
<td>Loans and advances to customers (net)</td>
<td>41,643</td>
<td>45,375</td>
<td>38,166</td>
<td>39,750</td>
</tr>
<tr>
<td>Available for sale investment securities</td>
<td>2,634</td>
<td>2,634</td>
<td>253</td>
<td>245</td>
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<tr>
<td>Held to maturity investment securities</td>
<td>169</td>
<td>233</td>
<td>94</td>
<td>136</td>
</tr>
<tr>
<td>Loans and receivables investment securities</td>
<td>10,099</td>
<td>13,250</td>
<td>9,872</td>
<td>13,076</td>
</tr>
<tr>
<td>Investment property</td>
<td>869</td>
<td>869</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>-</td>
<td>2,543</td>
<td>2,281</td>
<td>-</td>
</tr>
<tr>
<td>Goodwill, software &amp; other intangible assets</td>
<td>137</td>
<td>147</td>
<td>108</td>
<td>113</td>
</tr>
<tr>
<td>Property &amp; equipment</td>
<td>1,286</td>
<td>1,325</td>
<td>236</td>
<td>249</td>
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<tr>
<td>Deferred tax assets</td>
<td>5,078</td>
<td>5,096</td>
<td>4,906</td>
<td>4,906</td>
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<tr>
<td>Insurance related assets and receivables</td>
<td>515</td>
<td>601</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current income tax advance</td>
<td>596</td>
<td>579</td>
<td>558</td>
<td>545</td>
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<tr>
<td>Other assets</td>
<td>1,704</td>
<td>1,713</td>
<td>1,456</td>
<td>1,367</td>
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<tr>
<td>Non-current assets held for sale</td>
<td>3,725</td>
<td>27,767</td>
<td>315</td>
<td>3,556</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>78,531</strong></td>
<td><strong>111,175</strong></td>
<td><strong>68,268</strong></td>
<td><strong>77,074</strong></td>
</tr>
</tbody>
</table>

Liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to banks</td>
<td>18,188</td>
<td>25,166</td>
<td>18,399</td>
<td>25,240</td>
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<tr>
<td>Derivative financial instruments</td>
<td>5,189</td>
<td>4,806</td>
<td>5,166</td>
<td>4,803</td>
</tr>
<tr>
<td>Due to customers</td>
<td>40,459</td>
<td>42,959</td>
<td>37,326</td>
<td>38,868</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>536</td>
<td>1,106</td>
<td>-</td>
<td>826</td>
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<tr>
<td>Other borrowed funds</td>
<td>137</td>
<td>146</td>
<td>258</td>
<td>-</td>
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<tr>
<td>Insurance related reserves and liabilities</td>
<td>2,207</td>
<td>2,229</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>6</td>
<td>9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retirement benefit obligations</td>
<td>269</td>
<td>273</td>
<td>235</td>
<td>258</td>
</tr>
<tr>
<td>Current income tax liabilities</td>
<td>11</td>
<td>10</td>
<td>777</td>
<td>764</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>963</td>
<td>1,007</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities associated with non-current assets held for sale</td>
<td>2,999</td>
<td>23,643</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>70,944</strong></td>
<td><strong>101,351</strong></td>
<td><strong>68,277</strong></td>
<td><strong>68,759</strong></td>
</tr>
</tbody>
</table>

Shareholder’s equity

| Share capital                              | 2,764      | 2,764      | 2,744      | 2,744      |
| Share premium account                      | 13,866     | 13,866     | 13,863     | 13,863     |
| Less: treasury shares                      | (1)        | (1)        | -          | -          |
| Reserves and retained earnings             | (9,707)    | (6,577)    | (10,510)   | (10,321)   |
| Equity attributable to NBG shareholders    | 6,907      | 9,099      | 6,097      | 8,315      |
| Non-controlling interests                  | 680        | 725        | -          | -          |
| Total equity                               | 7,587      | 9,824      | 6,097      | 8,315      |
| Total equity and liabilities               | 78,531     | 111,175    | 68,268     | 77,074     |
### Statement of Changes in Equity (Consolidated and Standalone)

<table>
<thead>
<tr>
<th></th>
<th>Group From 01.01 to 31.12.2016</th>
<th>Bank From 01.01 to 31.12.2016</th>
<th>Group From 01.01 to 31.12.2015</th>
<th>Bank From 01.01 to 31.12.2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at beginning of period</strong></td>
<td>9,824</td>
<td>10,466</td>
<td>8,315</td>
<td>8,853</td>
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<tr>
<td><strong>Changes during the period:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income / (expense), net of tax</td>
<td>30 (4,704)</td>
<td>(21) (4,497)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital increase</td>
<td>-2,130</td>
<td>-2,130</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends declared</td>
<td>- (38)</td>
<td>- (38)</td>
<td>- (2)</td>
<td>- (2)</td>
</tr>
<tr>
<td>(Purchases) / disposals of treasury shares</td>
<td>-1</td>
<td>-1</td>
<td>-1</td>
<td>-1</td>
</tr>
<tr>
<td>Other changes</td>
<td>(2,229)</td>
<td>1,933</td>
<td>(2,197)</td>
<td>2,029</td>
</tr>
<tr>
<td><strong>Balance at end of period</strong></td>
<td>7,587</td>
<td>9,824</td>
<td>6,097</td>
<td>8,315</td>
</tr>
</tbody>
</table>

