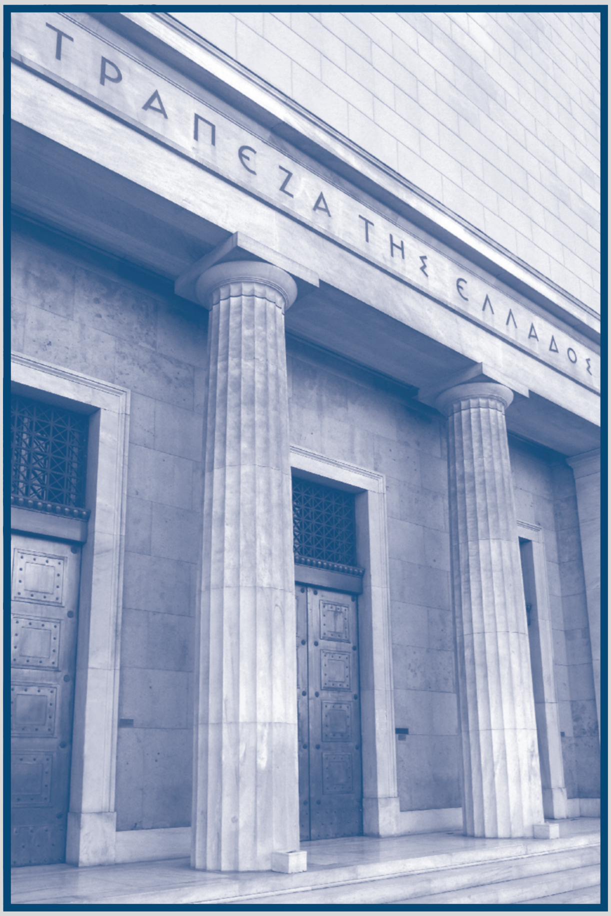
SUMMARY OF THE ANNUAL REPORT
2016

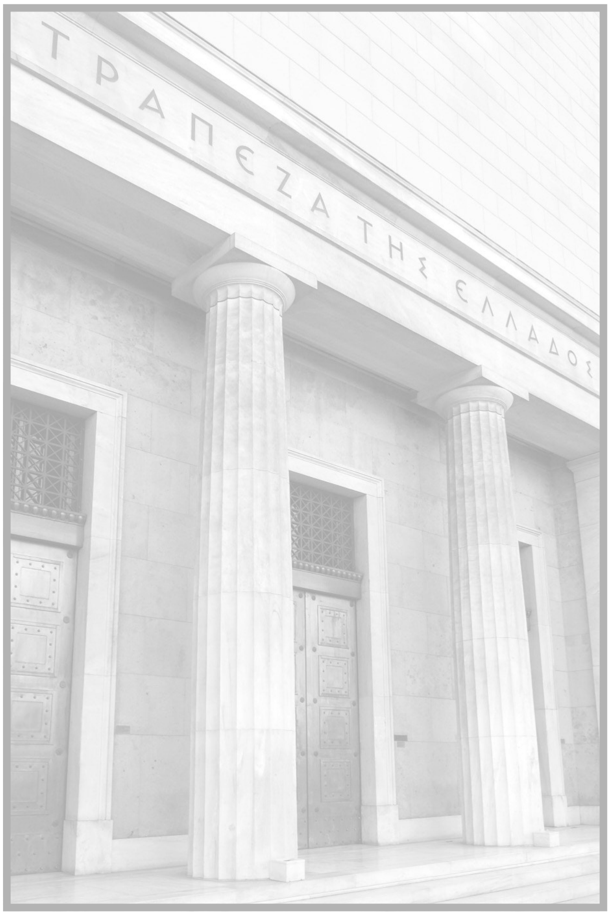


FEBRUARY 2017

BANK OF GREECE
EUROSYSTEM

SUMMARY OF THE ANNUAL REPORT
2016

Presented to the General Meeting of Shareholders
by Governor Yannis Stournaras



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THE GREEK ECONOMY COULD START GROWING AGAIN

1 EURO AREA MEMBERSHIP IS A PROTECTIVE SHIELD FOR GREECE

A volatile and unpredictable international environment

2017 will be a difficult year for the European and the global economy. Although the forecasts point to a continuation and even to a slight pick-up in the growth seen in 2016, they are subject to new uncertainties that could put political and social stability and, hence, economic growth, at risk.

These uncertainties stem from the major changes since the crisis of 2008 that have shaken the prevailing economic, social and political realities and perceptions of an entire era. The European economy experienced slower income growth, higher sovereign and household indebtedness —resulting in a tighter dependence on the banking system— and, according to research by international organisations, widening income inequality at the expense of the middle class. These problems were exacerbated by the restrictive policies implemented —to a varying extent— in nearly all of the EU countries. On top of these adverse macroeconomic conditions, Europe found itself confronted with a migrant-refugee crisis which increased the risk of isolationism and divergence from common European positions, while the United Kingdom's vote in June to leave the European Union further fuelled uncertainty. The elections scheduled in a number of euro area countries in 2017 could, as shown by recent experience, give rise to new turbulence.

The developments on the political front have multiple impacts on the global economy, as they:

(a) reinforce centrifugal trends in the EU and make coordinated crisis management at the EU level more difficult in the future;

(b) encourage a shift to protectionist policies, with serious repercussions on world trade; and (c) increase investor uncertainty and risk aversion.

The euro area remains a pole of stability

Against this background, the euro area remains a pole of economic stability. Despite the flaws identified in its functioning, as well as in the architecture of Monetary Union, the euro area responded to the crisis and initiated major changes, which among other things enabled the implementation of financial support programmes in Greece, Ireland, Portugal and Cyprus. Meanwhile, the European Central Bank (ECB), together with the national central banks of the Eurosystem, took decisive —and successful— action to safeguard financial stability. More specifically, the ECB stepped in to contain the debt crisis and address the persistent strong deflationary pressures, by implementing a broad range of standard and non-standard monetary policy measures, such as the Securities Market Programme in 2010, the Outright Monetary Transactions (OMTs) in 2012, and a public sector asset purchase programme (PSPP) as from March 2015, to be carried out until December 2017 and beyond, if necessary. These interventions significantly improved financing conditions and supported recovery in the euro area.

Prior to the crisis, the problems in the euro area stemmed from: (i) delays and failures especially in preventing and correcting fiscal imbalances; (ii) institutional deficiencies in what we now call macroprudential supervision of the financial system and in multilateral surveillance of macroeconomic policies; and (iii) flaws in the architecture of Monetary Union, namely the absence of an institutional framework for crisis management. Since the breakout of the Greek crisis in 2010, serious efforts have been made to address these problems, but further steps are obviously still needed. Some of the actions already taken include: the establishment of the European Financial Stability Facility (EFSF) with a mandate to provide financial assistance to euro area Member States facing difficulties, later replaced by the European Stability Mechanism (ESM); the strengthening of the Stability and Growth Pact through the adoption of a set of legislative measures; the creation of a framework for the coordination of economic and fiscal policies across the EU, including the European Semester; the use of tools for the identification and correction of harmful economic developments, such as the Macroeconomic Imbalance Procedure (MIP); the country-specific recommendations (CSRs); the various asset purchase programmes implemented by the ECB and national central banks; and, finally, the steps taken to complete the Banking Union consisting of three pillars: the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism and the European Deposit Insurance Scheme (EDIS), the last of which, however, has yet to be finalised.

However, despite these interventions and the recent favourable developments in economic growth rates, euro area recovery will remain fragile so long as it is constrained by crisis legacy problems, such as high levels of public and private debt and unemployment. In order to speed up and consolidate the recovery, these problems will need to be addressed in a more permanent manner, through deeper European integration. Actions in this direction could include:

— reforms aimed at removing rigidities in labour, product and capital markets and fostering free price adjustment, so that competitiveness losses can be rapidly recouped;

— coordination of national economic policies, with a view to improving the economic policy mix and ensuring the consistent implementation of country-specific recommendations;

— the effective functioning of the mechanism for external imbalance correction, not only in countries with persistent current account deficits, but also in those with persistent current account surpluses;

— private sector risk-sharing through actions, such as the completion of the Banking Union or the establishment of a genuine Capital Markets Union, which would lead to a true financial union; and

— public sector risk-sharing through a fiscal stabilisation instrument in the euro area as a whole, which would cushion the asymmetric shocks caused by regional imbalances or, in the event of symmetric shocks, act countercyclically, thereby complementing the single monetary policy.

Remaining in the euro area is a vital condition for Greece

In a constantly changing globalised environment, the economic and monetary stability afforded by euro area membership shields the Greek economy against unanticipated risks. The sequence of political and economic external shocks that emerged last year demonstrated the resilience of the euro area and its capacity to prevent spillovers across member countries' economies. For Greece, active participation in the euro area is of the utmost importance for economic, social as well as national reasons. It is a prerequisite for its survival in a turbulent European and international environment and provides an anchor of economic, as well as social and political stability. And we must not overlook the fact that in the course of history no country has received more financial assistance than Greece, which would not have been possible outside the euro area.

The credible implementation of the current financial assistance programme, which is generously financed by euro area member countries and contains actions that improve the competitiveness and creditworthiness of the Greek economy, creates the necessary conditions for Greece to return to positive growth, while participating on equal terms in the European crisis management arrangements and in the processes to improve the euro area architecture.

The Bank of Greece is of the view that, if our partners, the institutions and the Greek government all show flexibility and pragmatism, substantial progress can be achieved very soon. But if the negotiations drag on with no agreement in sight, then Greece will enter a new cycle of uncertainty, deteriorating relations with our partners and creditors, and a backslide of the economy into stagnation.

2 REINING-IN OF THE RECESSION IN 2016, GROWTH IN 2017

Over the past two years, the Greek economy has shown remarkable resilience:

- In 2015, GDP contracted by just 0.2% despite the particularly adverse conditions prevailing especially during the first half of the year, when uncertainty peaked about Greece's euro area membership, but also during the second half, when strict —at least in their first phase— capital controls were imposed.

- In the first half of 2016, the recession turned out milder than expected, and in the second half the economy posted positive growth. For 2016 as a whole, GDP at constant 2010 prices increased by 0.3%, deflationary pressures were contained, employment picked up and unemployment decreased, though still remaining very high.

These developments are a strong indication that the Greek economy has growth potential, which, after remaining idle for so long, stands ready to be tapped into, as soon as the right conditions are in place. Besides, despite the mistakes and the backsliding, despite the heavy economic and social costs of the crisis, the economic adjustment programmes implemented over the past years have succeeded in addressing chronic weaknesses and structural shortcomings of the Greek economy, thereby facilitating the improvement in the medium-to-long term growth potential. More specifically:

- the twin deficits, i.e. the primary fiscal deficit and the current account deficit, were eliminated;

- the substantial cumulative loss in labour cost competitiveness vis-à-vis our trading partners has been fully recouped;

- exports as a percentage of GDP have significantly increased, almost twofold;

- recapitalisation and restructuring have taken place in the banking system; and

- major structural reforms have been implemented in the labour and product markets.

The reforms implemented so far have contributed to an emerging restructuring of the economy towards a new, extrovert growth model, based on tradables.

Against this background, it is reasonable to anticipate positive growth of 2.5% in 2017, with the economy poised to move on to a new and more virtuous growth trajectory. The driving factors behind this outlook are: (a) upward-trending private consumption, (b) a further strengthening of business investment and a rise in foreign direct investment, in terms of capital inflows and of reinvested profits by multinational firms; and (c) rising goods exports.

During 2016, inflation fluctuated mostly in negative territory, reflecting low demand and declining international oil prices. The anticipated pick-up of domestic demand in 2017, in tandem with the new increases in indirect taxes as of January of the current year (increases in the special consumption tax on cigarettes and tobacco products, coffee, petrol and electronic cigarettes, as well as a newly-introduced levy of 5% on fixed telephony) and the projected rise in international oil prices, are expected to stabilise inflation in positive territory.

Fiscal policy

The year 2016 saw the enactment of a large number of fiscal measures, mainly related to tax and social security reforms and the establishment of an automatic fiscal adjustment mechanism. Progress with the new financial assistance programme was reflected in the successful completion of the first review, the disbursement of the second loan tranche, part of which was injected into the real economy through the payment of government arrears, and the finalisation of short-term debt relief measures. The new fiscal measures, together with the widespread use of electronic payments, broadened the tax base, contributing to a significant increase in public revenue. Based on data currently available, the primary surplus of 2016 is expected to hover at around 2% of GDP, and the primary surplus target of 1.75% of GDP for 2017 appears to be attainable. Downside risks to this outlook are associated with uncertainties about: the carry-over of the strong revenue performance; the containment of non-productive public expenditures; and, most importantly, the immediate completion of the second review, given its catalytic effect on macroeconomic developments. Further uncertainties relate to the Single Social Security Fund (EFKA) and its funding, due to changes in the calculation method for the social security contributions of the self-employed.