### Statement of Comprehensive Income (Consolidated and Standalone)

<table>
<thead>
<tr>
<th></th>
<th>Group From 01.01 to 31.12.2016</th>
<th>Bank From 01.01 to 31.12.2016</th>
<th>Group From 01.01 to 31.12.2015</th>
<th>Bank From 01.01 to 31.12.2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and similar income</td>
<td>2,124</td>
<td>2,381</td>
<td>1,861</td>
<td>2,118</td>
</tr>
<tr>
<td>Interest expense and similar charges</td>
<td>(342)</td>
<td>(618)</td>
<td>(307)</td>
<td>(601)</td>
</tr>
<tr>
<td><strong>Net interest income</strong></td>
<td>1,782</td>
<td>1,765</td>
<td>1,554</td>
<td>1,517</td>
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<tr>
<td>Fee and commission income</td>
<td>296</td>
<td>296</td>
<td>231</td>
<td>223</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>(104)</td>
<td>(252)</td>
<td>(95)</td>
<td>(242)</td>
</tr>
<tr>
<td><strong>Net fee and commission income / (expense)</strong></td>
<td>192</td>
<td>44</td>
<td>136</td>
<td>(19)</td>
</tr>
<tr>
<td>Earned premia net of reinsurance</td>
<td>499</td>
<td>469</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net claims incurred</td>
<td>(423)</td>
<td>(381)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Earned premia net of claims and commissions</strong></td>
<td>76</td>
<td>88</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net trading income / (loss) and results from investment securities</td>
<td>(115)</td>
<td>(74)</td>
<td>(174)</td>
<td>(3)</td>
</tr>
<tr>
<td>Net other income / (expense)</td>
<td>129</td>
<td>(43)</td>
<td>253</td>
<td>(65)</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>2,064</td>
<td>1,780</td>
<td>1,769</td>
<td>1,430</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(736)</td>
<td>(762)</td>
<td>(577)</td>
<td>(599)</td>
</tr>
<tr>
<td>General, administrative and other operating expenses</td>
<td>(324)</td>
<td>(342)</td>
<td>(276)</td>
<td>(279)</td>
</tr>
<tr>
<td>Deprec. &amp; amortis. on properties, equipment, software &amp; other intang. assets</td>
<td>(109)</td>
<td>(111)</td>
<td>(70)</td>
<td>(70)</td>
</tr>
<tr>
<td>Amortis. &amp; write offs of intang. assets recognised on business combinations</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finance charge on put options of non-controlling interests</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Credit provisions and other impairment charges</td>
<td>(809)</td>
<td>(4,175)</td>
<td>(819)</td>
<td>(4,344)</td>
</tr>
<tr>
<td>Share of profit of equity method investments</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit/(loss) before tax</strong></td>
<td>87</td>
<td>(3,608)</td>
<td>27</td>
<td>(3,853)</td>
</tr>
<tr>
<td>Tax benefit / (expense)</td>
<td>(34)</td>
<td>1,000</td>
<td>(3)</td>
<td>1,007</td>
</tr>
<tr>
<td><strong>Profit / (loss) for the period, net of tax (A)</strong></td>
<td>53</td>
<td>(2,608)</td>
<td>24</td>
<td>(2,845)</td>
</tr>
<tr>
<td><strong>Profit / (loss) for the period from discontinued operations</strong></td>
<td>(2,513)</td>
<td>(1,590)</td>
<td>(15)</td>
<td>(1,694)</td>
</tr>
<tr>
<td><strong>Profit / (loss) for the period</strong> (2,986)</td>
<td>(4,198)</td>
<td>9</td>
<td>(4,540)</td>
<td></td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>27</td>
<td>29</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NBG equity shareholders</td>
<td>(2,887)</td>
<td>(4,227)</td>
<td>9</td>
<td>(4,540)</td>
</tr>
<tr>
<td><strong>Other comprehensive income/expense, net of tax (B)</strong></td>
<td>2,890</td>
<td>(506)</td>
<td>(30)</td>
<td>43</td>
</tr>
<tr>
<td>Total comprehensive income/expense, net of tax (A+B)</td>
<td>30</td>
<td>(4,704)</td>
<td>(21)</td>
<td>(4,487)</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Non-controlling interests</td>
<td>25</td>
<td>30</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NBG equity shareholders</td>
<td>5</td>
<td>(4,734)</td>
<td>(21)</td>
<td>(4,415)</td>
</tr>
<tr>
<td><strong>Earnings/(losses) per share (Euro)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Basic and diluted from continuing operations:</td>
<td>€(0,0155)</td>
<td>€(1,9215)</td>
<td>€(0,0157)</td>
<td>€(2,2618)</td>
</tr>
<tr>
<td>- Basic and diluted from continuing and discontinued operations:</td>
<td>€(0,3340)</td>
<td>€(3,9434)</td>
<td>€(0,0174)</td>
<td>€(4,4156)</td>
</tr>
</tbody>
</table>
## Statement of Cash Flows (Consolidated and Standalone)

<table>
<thead>
<tr>
<th>Description</th>
<th>Group From 01.01 to 31.12.2016 as restated</th>
<th>Bank From 01.01 to 31.12.2016 as restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from / (used in):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>(4,792)</td>
<td>(4,992)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>5,619</td>
<td>7,242</td>
</tr>
<tr>
<td>Financing activities</td>
<td>(2,739)</td>
<td>(2,813)</td>
</tr>
<tr>
<td><strong>Net increase / (decrease) in cash and cash equivalents in the period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of foreign exchange rate changes on cash and cash equivalents</td>
<td>(62)</td>
<td>(45)</td>
</tr>
<tr>
<td><strong>Total cash inflows / (outflows) for the period</strong></td>
<td>(1.974)</td>
<td>(608)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>4,192</td>
<td>2,097</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>2,218</td>
<td>1,489</td>
</tr>
</tbody>
</table>

## The Board of Directors

- Panayotis-Aristidis (Takis) A. Thomopoulos: Non-Executive Member - Chairman of the BoD
- Petros K. Sabatakakis: Non-Executive Member - Vice Chairman of the BoD
- Leonidas E. Fragiadakis: Executive Member - Chief Executive Officer
- Dimitrios G. Dimopoulos: Executive Member - Deputy Chief Executive Officer
- Paul K. Mylonas: Executive Member - Deputy Chief Executive Officer
- Stavros A. Koukos: Non-Executive Member
- Eva Cederbalk: Non-Executive Member
- Spyridon L. Lorentziadis: Non-Executive Member
- Charalampos A. Makkas: Independent Non-Executive Member
- Marianne T. Økland: Independent Non-Executive Member
- Arthur Michael Royal Ross Innes Aynsley: Independent Non-Executive Member
- Claude Edgar L. G. Piret: Independent Non-Executive Member
- Panagiota Iplixian: Hellenic Financial Stability Fund representative
Notes

1) The Auditor’s Report includes emphasis of matter in which they draw attention to the disclosures made in Note 2.2. “Going concern” of the separate and consolidated financial statements which refer to the current economic conditions in Greece and the ongoing developments, that affect the banking sector and in particular its liquidity. Management concluded that the Bank is going concern after considering (a) the recent developments regarding the Greek economy and the latest estimates regarding macroeconomic indicators, (b) its current access to the Eurosystem facilities, and (c) the Bank’s and the Group’s CET1 ratio of 31 December 2016.