The single monetary policy

In early 2016, the deterioration in the external environment once again revived concerns about deflation risks in the euro area economy. In order to stave off this risk, the ECB provided additional monetary accommodation through a new set of measures, including: (a) cuts in key interest rates; (b) the inclusion of securities issued by non-financial corporations established in the euro area in the assets purchase programme (APP); (c) the expansion of the monthly APP purchases from €60 billion to €80 billion; and (d) the launch of a second series of targeted long-term refinancing operations (TLTRO II).

The exceptionally accommodative stance so far of the single monetary policy has contributed to lower borrowing costs for households and businesses, as well as funding costs for banks, helping to strengthen credit expansion and ultimately to bolster active domestic demand in the euro area economies. Furthermore, it has helped to avert contagion from external shocks, e.g. the outcome of the UK referendum and the economic slowdown in China.

The decision to maintain monetary accommodation in place in 2017 is dictated by the need to achieve conditions of price stability, defined as a rate of inflation below but close to 2% in the medium term, which would strengthen economic growth in the euro area. In the context of this policy, the ECB decided in December 2016 to extend the intended horizon of purchases under the assets purchase programme (APP) at least until the end of December 2017, nonetheless lowering the monthly volume of APP purchases to €60 billion as from April 2017. Meanwhile, in order to expand the range of assets eligible for purchase by the Eurosystem, the ECB decided to decrease the minimum remaining maturity required for eligible securities under the PSPP from two years to one year. Furthermore, to ensure the achievement of the targets set under the APP, the decision was taken to permit Eurosystem purchases, to the extent necessary, of public sector securities with yields below the ECB's deposit facility rate.

It should be noted that the adverse domestic conditions have so far not allowed the Greek economy to fully reap the benefits of this accommodative single monetary policy. Nevertheless, the maintenance of such a policy stance is considered important for the Greek economy in the current macroeconomic context, as it fosters an economic environment conducive to growth.

The banking system and private insurance companies

The pressures on the banking system in 2015 eased in 2016, with a small flow of deposits back to banks and redeposits of hoarded cash, a repatriation of funds and some decline in bank interest rates. Capital adequacy ratios remained high, after the successful recapitalisation with the participation mostly of private investors in late 2015, and banks maintained a very prudent provisioning policy. Furthermore, based on data for the second and third quarters of 2016, banks returned, even if only marginally, to pre-tax profitability. Meanwhile, the deleveraging of assets continues, mainly in the form of shedding of subsidiaries as part of restructuring plans. Importantly, however, the annual growth rate of credit to businesses showed signs of stabilising, for the first time after several years of decline.

The accumulated stock of non-performing exposures (NPEs, €107.6 billion at end-September 2016), despite showing signs of stabilising and of even receding slightly, constitutes the most significant source of risk to the stability of the domestic financial system and (together with the sharp contraction of the deposit base) an obstacle to the financing of the economy and to the fulfilment of banks' intermediation role.

A welcome development is that several steps have been taken in the area of legislation and regulation, but also action on the part of banks to address the problem. The most recent developments concern: the establishment of a regulatory framework for the authorisation and supervision of credit servicing and credit acquiring firms; the modernisation of bankruptcy law; the shift of banks to long-term workout solutions; and the introduction of a requirement that banks meet specific operational targets with regard to non-performing loans (NPLs). The overall target is for NPLs to be reduced by nearly €40 billion by end-2019. Most of this reduction is expected to come from the corporate loan portfolio. The achievement of the overall target will rely initially on long-term forbearance and resolution and closure solutions, selective write-offs and collateral realisation, while loan sales should be brought into play mainly from 2019 onward. However, reaching this target will also require that several legal and other pending issues be addressed such as: (a) out-of-court settlement; (b) the legal protection of bank and legal entity officials involved in corporate debt restructuring processes; (c) the accounting/tax treatment of losses arising from NPL sales or write-offs; and (d) the establishment of an electronic auction system.

These pending matters, coupled with the uncertainty associated with the slow progress of negotiations with the institutions on the completion of the second review, pose a risk to the attainment of the above target. Despite indications that the volume of NPLs declined in 2016, January 2017 apparently saw a pick-up in new non-performing exposures (NPEs) and a drop in borrowers' responsiveness to offered workout solutions. Meanwhile, the situation once again seems to be favourable to strategic defaulters, since deliberate default on loan obligations does not incur the prescribed sanctions. Against this background, reducing NPLs is imperative, all the more so given its multiplier effects both on banks and on the real economy: banks would benefit from higher asset quality, higher liquidity, lower financial risk and hence lower funding costs; this would translate into higher loan supply, as well as demand; and ultimately a restructuring of the economy's production model through the freeing-up of resources for financing productive investment.

Turning to the private insurance sector, the main developments in 2016 concerned the transposition into Greek law of the Solvency II Directive and the conduct of an EU-wide stress test. The adjustment of the sector to the new framework is seen as overall satisfactory and, despite the adverse economic environment which obviously has negatively affected premium volumes, the insurance market is well-capitalised. However, there is no room for complacency, given the serious challenges posed by macroeconomic developments, low interest rates and the search for yields. Consequently, the managements of private insurance companies must continue to improve their governance systems, personnel training, and transparency through the solvency and financial condition reports they publish under the responsibility of their respective boards of directors.

3 PRECONDITIONS FOR GROWTH

(i) An immediate completion of the second review

The Bank of Greece as well as international organisations forecast robust positive GDP growth for 2017. However, the realisation of these positive forecasts hinges upon the timely and effective implementation of the current financial assistance programme 2015-2018, which would signal a return to normality. This is why, as already mentioned, the successful completion of the second review is imperative. Among its numerous positive effects, it would:

- secure the financing of government borrowing requirements and a smooth execution of the 2017 budget;

- pave the way, together with the completion of the public debt sustainability analysis, for the inclusion of Greek government bonds in the ECB's quantitative easing programme;

- bring about, in turn, a decline in borrowing costs for the real economy, facilitating restructuring in the private sector;

- restore depositor confidence and allow a further easing or even full lifting of capital controls, thereby providing a boost to the export sector of the economy;

- improve the confidence of global markets and investors in the growth prospects of the Greek economy and allow Greek firms to access international capital markets;

- provide fresh impetus to the reform effort, geared to restructuring the economy towards a new, extrovert growth model; and

- reinforce political and economic stability.

(ii) Acceleration of reforms

As indicated by OECD and Bank of Greece estimates, the reforms can substantially increase Greece's growth potential. According to the OECD, the reforms implemented in Greece from 2010 through 2016, together with those planned under the programme, can be expected, ceteris paribus, to raise real output by about 13% over the next ten years.

This estimate by the OECD is corroborated by relevant Bank of Greece research, indicating that structural reforms have positive effects, mainly in terms of total factor productivity growth. More specifically:

- Structural reforms in the labour market, which permanently reduce the wage mark-up (the wedge between real wages and labour productivity) in the private sector by 10 percentage points over a period of ten years, can be expected to lead to increases of 4.4% in real GDP, 4.5% in private sector employment and 3% in private investment.

- Higher competition in the goods and services markets, bolstered by the lifting of regulatory obstacles to business entry and operation, leads to lower price mark-ups. Indicatively, a permanent reduction in the price mark-ups of non-tradables by 10 percentage points over a period of ten years would lead to increases of 4.2% in real GDP, 1% in private sector employment and 7% in private investment.

- Increased public sector efficiency achieved through radical restructuring, with a view to creating a small and flexible sector that provides high-quality services to citizens, would produce positive multiplier effects by attracting productive foreign investment and by fostering domestic business initiative.

For the aforementioned positive effects to materialise in the economy, an essential condition is that the agreed reforms are fully and consistently implemented without further delay. For instance, the implementation of two thirds of the required reforms in the services and labour markets over a 5-year horizon would yield cumulative GDP gains during the first three years around 4% lower than in the case where 100% of the required reforms are implemented over the same 5-year period.

(iii) Tackling the problem of non-performing loans

The reforms are expected to further speed up the recovery and the restructuring of the economy. At the same time, however, the financing of the economy must be improved. This hinges crucially on the effective management of the high stock of NPLs, which would impact positively on economic activity and productivity through two channels: by increasing bank credit supply and by restructuring the production model. This is why the relevant legislative framework must be complemented and completed as soon as possible.

Bank of Greece analysis indicates that a reduction in NPLs would help reduce the financial risk of banks and their funding costs, while also boosting their capital adequacy ratios. This would result in higher loan supply as well as lower bank intermediation margins and borrowing costs for businesses and households. At the same time, the restructuring of overindebted but viable businesses could serve as a vehicle for attracting investment capital, thereby further stimulating investment demand. Finally, the resolution of NPLs will free up resources, which if redistributed to the more productive businesses and sectors will lead to an increase in total productivity.

4 RISKS TO THE RECOVERY OF THE ECONOMY

In 2016 the Greek economy found itself halfway between recession and growth. In 2017 it is expected to recover, although this outlook remains subject to risks. A first category of risks relates to a volatile global environment.

The uncertainties related to the global environment in which the Greek economy is expected to operate are:

(a) a series of crucial elections and a rise in euroscepticism across the EU. A strengthening of anti-European forces would influence the decisions of leaders of several EU countries, thereby threatening to weaken EU institutions;

(b) uncertainties associated with changes in US foreign and economic policies under the new administration, which generate ambiguity about the future global role of the US;

(c) emerging protectionist trends, accompanied by a shortfall of private productive investment and a decline in world trade;

(d) possible adverse developments in the refugee-migrant crisis and a failure to properly address it could heighten public concerns about security and migration and make societies less inclusive;

(e) a deterioration in global security conditions, with significant economic losses in terms of trade, transport and tourism;

(f) geopolitical instability in the broader South-Eastern Mediterranean region; and

(g) the new European economic landscape to emerge from the negotiations between the EU and the United Kingdom on their post-Brexit relationship.

On the domestic front, the uncertainties and risks are mainly associated with the delays in implementing Greece's economic adjustment programme, as reflected by the setbacks with the second review. Allowing these delays to drag on would severely impede anticipated growth, with negative repercussions on the overall climate and a new round of uncertainty regarding the completion of the programme. Uncertainty would be exacerbated if Greek government bonds were to remain excluded from the ECB's quantitative easing programme. All of the above would undermine confidence and deter foreign investment, which, as mentioned previously, is one of the fundamental conditions for growth.

Risks also arise from delays and procrastination in implementing reforms already agreed on or from distortions to competition that could hurt crucial sectors of the economy. A case in point is the electricity market, where recently enacted legislation introduced distortions, causing major problems even to companies that form the cornerstone of the electricity generation system.

5 STRATEGY FOR SUSTAINABLE STRONG GROWTH

The performance of 2016 suggests that the projected recovery in 2017 is feasible under the strict condition that implementation of the programme will continue without delays.

However, for the economy to move from recovery to sustainable strong growth, active medium-term policies are needed to eliminate the existing obstacles to growth, as well as to establish an environment of stability conducive to the revitalisation of investor interest. These obstacles include:

— the excessive tax burden on an overstressed tax base;

— the volatile and unclear tax and overall legal regime of investor protection;

— red tape and cumbersome administrative procedures, which delay progress with investment projects already approved;

— long delays in the delivery of justice;

— banks' low lending capacity and high lending rates;

— capital controls; and

— market distortions, notably in the electricity market, from ineffective regulatory interventions.

Lifting these obstacles should be a top priority of the growth strategy, which should focus on four key areas: changing the fiscal policy mix; encouraging foreign direct investment; fostering innovation; and safeguarding social protection.

(a) Changing the fiscal policy mix

The most serious obstacle that needs to be gradually removed is the excessive tax burden on businesses and households. The overachievement of the fiscal target for a primary surplus in 2016 was predominantly driven by an overperformance of tax revenue and to a much lesser extent by a containment of public spending. The increase in tax revenue is attributed to increases in direct and indirect tax rates, but also to a broadening of the tax base as a result of the widespread use of electronic payments that reduced the scope for concealing income. However, the current fiscal policy mix weighs heavily on economic growth, contributes to the increase in private sector arrears to the government and encourages tax evasion and undeclared work.