2) The principal accounting policies that have been adopted are in accordance with the requirements of International Financial Reporting Standards (“IFRS”) and are the same with those applied in the 2015 financial statements. Details are included in Note 2 of the annual financial statements as of 31.12.2016.

3) The Bank has been audited by the tax authorities up to and including the year 2010. Tax audit for the years 2009 and 2010 was finalized by the Greek Tax Authorities on 4 February 2015. According to the tax assessment notice received on 11 March 2015, an additional tax of €36 million was levied to the Bank of which amount of €27 million was paid while the remaining amount of €9 million was permanently waived by the tax authorities. For the subsidiaries and associates regarding unaudited tax years refer to Notes 46 and 24 respectively.

4) Cases under litigation or in arbitration as well as pending cases before the Courts or Arbitration Courts are not expected to have a material adverse effect on the financial position or operations of the Bank and the Group. As of 31.12.2016, the provisions recognized by the Group and the Bank, amounted to: a) for cases under litigation €91 million and €69 million respectively, and b) for other risks €9 million and €3 million respectively.

5) The number of Group and Bank employees as of 31.12.2016 was 18,440, (of which 2,875 relates to HFS subsidiaries personnel) and 9,729 respectively (31.12.2015: 33,975 (of which 14,141 related to Finansbank personnel which disposed of in June 2016) and 10,723 respectively).

6) Related party transactions and balances as defined in IAS 24 are analyzed as follows: assets, liabilities, interest, commission and other income, interest, commission and other expense and off-balance sheet items with associated companies and joint ventures of the Group, as of 31.12.2016, amounted to €15 million, €13 million, €14 million, €4 million and €2 million respectively. The corresponding balances and transactions with subsidiaries, associated companies and joint ventures of the Bank as of 31.12.2016 were €2,035 million, €1,137 million, €95 million, €94 million and €2,812 million. Loans, deposits, letters of guarantee and total compensation of the members of the Board of Directors of the Bank, the General Managers and the members of the Executive Committees of the Bank, the key management of other Group companies, as well as the close members of family and entities controlled or jointly controlled by those persons amounted, as of 31.12.2016, to €6 million, €5 million, €NIL million and €19 million respectively and for the Bank alone the corresponding amounts amounted to €6 million, €4 million, €NIL million and €7 million. The total receivables of the Group and the Bank from the employee benefits related funds as of 31.12.2016, amounted to €723 million. The total payables of the Group and the Bank to the employee benefits related funds as of 31.12.2016, amounted to €146 million and €65 million respectively.

Taking into consideration the HFSF Law, on 9 December 2016, the Bank paid to HFSF €165 million relating to the dividend of the contingent convertible bonds (“CoCos”).

On 15 December 2016, NBG following relevant resolution of its Board of Directors and in accordance with the Commitments stemming from NBG’s revised Restructuring Plan, as this was approved by the European Commission on 4 December 2015, fully repaid the CoCos amounting to €2.029 million, issued in December 2015 and held by the HFSF, following approval by the SSM in accordance with the applicable regulatory framework. It is noted that, following the repayment of the CoCos, the Group’s CET1 ratio as of 31 December 2016 stands at CET1 16.3% confirming the Group’s strong capital base. Also, on the same date the Bank paid the accrued interest for the period 9-15 December 2016 amounting to €3 million.

7) Acquisitions, disposals & other capital transactions:

(a) On 4 January 2016, the disposal of the Group’s joint venture company UBB-AIG Insurance Company AD was completed for a consideration of €2 million.

b) On 15 June 2016, the Group disposed of Finansbank A.Ş. to Qatar National Bank S.A.O. (“QNB”). The consideration was €2.750 million. The transaction includes the transfer of NBG’s 29.87% stake in Finans Finansal Kiralama A.Ş, 0.2%
stake in FinansYatırımMenkulDegerler A.Ş. and 0.02% stake in FinansPortfoyYonetimi A.Ş. In addition, QNB repaid the $910 million of subordinated debt that NBG had extended to Finansbank.

(c) On 16 June 2016, the Bank established in Bulgaria a limited liability company, Bankteco EOOD, a wholly owned subsidiary. The capital contributed amounted to BGN 200 thousand.

(d) On 28 July 2016, the merger by absorption of the company KARELA S.A. by its parent entity NBG PANGAEA REIC was completed.

(e) On 30 September 2016, the Group disposed of its interests in eleven Limited Partnerships held directly or indirectly by NBG and managed by NBGI PE Limited to funds managed by Deutsche Bank Private Equity and Goldman Sachs Asset Management. The consideration was €288 million.

(f) On 27 October 2016, the Bank disposed of its stake in Astir Palace Vouliagmenis S.A. and Astir Marina Vouliagmenis S.A. to Apollo Investment Hold Co SARL. The consideration was €299 million.

(g) On 21 December 2016, NBG Pangaea REIC acquired the 100% of the share capital of the company KAROLOY S.A. for a total consideration of €3.6 million. Details for the above transactions are included in Notes45 and 46of the annual financial statements as of 31.12.2016.

(h) On 22 December the Group entered into a definitive agreement with AFGRI Holdings Proprietary Limited of its 99.81% stake in its South African subsidiary S.A.B.A. The agreed consideration for the sale of the subsidiary amounts to ZAR 279 million. Closing of the transaction is expected by the end of 2017 and is subject to customary regulatory and other approvals.

(i) On 30 December the Bank entered into a definitive agreement with KBC Group for the divestment to KBC of its 99.91% stake in its Bulgarian subsidiary United Bulgarian Bank A.D. and its 100% stake in Interlease E.A.D. The agreed consideration for the sale of the two subsidiaries amounts to €610 million. Closing of the transaction is expected by June 2017 and is subject to customary, regulatory and other approvals. Finally, in the context of the same agreement Ethniki Hellenic General Insurance S.A. will sell its 20% stake in UBB Insurance Broker AD. The remaining 80% of the company is held by UBB. Details for the above transactions are included in Note 30 of the annual financial statements as of 31.12.2016.