Steering the economy onto a growth trajectory calls for a change in the current "tax-centred" fiscal policy mix. Emphasis must be placed on: containing and systematically restructuring non-productive expenditure; reducing the excessive burden of taxes and social security contributions on the productive economy; and a more efficient use and management of state-owned property. What is needed, in other words, is a fiscal environment capable of supporting the growth effort. This fiscal environment would additionally benefit from the implementation of short-term debt relief measures, the specification of medium-to-long-term ones and a possible quantification of realistic fiscal targets for beyond 2018. More specifically, higher-than-targeted primary surpluses, together with the implementation of the agreed reforms, could facilitate the progressive easing of the tax burden without jeopardising fiscal sustainability. It should be noted that the benefits to economic activity would be maximised if the fiscal space generated by the overperformance of tax revenue or by the reforms is used towards reducing income tax rates. At the same time, fiscal policy should support growth by ensuring a stable, internationally competitive and equitable tax system.

(b) Encouraging foreign direct investment

Given, first, that private investment as a percentage of GDP currently falls far short of its pre-crisis level (11% against 24% of GDP) and, second, that chronically low domestic saving is insufficient to finance the level of investment required for strong growth, there is an urgent need to attract foreign capital for joint investments with domestic firms. Apart from tourism, the economy has a number of other sectors with noteworthy growth potential, export-orientation and highly-qualified human capital. Attracting foreign direct investment (FDI) will require: a stable, modern and favourable tax system; reducing businesses' non-wage costs; encouraging innovation and exports; and a predictable, business-friendly economic environment.

Attracting and maintaining FDI would support Greece's exit from the crisis and sustainable growth. FDI would entail significant benefits for the Greek economy: introduction of new technologies and promotion of innovation; physical and human capital deepening; development of new higher-value added activities and products, notably in the tradables sector; higher competition; and job creation.

More specifically, export-oriented FDI is an effective tool that can speed up the restructuring of the domestic production model. The integration of Greek firms into global supply chains, the transfer of knowhow and foreign market expertise, as well as the upgrading of production processes and technology content to catch up with foreign competitors would make Greek businesses more competitive and improve their export dynamism.

Delays, procrastination and unwillingness to move forward with privatisations that have already been approved and planned are serious disincentives to the attraction of productive investment.

(c) Innovation and education

Fostering research, technology diffusion and entrepreneurship are key to harnessing human capital towards creating added value by linking the currently sidelined public research system to the productive economy, thereby contributing to Greece's return to sustainable growth. Generally speaking, public policy intervention can encourage technology transfer, i.e. the commercialisation of academic and scientific research (licensing and patents), and at the same time open up career opportunities for talented young graduates. To attain this dual objective, it is necessary: first, to embed in society a culture of entrepreneurship and excellence and, second, to utilise the resources of the existing guarantee and financing funds. A positive step in this direction was Law 4429 of October 2016 establishing the "Hellenic Foundation for Research and Innovation (HFRI)", following a finance agreement between the Hellenic Republic and the European Investment Bank. Moreover, the use of the finance instruments available from the European Investment Fund (EIF), part of the EIB Group, and the National Strategic Reference Framework (NSRF) 2014-2020 offers a solution to the funding problems of innovative small and medium-sized enterprises (SMEs).

(d) Reducing income inequality and tackling poverty

The relative at-risk-of-poverty rate based on 2014 income fell for the second year in a row, but still remains the seventh highest in the EU-28 and significantly above the EU-28 average. As percentages of the total population, the number of people at risk of poverty or social exclusion edged down slightly, while the number of people suffering from material deprivation has risen. The fact that the largest increase was recorded among children under 17 years is a serious cause for concern. At the same time, the income inequality indicators for Greece, albeit unchanged, are worse than the EU-28 averages. The targeted planning of social transfers has proven to be effective in helping to reduce poverty. Actions taken in this direction include: (a) the implementation as from February 2017 nationwide of a Social Solidarity Income programme (succeeding the minimum guaranteed income scheme); (b) measures to protect the unemployed and tackle extreme poverty; and (c) an increase in the child support benefit.

Furthermore, the composition of unemployment and its slow decline, coupled with the high percentage of young people "Not in Education, Employment or Training", highlight a need to focus on life-long learning and a better matching of skills. The active employment policies and the vocational training programmes of the Greek Manpower Employment Organisation (OAED) can contribute in this direction, with appropriate planning and targeting and the optimal utilisation of available, mostly EU, funds.

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In an uncertain global environment marked by unpredictable and successive episodes of turbulence, euro area membership today provides Greece with a protective shield against emerging risks. This is why Greece must consolidate its position as an equal partner and be part of the efforts to strengthen European cohesion.

But for this to happen, Greece must return to normality, by successfully completing the economic adjustment programme. Greece must take ownership of the reforms, which are for its own benefit, and take immediate action to modernise and commit to the highest European standards of public administration, institutions and the rule of law, which no memorandum alone can achieve.

Now that we have reached the final stretch, very little remains to be done compared to the massive changes made since 2010. The process of economic adjustment has largely been completed, as suggested by the latest available economic data. With specific regard to fiscal adjustment, since 2010 about 90% of the adjustment required by 2018 has already been completed. The Greek economy has made a strenuous effort and has succeeded in eliminating significant structural weaknesses and imbalances that had accumulated over decades, displaying remarkable resilience. Its growth potential and high-quality skills pool, so far unexploited, stand ready to be mobilised under the right conditions and to launch the economy back onto a virtuous circle of growth.

APPENDIX

TABLES AND CHARTS

TABLES

CHARTS

Table 1 Demand and GDP

(annual percentage changes and percentage point contributions, at constant market prices of 2010)

	2010	2011	2012	2013	2014	2015	2016 Jan.-Sept.
Private consumption	-6.4 (-4.4)	-9.9 (-6.8)	-7.9 (-5.5)	-2.7 (-1.9)	0.6 (0.4)	-0.3 (-0.2)	1.0 (0.7)
Public consumption	-4.2 (-0.9)	-7.0 (-1.5)	-7.2 (-1.6)	-5.5 (-1.2)	-1.2 (-0.3)	0.0 (0.0)	-1.2 (-0.3)
Gross fixed capital formation	-19.3 (-4.0)	-20.7 (-3.6)	-23.5 (-3.6)	-8.4 (-1.1)	-4.6 (-0.5)	-0.1 (0.0)	6.1 (0.7)
Residential investment	-26.3 (-1.7)	-14.4 (-0.7)	-38.1 (-1.8)	-31.1 (-1.0)	-53.1 (-1.2)	-26.0 (-0.3)	-15.5 (-0.1)
Domestic final demand[1]	-8.3 (-9.3)	-11.0 (-12.0)	-10.0 (-10.7)	-4.0 (-4.1)	-0.4 (-0.4)	-0.2 (-0.2)	1.0 (1.1)
Change in inventories and statistical discrepancy (% of GDP)	-0.5%	-0.6%	-0.6%	-0.8%	0.2%	-0.8%	-0.5%
Domestic demand	-6.8 (-7.3)	-10.8 (-11.9)	-9.8 (-10.4)	-4.4 (-4.5)	0.4 (0.5)	-1.1 (-1.1)	1.3 (1.3)
Exports of goods and services	4.5 (0.9)	0.7 (0.2)	1.0 (0.3)	1.1 (0.3)	7.7 (2.1)	3.1 (0.9)	-1.6 (-0.5)
Imports of goods and services	-3.4 (1.0)	-8.3 (2.5)	-9.4 (2.9)	-3.4 (1.0)	7.6 (-2.3)	0.3 (-0.1)	2.0 (-0.7)
Foreign demand	... (1.9)	... (2.7)	... (3.1)	... (1.3)	... (-0.1)	... (0.8)	... (-1.1)
Gross domestic product at market prices	-5.5	-9.2	-7.3	-3.2	0.4	-0.3	0.2