8) Included in Notes 46 and 24 of the annual financial statements as of 31.12.2016, are the group companies consolidated, their country of residence, the direct or indirect participation of the Bank in their share capital and the consolidation method applied for each such company. For the period 1.1 - 31.12.2016 the following changes occurred in the Groups’ structure in relation to the corresponding period of the previous year:

(a) Fully consolidated: As at 31.12.2016, our subsidiary Finansbank A.Ş. as well as its subsidiaries, NBGI PE Funds, ASTIR Palace Vouliagmenis S.A. and ASTIR Marina Vouliagmenis S.A. are no longer included in the financial statement due to their disposal, while from 31.12.2016 KAROLOY S.A. and Bankteco E.O.O.D. are included in the financial statement for the first time. Furthermore, NBG Securities Romania S.A. is no longer included in the financial statement due to its liquidation. Finally from 31.12.2016 our subsidiaries United Bulgarian Bank A.D., Interlease E.A.D and South African Bank of Athens Ltd have been reclassified to Non-current assets held for sale.

(b) Equity method investments: As at 31.12.2016, the equity method investments Bantas A.S., Cigna Finans Pension (Equity method investments of Finansbank) and UBB-AIG Insurance Company AD are no longer included in the financial statement, due to their disposal. Furthermore from 31.12.2016 the equity method investments UBB Metlife Life Insurance Company A.D. and Druestvoza Kasovi Uslugi AD have been reclassified to Non-current assets held for sale.

(c) There are no entities of the Group exempted from the annual statements as of 31.12.2016.

(d) There have been no changes in the method of consolidation since the previous annual financial statements.

9) "Other comprehensive income for the period, net of tax", of the Group, in the current period, is comprised of €41 million relating to the movement of available for sale investments reserve, €2.549 million relating to currency translation differences, €(20) million relating to net cash flow hedge, 338 million relating to net investment hedge and €(18) million relating
to the remeasurement of the net defined benefit liability. The corresponding amounts for the Bank are comprised of €35 million relating to the movement of available for sale investments reserve, (51) million for the currency translation differences, nil for net cash flow hedge and net investment hedge and €(14) million relating to the remeasurement of the net defined benefit liability.

10) As of 31.12.2016, the Group held 2.410.995 treasury shares with acquisition cost of €1 million approximately, while the Bank did not hold any treasury shares.

11) Other events:

(a) On 9 December 2016, the Bank announced to its employees the terms of the VES, which applied also to certain domestic subsidiaries. The deadline for applications was on 22 December 2016 and 1.171 and 1.125 employees participated for the Group and the Bank, respectively. The Bank had recognized as of 31 December 2015 relevant provision, in the context of its commitment under the 2015 Revised Restructuring Plan (see “2015 Revised Restructuring Plan” below) and as a result the cost of the VES did not have an impact on the Group’s and the Bank’s income statement.

(b) On 29 March 2017 a new law was voted which further amended articles 27 and 27A of Law 4172/2013 as follows: Amendments to article 27 introduce an amortization period of 20 years for losses due to loan write-offs as part of a settlement or restructuring and losses that crystallize as a result of a disposal of loans.

Amendments to article 27A extend the scope of article 27A to capture, in addition to PSI losses and provisions for loan losses, the following categories of time differences: (i) losses from the final write-off or the disposal of loans and (ii) accounting write-offs, which will ultimately lead to final write-offs and losses from disposals. It is further provided that DTC cannot exceed the tax corresponding on accumulated provisions accounted up to 30 June 2015, less (a) any definitive and cleared tax credit, which arose in the case of accounting loss for a year according to the provisions of par.2 of article 27A, which relate to the above accumulated provisions, (b) the amount of tax corresponding to any subsequent specific tax provisions, which relate to the above accumulated provisions and (c) the amount of the tax corresponding to the annual amortization of the debit difference that corresponds to the above provisions and other losses in general arising due to credit risk.

Athens, 30 March 2017

THE CHAIR OF THE BOARD OF DIRECTORS

PANAYOTIS-ARISTIDIS (TAKIS) A. THOMOPOULOS

THE CHIEF EXECUTIVE OFFICER

LEONIDAS E. FRAGKIADAKIS

THE DEPUTY CHIEF EXECUTIVE OFFICER

PAUL K. MYLONAS

THE CHIEF FINANCIAL OFFICER

IOANNIS P. KYRIAKOPOULOS
REPORT OF FACTUAL FINDINGS ON AGREED UPON PROCEDURES ON COUNTRY BY COUNTRY REPORTING

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

We performed the agreed upon procedures, as described in our engagement letter dated 12 June 2017, with respect to the information included in the country – by - country reporting in accordance with the article 81 of L. 4261/2014 for the year ended 31 December 2016 (hereinafter “Country – by – country reporting”) of National Bank of Greece S.A. (hereinafter “the Bank”), in the context of article 89 of Directive 2013/36/EU as incorporated in Greek Legislation by article 81 of L. 4261/2014. In particular, based on article 89 of Directive 2013/36/EU transposed in Greek legislation by article 81 of L. 4261/2014, the Bank is required from 1 January 2015 onwards to disclose annually, specifying by Member State and by third country in which it has an establishment (hereinafter “country”), the following information on a consolidated basis for the financial year: i) name(s), nature of activities and geographical location; ii) turnover; iii) no of employees on a full time equivalent basis; iv) profit or loss before tax; v) tax on profit or loss; vi) public subsidies received.

The Management of the Bank has the responsibility for the preparation and fair presentation of the “Country – by – country reporting for the year ended 31 December 2016”. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 (ISRS 4400) applicable to “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information”. Our responsibility is to perform the agreed - upon procedures listed below and report to you our factual findings.

Procedures performed

The agreed upon procedures performed are summarized as follows:

1. We requested and obtained the disclosures made by the Bank in respect of the country – by – country reporting in accordance with article 89 of Directive 2013/36/EU as incorporated in Greek Legislation by article 81 of L. 4261/2014.

2. We traced and agreed the information regarding the names and geographical location of operations to Note 46 “Group Companies” to the Bank’s published IFRS Financial Statements for the year ended 31 December 2016.

3. We traced and agreed the nature of activities of each company included in the Country – by – Country reporting to its articles of incorporation or other relevant supporting documentation.