Source: ELSTAT, Quarterly National Accounts, November 2016, seasonally adjusted data.
Note: Within parentheses, contributions to GDP in percentage points. ELSTAT's preliminary estimate of 14.2.2017 has not been included.
1 Excluding inventories and statistical discrepancy.

Table 2 Indicators of consumer demand (2011-2016)

(annual percentage changes)[1]

	2011	2012	2013	2014	2015	2016 (available period)
Volume of retail sales (overall index)	-10.2	-12.2	-8.1	-0.4	-1.5	-0.6 (Jan.-Nov.)
Volume of retail sales (excluding fuel and lubricants)	-8.7	-11.8	-8.4	-0.7	-0.5	0.6 (Jan.-Nov.)
Food-beverages-tobacco[2]	-6.0	-9.0	-9.1	0.5	-2.1	-0.1 (Jan.-Nov.)
Clothing-footwear	-18.8	-20.6	-2.2	5.4	7.9	6.2 (Jan.-Nov.)
Furniture-electrical appliances-household equipment	-15.7	-16.3	-6.2	-1.4	-3.8	-0.9 (Jan.-Nov.)
Books-stationery-other	-5.2	-12.1	-0.1	7.0	7.0	4.4 (Jan.-Nov.)
Revenue from VAT (at constant prices)	-5.9	-12.8	-6.5	-0.4	1.9	11.0
Retail confidence indicator	-0.5	-3.1	22.9	27.1	-9.1	20.9
Consumer confidence index	-74.1	-74.8	-69.4	-54.0	-50.7	-68.0
New private passenger car registrations	-29.8	-41.7	3.1	30.1	13.8	10.7
Tax revenue from mobile telephony	-16.8	-7.9	-12.8	-10.4	-6.4	-2.6 (Jan.-Nov.)
Consumer credit[3]	-6.4 (Dec.)	-5,1 (Dec.)	-3.9 (Dec.)	-2.8 (Dec.)	-2.3 (Dec.)	-0.8 (Dec.)

Sources: ELSTAT (retail sales, cars), Ministry of Finance (VAT revenue, tax revenue from mobile telephony), IOBE (retail confidence), IOBE and European Commission (consumer confidence), Bank of Greece (consumer credit).
1 Excluding the consumer confidence indicator (weighted percentage balances of positive and negative answers).
2 Comprising big food stores and specialised food-beverage-tobacco stores.
3 The rates of change are derived from changes in stocks, adjusted for loan reclassifications, loan write-offs/write-downs and foreign exchange valuation differences.

Table 3 Indicators of investment demand (2011-2016)

(annual percentage changes)[1]

	2011	2012	2013	2014	2015	2016 (available period)
Capital goods output	-13.5	-19.2	-0.5	-2.2	2.3	3.4
Capacity utilisation in the capital goods industry	58.2	61.4	64.7	62.1	65.5	62.1
Credit to domestic corporations[2]	-2.0 (Dec.)	-4.4 (Dec.)	-4.9 (Dec.)	-3.7 (Dec.)	-0.9 (Dec.)	-0.1 (Dec.)
Disbursements under the Public Investment Programme[3]	...	-10.5	14.5	-0.9	-2.8	-1.8
Production index in construction (at constant prices)	-41.32	-33.45	-8.20	15.47	3.08	25.0 (Jan.-Sept.)
Volume of private construction activity (on the basis of permits issued)	-37.7	-30.6	-25.6	-5.8	-0.2	-3.9 (Jan.-Sept.)
Cement production	-37.8	-12.8	3.4	-3.4	3.6	23.6
Construction confidence indicator	26.1	50.6	23.7	-29.9	-1.1	-1.1
Housing loans[4]	-2.9 (Dec.)	-3.4 (Dec.)	-3.3 (Dec.)	-3.0 (Dec,)	-3.5 (Dec.)	-3.5 (Dec.)

Sources: ELSTAT (capital goods output, volume of private construction activity, cement production, production in construction), IOBE (capacity utilisation, construction confidence), Bank of Greece (bank credit to domestic enterprises and housing, disbursements under the Public Investment Programme).
1 Except for capacity utilisation in the capital goods industry, which is measured in percentages.
2 Comprising loans and corporate bonds, securitised loans and securitised corporate bonds but excluding (as of June 2010) loans to sole proprietors. The rates of change are adjusted for loan reclassifications, loan write-offs/write-downs and foreign exchange valuation differences.
3 As of January 2012 actual cash payments and not appropriations under the public investment budget.
4 Comprising loans and securitised loans. The rates of change are adjusted for loan reclassifications, loan write-offs/write-downs and foreign exchange valuation differences.

Table 4 Gross value added at basic prices (2011-2016)

(annual percentage changes and sectoral contributions to gross value added; at constant prices of 2010)

	Annual percentage changes					
	2011	2012	2013	2014	2015	2016 Jan.-Sept.
1. Agriculture, forestry and fishing	**-1.5 (-0.1)**	**9.0 (0.3)**	**-6.2 (-0.3)**	**3.5 (0.1)**	**-2.2 (-0.1)**	**-1.0 (0.0)**
2. Secondary sector	**-10.8 (-1.7)**	**-6.8 (-1.0)**	**-4.9 (-0.8)**	**-6.5 (-1.0)**	**0.0 (0.0)**	**2.5 (0.3)**
2.1 Industry including energy	-4.7 (-0.5)	-6.3 (-0.7)	-1.2 (-0.1)	-6.0 (-0.7)	0.2 (0.0)	1.6 (0.2)
2.2 Construction	-26.1 (-1.2)	-8.4 (-0.3)	-17.3 (-0.6)	-8.3 (-0.3)	-0.6 (0.0)	6.8 (0.2)
3. Tertiary sector	**-9.2 (-7.5)**	**-7.2 (-5.8)**	**-2.3 (-1.8)**	**1.4 (1.1)**	**-0.4 (-0.3)**	**-0.2 (-0.2)**
3.1 Trade, hotels and restaurants, transport and storage	-12.1 (-3.0)	-15.7 (-3.8)	-4.1 (-0.9)	4.7 (1.0)	-0.7 (-0.2)	-0.6 (-0.1)
3.2 Information and communication	-18.9 (-0.7)	-11.5 (-0.4)	5.5 (0.2)	-10.5 (-0.4)	-1.3 (0.0)	1.2 (0.0)
3.3 Financial and insurance activities	-14.1 (-0.7)	-5.0 (-0.2)	0.9 (0.0)	-4.6 (-0.2)	0.9 (0.0)	-2.2 (-0.1)
3.4 Real estate activities	-7.1 (-1.2)	5.4 (0.9)	1.0 (0.2)	3.1 (0.6)	1.2 (0.3)	0.2 (0.0)
3.5 Professional, scientific and technical activities	-10.7 (-0.6)	-8.4 (-0.4)	-12.6 (-0.7)	-3.3 (-0.2)	1.8 (0.1)	-2.7 (-0.1)
3.6 Public administration and defence	-3.5 (-0.8)	-9.1 (-2.1)	-3.3 (-0.7)	1.5 (0.3)	-1.5 (-0.3)	0.0 (0.0)
3.7 Arts, entertainment and recreation	-14.1 (-0.5)	3.4 (0.1)	1.3 (0.0)	-3.1 (-0.1)	-3.5 (-0.1)	2.5 (0.1)
4. Gross value added at basic prices	**-9.1**	**-6.5**	**-2.7**	**0.0**	**-0.3**	**0.3**

Source: ELSTAT, Quarterly National Accounts, November 2016, seasonally adjusted data.
Note: Within parentheses, contributions in percentage points.

Table 5 Industrial production

(2010=100)

	2010 Weights		Average annual percentage changes							Level 2015
			2010	2011	2012	2013	2014	2015	2016	(2010=100)
Industry	**100.0**		**-5.9**	**-5.7**	**-2.0**	**-3.2**	**-1.9**	**1.0**	**2.3**	**90.7**
1. Mining and quarrying	***6.1***	***100.0***	***-6.5***	***-2.0***	***-0.9***	***-11.5***	***-0.3***	***-6.5***	***-14.8***	***68.4***
Mining of coal and lignite		56.6	-13.1	3.8	6.7	-14.4	-6.7	-8.3	-29.7	57.0
Extraction of crude petroleum and natural gas		1.9	42.5	-24.3	-2.2	-7.9	-15.5	3.5	138.8	142.3
Mining of metal ores		9.1	16.2	11.2	-12.3	-15.3	2.9	-7.5	1.7	79.9
Other mining and quarrying		32.4	-0.1	-17.9	-16.1	0.8	19.2	-2.4	1.4	82.0
2. Manufacturing	***69.5***	***100.0***	***-5.1***	***-9.1***	***-3.5***	***-1.1***	***1.8***	***1.8***	***4.0***	***93.4***
Food		19.9	-4.0	-3.6	-2.0	-3.7	3.1	-1.6	2.5	94.6
Beverages		8.0	-7.6	-6.5	-6.1	-1.7	-0.6	2.0	-2.1	85.7
Tobacco		1.7	-17.5	10.3	-8.9	2.7	-4.4	18.8	2.4	120.1
Textiles		1.5	-20.6	-14.5	-11.9	-10.0	-10.5	5.8	2.2	65.6
Wearing apparel		1.7	-23.1	-19.4	-11.2	-6.2	-6.7	-13.4	-9.1	49.4
Leather and footwear		0.3	-36.9	-12.2	-29.0	-2.7	-12.8	-12.7	9.8	50.8
Wood and cork		0.7	9.4	-16.5	-27.0	-23.2	-10.3	-5.9	4.8	41.4
Paper and paper products		2.5	-3.4	-5.0	-8.7	2.7	8.3	2.5	-1.8	97.0
Printing and reproduction of recorded media		2.1	-14.1	-22.9	-18.7	-5.9	-2.5	-8.0	-1.4	52.2
Coke and refined petroleum products		15.1	5.7	-14.6	23.9	4.2	7.3	1.2	7.4	128.8
Chemicals and chemical products		6.3	1.5	-2.1	-9.4	2.2	1.2	3.7	6.8	101.6
Basic pharmaceuticals		4.9	2.4	-1.2	-5.3	9.8	-4.2	7.4	3.9	109.9
Rubber and plastic products		4.4	-7.0	-5.7	-6.0	-1.8	1.7	4.9	-2.6	90.4
Non-metallic mineral products		7.9	-14.2	-34.0	-15.8	-1.9	2.0	0.0	14.2	63.5
Basic metals		7.0	12.0	7.2	-5.0	-4.9	5.2	3.8	6.0	112.1
Metal products		4.5	0.2	-7.1	-7.3	-8.2	-1.4	-2.8	9.6	83.0
Computers, electronics and optical products		0.6	-26.6	-25.1	3.6	15.3	10.8	28.2	-20.7	100.8
Electrical equipment		2.7	-4.1	-13.5	-5.4	-13.2	-10.7	10.6	2.5	71.9
Machinery and equipment n.e.c.		1.5	-21.0	-5.2	-12.0	1.4	0.0	2.3	11.3	96.3
Motor vehicles, trailers and semi-trailers		0.5	-1.6	-40.4	4.9	2.2	2.8	-12.1	30.9	75.6
Other transport equipment		1.0	-35.1	-22.2	-40.0	26.9	-51.9	175.0	0.8	79.0
Furniture		1.3	-19.0	-22.3	-28.1	-16.5	2.2	1.0	7.6	51.8
Other manufacturing activities		0.4	-10.5	-9.9	-15.0	1.5	4.7	8.3	2.2	90.2
Repair and installation of machinery and equipment		3.5	-22.8	-6.1	-22.1	-3.1	2.9	-17.3	-5.3	57.1
3. Electricity	***20.6***	***100.0***	***-9.2***	***4.0***	***1.8***	***-6.9***	***-13.6***	***0.5***	***1.4***	***86.8***
4. Water supply	***3.8***	***100.0***	***0.7***	***-2.0***	***1.1***	***-2.5***	***-0.5***	***1.9***	***0.2***	***98.2***
Industry	**100.0**		**-5.9**	**-5.7**	**-2.0**	**-3.2**	**-1.9**	**1.0**	**2.3**	**90.7**
Main industrial groupings										
Energy	38.7		-4.9	-1.8	7.4	-4.2	-5.6	0.1	1.2	96.7
Intermediate goods	26.0		-0.9	-9.5	-8.9	-3.8	2.6	2.0	4.5	86.8
Capital goods	6.1		-22.1	-13.5	-19.2	-0.5	-2.2	2.3	3.4	72.0
Consumer durables	1.7		-13.4	-15.8	-19.0	-12.8	-6.8	2.4	-2.1	55.6
Consumer non-durables	28.0		-7.2	-5.3	-5.0	-0.9	0.3	1.3	1.9	92.3