4. We traced and agreed the information in respect of each country regarding i) turnover ii) profit or loss before tax and iii) tax on profit or loss, to the accounting records of the Bank used for the purpose of the preparation of the Group IFRS Financial Statements for the year ended 31 December 2016.

5. We traced and agreed the information in respect of each geographical area of operations regarding total average number of employees on a full time equivalent basis during 2016 to the IFRS consolidation packages as of 31 December 2016, used by the Bank’s Management for the purpose of preparing the Group Financial Statements.

6. We agreed the information in respect of received public subsidies to the Bank’s accounting records as of 31 December 2016.

7. We verified the mathematical accuracy of the total amounts of items 4, 5 and 6 which are presented in the country – by – country reporting prepared by the Bank’s Management.

Findings

We report our findings below:
a. With respect to Item 1, we obtained the disclosures made by the Bank in respect of the country – by – country reporting in accordance with article 89 of Directive 2013/36/EU as incorporated in Greek Legislation by article 81 of L. 4261/2014.

b. With respect to Item 2, the information regarding the names and geographical location of the operations agreed to Note 46 “Group Companies” to the Bank’s published IFRS Financial Statements for the year ended 31 December 2016.

c. With respect to Item 3, the nature of activities of each company included in the country – by – country reporting agreed to its articles of incorporation or other relevant supporting documentation.

d. With respect to Item 4, the information of each country regarding i) turnover ii) profit or loss before tax and iii) tax on profit or loss, agreed to the accounting records of the Bank used for the purpose of the preparation of the Group IFRS Financial Statements for the year ended 31 December 2016. Turnover as defined by the Bank includes net interest income, net fee and commission income, earned premia net of claims and commissions, net trading income / (loss) and results from investment securities, net other income / (expense) and share of profit / (loss) of equity method investments.

8. With respect to Item 5, the information regarding the total average number of employees during 2016 per geographical area of operations agreed to the IFRS consolidation packages as of 31 December 2016, used by the Bank’s Management for the purpose of preparing the Group Financial Statements, except for Turkish operations where we traced and agreed the average number of employees to the IFRS consolidation package of Finansbank A.S. dated 31 March 2016.

e. With respect to Item 6, the information regarding public subsidies agreed to the Bank’s accounting records as of 31 December 2016.

f. With respect to Item 7, we verified the mathematical accuracy of the total amounts of items 4, 5 and 6 as above which are presented in the Country – by – Country reporting prepared by the Bank’s Management.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review we do not provide you with any further confirmation other than what is referred above.

Had we performed additional procedures or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Restriction on Use
Our report is solely intended for the purpose set forth in the first paragraph of this report and does not extend to any financial statements of the National Bank of Greece S.A., taken as a whole.

Athens, June 16 2017

The Certified Public Accountant

Alexandra B. Kostara
SOEL Reg. No. 19981

Deloitte
Certified Public AccountantsS.A.
3a Fragoklissias & Granikou str.
GR 151 25 Maroussi
Athens, Greece
Reg. No. SOEL: E 120
<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Business Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Bank of Greece S.A. (Parent Company)</td>
<td>Greece</td>
<td>Banking institution</td>
</tr>
<tr>
<td>NBG Securities S.A.</td>
<td>Greece</td>
<td>Capital Markets &amp; Investment Services</td>
</tr>
<tr>
<td>NBG Asset Management Mutual Funds S.A.</td>
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<td>Mutual Fund Management</td>
</tr>
<tr>
<td>Ethniki Leasing S.A.</td>
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<td>Leasing</td>
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<tr>
<td>‘NBG Property Services S.A.</td>
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<tr>
<td>Pronomiouhos S.A. Genikon Apothikon Hellados</td>
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<td>Warehousing services</td>
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<tr>
<td>NBG Bancassurance S.A.</td>
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<td>Insurance Brokerage</td>
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<tr>
<td>Innovative Ventures S.A. (I-Ven) (1)</td>
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<td>Venture capital</td>
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<td>Ethniki Hellenic General Insurance S.A.</td>
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<tr>
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<tr>
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<tr>
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</tr>
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<td>Finans Finansal Kiralama A.S. (3)</td>
<td>Turkey</td>
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<tr>
<td>Finans Yatirim Menkul Degerler A.S. (4)</td>
<td>Turkey</td>
<td>Investment Company</td>
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<tr>
<td>Finans Portfoy Yonetim A.S. (6)</td>
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<td>Mutual Fund Management</td>
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<td>IBTech Uluslararası Bilisim Ve İletisim Teknolojileri A.S. (6)</td>
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<td>Financial Services</td>
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<tr>
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<td>UBB Insurance Broker A.D. (7)</td>
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<td>Insurance Brokerage</td>
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<td>UBB Factoring E.O.O.D. (7)</td>
<td>Bulgaria</td>
<td>Factoring</td>
</tr>
<tr>
<td>Interlease E.A.D., Sofia (7)</td>
<td>Bulgaria</td>
<td>Leasing</td>
</tr>
<tr>
<td>Εταιρεία</td>
<td>Χώρα</td>
<td>Αντικείμενο δραστηριότητας</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>----------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>Interlease Auto E.A.D.</td>
<td>Bulgaria</td>
<td>Leasing</td>
</tr>
<tr>
<td>Hotel Perun - Bansko E.O.O.D.</td>
<td>Bulgaria</td>
<td>Hotel Services</td>
</tr>
<tr>
<td>ARC Management Two EAD</td>
<td>Bulgaria</td>
<td>Special Purpose Entity</td>
</tr>
<tr>
<td>Bankteko E.O.O.D.</td>
<td>Bulgaria</td>
<td>Information Technology Services</td>
</tr>
<tr>
<td>NBG Securities Romania S.A.</td>
<td>Romania</td>
<td>Capital Markets &amp; Investment Services</td>
</tr>
<tr>
<td>Banca Românească S.A.</td>
<td>Romania</td>
<td>Banking institution</td>
</tr>
<tr>
<td>NBG Leasing IFN S.A.</td>
<td>Romania</td>
<td>Leasing</td>
</tr>
<tr>
<td>S.C. Garanta Asigurari S.A.</td>
<td>Romania</td>
<td>'Insurance - Reinsurance Services</td>
</tr>
<tr>
<td>Egnatia Properties S.A.</td>
<td>Romania</td>
<td>Investment Property Company</td>
</tr>
<tr>
<td>ARC Management One SRL</td>
<td>Romania</td>
<td>Special Purpose Entity</td>
</tr>
<tr>
<td>Vojvodjanska Banka a.d. Novi Sad</td>
<td>Serbia</td>
<td>Banking institution</td>
</tr>
<tr>
<td>NBG Leasing d.o.o. Belgrade</td>
<td>Serbia</td>
<td>Leasing</td>
</tr>
<tr>
<td>NBG Services d.o.o. Belgrade</td>
<td>Serbia</td>
<td>Financial Services</td>
</tr>
<tr>
<td>Stopanska Banka A.D.-Skopje</td>
<td>F.Y.R.O.M.</td>
<td>Banking institution</td>
</tr>
<tr>
<td>NBG Greek Fund Ltd</td>
<td>Cyprus</td>
<td>Fund Investment Company</td>
</tr>
<tr>
<td>National Bank of Greece (Cyprus) Ltd</td>
<td>Cyprus</td>
<td>Banking institution</td>
</tr>
<tr>
<td>National Securities Co (Cyprus) Ltd</td>
<td>Cyprus</td>
<td>Capital Markets Services</td>
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<tr>
<td>NBG Management Services Ltd</td>
<td>Cyprus</td>
<td>Management Services</td>
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<tr>
<td>Ethniki Insurance (Cyprus) Ltd</td>
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<td>Insurance Services</td>
</tr>
<tr>
<td>Ethniki General Insurance (Cyprus) Ltd</td>
<td>Cyprus</td>
<td>Insurance Services</td>
</tr>
<tr>
<td>National Insurance Agents &amp; Consultants Ltd</td>
<td>Cyprus</td>
<td>Insurance Brokerage</td>
</tr>
<tr>
<td>Quadratix Ltd</td>
<td>Cyprus</td>
<td>Investment Property Company</td>
</tr>
<tr>
<td>The South African Bank of Athens Ltd</td>
<td>S. Africa</td>
<td>Banking institution</td>
</tr>
<tr>
<td>NBG Asset Management Luxembourg S.A.</td>
<td>Luxembourg</td>
<td>Asset Management Company</td>
</tr>
<tr>
<td>NBG International Ltd</td>
<td>U.K.</td>
<td>Financial Services</td>
</tr>
<tr>
<td>NBGI Private Equity Ltd</td>
<td>U.K.</td>
<td>Private Equity</td>
</tr>
<tr>
<td>NBG Finance Plc</td>
<td>U.K.</td>
<td>Financial Services</td>
</tr>
<tr>
<td>NBG Finance (Dollar) Plc</td>
<td>U.K.</td>
<td>Financial Services</td>
</tr>
<tr>
<td>NBG Finance (Sterling) Plc</td>
<td>U.K.</td>
<td>Financial Services</td>
</tr>
<tr>
<td>NBG Funding Ltd</td>
<td>U.K.</td>
<td>Financial Services</td>
</tr>
<tr>
<td>NBGI Private Equity Funds</td>
<td>U.K.</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Titlos Plc</td>
<td>U.K.</td>
<td>Special Purpose Entity</td>
</tr>
<tr>
<td>Spiti Plc</td>
<td>U.K.</td>
<td>Special Purpose Entity</td>
</tr>
<tr>
<td>Autokinito Plc</td>
<td>U.K.</td>
<td>Special Purpose Entity</td>
</tr>
<tr>
<td>Agorazo Plc</td>
<td>U.K.</td>
<td>Special Purpose Entity</td>
</tr>
<tr>
<td>SINEPIA Designated Activity Company</td>
<td>Ireland</td>
<td>Special Purpose Entity</td>
</tr>
<tr>
<td>NBGI Private Equity S.A.S.</td>
<td>France</td>
<td>Private equitv</td>
</tr>
<tr>
<td>NBG International Holdings B.V.</td>
<td>The Netherlands</td>
<td>Holding Company</td>
</tr>
<tr>
<td>Nash S. r. L.</td>
<td>Italy</td>
<td>Real Estate Services</td>
</tr>
<tr>
<td>Fondo Picasso</td>
<td>Italy</td>
<td>Real Estate Services</td>
</tr>
<tr>
<td>Banka NBG Albania Sh.a.</td>
<td>Albania</td>
<td>Banking Institution</td>
</tr>
<tr>
<td>NBG London Branch</td>
<td>U.K.</td>
<td>Branch of Greek banking Institution</td>
</tr>
<tr>
<td>NBG Cyprus Branch</td>
<td>Cyprus</td>
<td>Branch of Greek banking Institution</td>
</tr>
<tr>
<td>NBG Cairo Branch</td>
<td>Egypt</td>
<td>Branch of Greek banking Institution</td>
</tr>
</tbody>
</table>

(1) Companies under liquidation
(2) Disposal in October 2016
(3) Merger by NBG Pangaea REIC in July 2016
(4) Disposal in June 2016
(5) Liquidated in January 2016
(6) Disposal in September 2016
(7) Companies have been reclassified as “Non-current Assets held for sale”
(8) Disposal in January 2017
Country-by-country reporting in accordance with article 81 of Law 4261/2014 for the year ended 31 December 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>Turnover(\text{a}) € in million</th>
<th>Profit before tax € in million</th>
<th>Income tax € in million</th>
<th>Employees number</th>
<th>Subsidies € in million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>1.853</td>
<td>(122)</td>
<td>(28)</td>
<td>11,475</td>
<td>1</td>
</tr>
<tr>
<td>Turkey(\text{b})</td>
<td>663</td>
<td>(2.938)</td>
<td>(23)</td>
<td>14,047</td>
<td>-</td>
</tr>
<tr>
<td>Malta</td>
<td>14</td>
<td>6</td>
<td>(1)</td>
<td>27</td>
<td>-</td>
</tr>
<tr>
<td>Bulgaria(\text{c})</td>
<td>210</td>
<td>60</td>
<td>(7)</td>
<td>2,739</td>
<td>-</td>
</tr>
<tr>
<td>Romania</td>
<td>53</td>
<td>3</td>
<td>-</td>
<td>1,238</td>
<td>-</td>
</tr>
<tr>
<td>Serbia</td>
<td>56</td>
<td>4</td>
<td>(1)</td>
<td>1,523</td>
<td>-</td>
</tr>
<tr>
<td>F.Y.R.O.M.</td>
<td>71</td>
<td>46</td>
<td>(4)</td>
<td>1,052</td>
<td>-</td>
</tr>
<tr>
<td>Cyprus</td>
<td>39</td>
<td>14</td>
<td>(1)</td>
<td>338</td>
<td>-</td>
</tr>
<tr>
<td>S. Africa(\text{c})</td>
<td>8</td>
<td>(5)</td>
<td>-</td>
<td>153</td>
<td>-</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>UK</td>
<td>95</td>
<td>75</td>
<td>2</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Italy</td>
<td>10</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Albania</td>
<td>11</td>
<td>2</td>
<td>-</td>
<td>305</td>
<td>-</td>
</tr>
<tr>
<td>Egypt</td>
<td>61</td>
<td>52</td>
<td>(1)</td>
<td>221</td>
<td>-</td>
</tr>
</tbody>
</table>

\(\text{a}\) Turnover: Includes a) net interest income, b) net fee and commission income, c) earned premia net of claims and commissions, d) net trading income / (loss) and results from investment securities, e) net other income / (expense) and f) share of profit / (loss) of equity method investments

\(\text{b}\) Discontinued operations

Total: 2,886 € (2,796 €)

33,151 employees

1 subsidy
INVITATION TO THE BANK’S ANNUAL GENERAL MEETING OF SHAREHOLDERS

To be held on Friday, 30 June 2017, at 11:00 am
(1st Repeat AGM: 20 July 2017, 11:00 am)
(2nd Repeat AGM: 7 September 2017, 11:00 am)

Pursuant to Codified Law 2190/1920 ("the Companies Act") and the provisions of Law 2396/96 on dematerialized shares, and the Bank’s Articles of Association (article 11) and following Board of Directors’ resolution dated June 7th 2017, the Shareholders of National Bank of Greece S.A., a banking corporation having its registered office at 86 Eolou St., Athens, Greece, are invited to the Bank’s Annual General Meeting ("AGM") to be held at 11:00 am on Friday, 30 June 2017, at 93 Eolou St. (Megaro Mela), Athens.

AGENDA


5. Approval of the remuneration of the Board of Directors of the Bank for the financial year 2016 (pursuant to Article 24.2 of Codified Law 2190/1920). Determination of the remuneration of the Chairman of the Board, the CEO, the Deputy CEOs and non-executive Directors through to the AGM of 2018. Approval, for the financial year 2016, of the remuneration of the Bank’s Directors in their capacity as members of the Bank’s Audit, Corporate Governance & Nominations, Human Resources & Remuneration, Risk Management, and Strategy Committees, determination of their remuneration through to the AGM of 2018 and approval of contracts as per Article 23a of Codified Law 2190/1920.

6. Granting of permission for members of the Board of Directors, General Managers, Assistant General Managers and Managers to participate on the Board of Directors or in the Management of NBG Group companies pursuing similar or related business goals, as per Article 23.1 of Codified Law 2190/1920 and Article 30.1 of the Bank’s Articles of Association.

7. Election of regular and substitute members of the Audit Committee.

8. Approval of the transaction concerning the sale by the National Bank of Greece of a majority equity holding in the subsidiary “Ethniki Hellenic General Insurance S.A.”.

9. Announcement of the election by the Board of Directors of new non-executive Board members in order to fill vacant positions of non-executive members, as per Article 18 par. 7 of Codified Law 2190/1920 and Article 18.3 of the Bank’s Articles of Association. The Announcement concerns the following non-executive Board members: Messrs. Panayotis-Aristidis Thomopoulos (Chairman of the BoD), Haris Makkas (Independent non-executive member), Claude Piret (Independent non-executive member), Spyros Lorentziadis (Non-executive member), Ms Eva Cederbalk (Non-executive member), Mr. Panagiota Iplixian (Representative of the Hellenic Financial Stability Fund), Ms Panagiota Iplixian (Representative of the Hellenic Financial Stability Fund).

10. Various announcements.

In the event that the General Meeting does not achieve the quorum required by law on 30 June 2017, the Shareholders are hereby invited to attend a 1st Repeat General Meeting on 20 July 2017, at 11:00 am, at 93 Eolou St. (Megaro Mela), Athens.

If again quorum is not achieved, the Shareholders are hereby invited to attend a 2nd Repeat General Meeting on 7 September 2017, at 11:00 am, at the same address.
The items on the Agenda of any Repeat General Meetings shall be as above, with the exception of those on which a relevant decision was taken.

In accordance with articles 26.2, 26.2b and 28a of Codified Law 2190/1920, as amended and supplemented by, respectively, articles 3 and 6 of Law 3884/2010, the Bank informs shareholders of the following:

**ENTITLEMENT TO PARTICIPATE IN THE GENERAL MEETING**

Any person listed as a shareholder (i.e. holder of common registered shares of the Bank) in the registry of the Dematerialized Securities System managed by Hellenic Exchanges S.A. (“HELEX”), at the start of the 5th day prior to the date of the General Meeting, i.e. on 25 June 2017 (“Record Date”), is entitled to participate in the General Meeting. Each common share is entitled to one vote.

In the event that a 1st Repeat General Meeting is held, any person listed as a shareholder, as above, on 16 July 2017, i.e. at the start of the 4th day prior to the date of the 1st Repeat General Meeting of 20 July 2017 is entitled to participate in the said General Meeting.


Proof of shareholder status should be provided by presenting to the Bank relevant certification from HELEX or alternatively through direct electronic link-up of the Bank with the records of the Dematerialized Securities System of HELEX. The relevant written certification by HELEX or the electronic verification of shareholder status must have been received by the Bank by 27 June 2017 at the latest, i.e. on the 3rd day prior to the date of the AGM. The same deadline, i.e. the third day at the latest prior to the date thereof, also applies to the Repeat General Meeting. Specifically, with respect to the 1st Repeat General Meeting, the certification or verification of shareholder status must have been received by the Bank by 17 July 2017 at the latest.

Shareholders who are legal entities must also, by the same deadline, file, pursuant to the law, their legalisation documents, unless these documents have already been filed with our Bank, in which case it is sufficient to state where they have been filed in the relevant proxy form.

Shareholders who do not comply with the provisions of article 28a of Codified Law 2190/1920, as above, may participate in the General Meeting only after the Meeting has authorized them to do so.

To exercise the said rights, it is not necessary to block the shares or follow any other similar process that may restrict the ability to sell and transfer shares in the period between the Record Date and the AGM.

**PROCEDURE FOR VOTING BY PROXY**

The shareholder may participate in the AGM and may vote either in person or by proxy. Each shareholder may appoint up to 3 proxy holders. Legal entities may participate in the General Meeting by appointing up to 3 natural persons as proxy holders. However, if the shareholder owns shares in the Bank that are held in more than one Investor Securities Account, such limitation shall not prevent the shareholder from appointing, in respect of the AGM, separate proxy holders for the shares appearing in each Account. A proxy holder holding proxies from several shareholders may cast votes differently for each shareholder. Before the AGM commences, the proxy holder must disclose to the Bank any particular facts that may be of relevance for shareholders in assessing the risk that the proxy holder may pursue interests other than those of the shareholder. Within the meaning intended in this paragraph, a conflict of interest may arise in particular when the proxy holder: (i) is a controlling shareholder of the Bank or is another entity controlled by such shareholder; (ii) is a member of the Board of Directors or in general the management of the Bank, or of a controlling shareholder or an entity controlled by such shareholder; (iii) is an employee or an auditor of the Bank, or of a controlling shareholder or an entity controlled by such shareholder; (iv) is a spouse or close relative (first degree) of a natural person referred to in (i) to (iii) hereinabove. The appointment and revocation of appointment of a proxy holder shall be made in writing and shall be notified to the Bank in writing at least 3 days prior to the date of the AGM.

To participate in the General Meeting either in person or by proxy, shareholders are kindly requested to fill in and submit to the Bank the form “DECLARATION – AUTHORIZATION FOR PARTICIPATION IN THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF NATIONAL BANK OF GREECE TO BE HELD ON 30.06.2017, AND ANY REPEAT MEETINGS THEREOF”. The Bank shall make available the said form on its website (www.nbg.gr) and through its Branch network.
The said form, filled in and signed by the shareholder, must be filed with the Bank’s Subdivision for Governance of NBG Shareholder Register & Shareholder Affairs (ground floor, 93 Eolou St., Athens) or any branch of the Bank’s network, or, filled in and signed by the shareholder, sent by fax to +30 2103343404, +30 2103343410 and +30 2103343095, or by e-mail to inikol@nbg.gr at least 3 days prior to the date of the General Meeting. Shareholders should seek confirmation that the said form has been successfully received by the Bank by calling +30 2103343419, +30 2103343422, +30 2103343417 and +30 2103343411.

MINORITY RIGHTS

(a) If shareholders representing 1/20 of the paid-up share capital of the Bank so request, the Bank’s Board of Directors is obliged to include additional items in the Agenda of the General Meeting, provided that the said request is communicated to the Board by 15 June 2017, i.e. at least 15 days prior to the General Meeting. The said request should be accompanied by justification or a draft resolution to be approved by the AGM and on 17 June 2017, i.e. 13 days prior to the AGM, the revised agenda should be disclosed in the same manner as the previous agenda, and at the same time made available to shareholders through the Bank’s website, along with the justification or draft resolution tabled by the shareholders, in accordance with the provisions of article 27.3 of Codified Law 2190/1920, as amended.

(b) If shareholders representing 1/20 of the paid-up share capital of the Bank so request, the Board of Directors shall, in accordance with the provisions of article 27.3 of Codified Law 2190/1920, as amended, make available to shareholders by 24 June 2017 at the latest, i.e. at least 6 days prior to the AGM, any draft resolutions on the items included in the initial or revised agenda, provided that the said request is communicated to the Board by 23 June 2017, i.e. at least 7 days prior to the AGM.

(c) If any shareholder so requests, and provided that the said request is filed with the Bank by 25 June 2017, i.e. at least 5 full days before the AGM, the Board of Directors is obliged to provide the AGM with information regarding the affairs of the Bank, insofar as such information is relevant to a proper assessment of the items on the agenda. The Board may decline to provide such information citing sufficient material grounds, and this should be recorded in the minutes. The Board may provide a single answer to shareholders’ requests that are of similar content. The obligation to provide information does not apply in the event that such information is already available through the Bank’s website, particularly in the case of frequently asked questions.

(d) If shareholders representing 1/5 of the paid-up capital of the Bank so request, and provided that the said request is filed with the Bank by 25 June 2017, i.e. at least 5 full days prior to the AGM, the Board of Directors is obliged to provide the AGM with information regarding the affairs and financial status of the Bank. The Board may decline to provide such information citing sufficient material grounds, and this should be recorded in the minutes. In all the aforesaid cases the shareholders making requests are required to prove their shareholder status as well as the number of shares they hold as at the time of exercising the relevant right. A certificate to this effect from HELEX or verification of shareholder status through direct online link-up between the records held by HELEX and the Bank may also serve as such proof.

AVAILABLE DOCUMENTS AND INFORMATION

The information required under article 27.3 of Codified Law 2190/1920, as amended, including the invitation to the AGM, the participation-proxy appointment form and the draft resolutions on the items of the agenda shall be made available in electronic form on the website of the Bank at www.nbg.gr. Hard copies of the full text of the draft resolutions and any documents specified under article 27.3(c) and (d) of Codified Law 2190/1920, as amended, can be obtained from the Bank’s Subdivision for Governance of NBG Shareholder Register & Shareholder Affairs (ground floor of the Megaro Mela, 93 Eolou Str., Athens).

Athens, 9 June 2017
By order of the Board of Directors
The Chair of the Board

Panayotis (Takis) – Aristidis Thomopoulos
NATIONAL BANK OF GREECE SA

Eolou 86, 102 32 Athens
TAX ID 094014201 - Corporation Tax Office Athens (DOY-FAE ATHINON)
SWIFT / BIC Code: ETHNGRAA
http://www.nbg.gr

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_calls 181818_. +30 210 4848484 (from abroad 24/7), fax: +30 210 4806865
e-mail: contact.center@nbg.gr