Source: ELSTAT.

Table 6 Activity indicators in the services sector (2010-2016)

(annual percentage changes)

	2010	2011	2012	2013	2014	2015	2016 (available period)
A. Services turnover indices							
1. Trade							
Wholesale trade	-5.9	-13.5	-12.1	-12.1	0.2	-4.4	-1.8 (Jan.-Sept.)
Retail trade	-1.2	-7.2	-11.0	-8.6	-1.1	-2.9	-2.2 (Jan.-Nov)
Motor trade	-36.5	-26.5	-29.3	-3.1	18.6	7.8	10.7 (Jan.-Sept.)
2. Transport							
Land transport	-18.2	-1.7	-3.2	-4.1	-4.4	-5.9	-1.7 (Jan.-Sept.)
Sea transport	-8.5	-2.6	-15.4	-7.4	-8.1	-5.4	-2.9 (Jan.-Sept.)
Air transport	-7.0	-0.9	-1.1	3.9	7.1	7.8	3.6 (Jan.-Sept.)
Storage and supporting transport activities	-10.8	-7.9	-4.8	-7.0	5.5	2.5	10.8 (Jan.-Sept.)
3. Hotels and restaurants							
Accommodation and food service activities	-8.2	-7.4	-17.2	4.8	11.8	3.1	-0.8 (Jan.-Sept.)
4. Information and communication							
Telecommunications	-11.3	-8.9	-5.1	-11.7	-4.3	-1.3	0.1 (Jan.-Sept.)
Film, video and TV programme production, recordings and music products	-6.6	-28.4	-4.9	-5.0	-0.8	-24.3	-7.6 (Jan.-Sept.)
Programming and broadcasting activities	-2.0	-27.1	-16.4	-7.9	12.6	-22.3	-16.1 (Jan.-Sept.)
5. Professional-scientific-technical activities							
Legal, accounting and management consulting services	-7.3	-0.9	2.7	0.4	2.3	-12.7	-8.3 (Jan.-Sept.)
Architectural and engineering services	-20.4	-19.7	-12.3	-13.9	-15.0	4.7	-0.9 (Jan.-Sept.)
Advertising and market research	-23.8	-21.2	-16.7	-21.0	-7.0	1.0	-6.0 (Jan.-Sept.)
Travel agencies and related activities	-24.5	-35.2	-27.0	11.3	6.4	-4.2	-3.9 (Jan.-Sept.)
B. Passenger traffic							
Athens International Airport	-5.0	-6.3	-10.4	-3.2	21.2	19.0	10.7
Aegean Airlines[1]	-5.1	4.2	-5.8	44.6	14.4	15.2	6.3 (Jan.-Sept.)
Piraeus port (OLP)	-6.0	-0.8	-17.5	1.0	12.7	-9.7	10.8
C. Services confidence indicator	-9.3	-2.9	-11.2	28.4	23.9	-19.0	8.1

Sources: ELSTAT (services turnover). Athens International Airport, Aegean Airlines, Piraeus Port Authority (OLP) and IOBE (services confidence).
1 Including charter flights.

Table 7 Price developments in Greece and the euro area

(annual percentage changes)

	2012	2013	2014	2015	2016
A. Euro area					
Harmonised Index of Consumer Prices (HICP) and its components					
Overall index	**2.5**	**1.4**	**0.4**	**0.0**	**0.2**
Goods	3.0	1.3	-0.2	-0.8	-0.4
Food	3.1	2.7	0.5	1.0	0.9
Processed food[1]	3.1	2.2	1.2	0.6	0.6
Unprocessed food	3.0	3.5	-0.8	1.6	1.4
Industrial goods	3.0	0.6	-0.5	-1.8	-1.1
Non-energy industrial goods	1.2	0.6	0.1	0.3	0.4
Energy	7.6	0.6	-1.9	-6.8	-5.1
Services	1.8	1.4	1.2	1,2	1.1
Industrial producer prices	***2.8***	***-0.2***	***-1.5***	***-2.7***	***-2.3***
B. Greece					
Harmonised Index of Consumer Prices (HICP) and its components					
Overall index	**1.0**	**-0.9**	**-1.4**	**-1.1**	**0.0**
Goods	1.9	0.7	-1.0	-2.0	-1.3
Food	1.3	0.9	-1.0	1.7	0.2
Processed food[1]	1.2	0.7	0.6	1.8	1.0
Unprocessed food	1.4	1.3	-3.5	1.7	-1.3
Industrial goods	2.3	0.4	-1.2	-5.3	-2.7
Non-energy industrial goods	-0.6	-1.7	-1.0	-1.8	-1.4
Energy	12.6	6.3	-2.0	-11.1	-5.2
Services	-0.2	-2.9	-2.0	0.0	1.4
Industrial producer prices	***4.9***	***-0.7***	***-0.8***	***-5.8***	***-5.4***

Source: Calculations based on Eurostat and ELSTAT data.
1 Including alcoholic beverages and tobacco.

Table 8 Price indices

(annual percentage changes)

Year	Consumer Price Index							
	Overall index	Sub-indices						
		Goods	Services	CPI excluding fuel & fresh fruit and vegetables	CPI excluding food & fuel	Food and non-alcoholic beverages	Fresh fruit and vegetables	Fuel
2012	1.5	2.2	0.5	0.3	0.1	1.5	1.5	12.0
2013	-0.9	0.1	-2.2	-1.7	-1.9	0.0	3.0	4.6
2014	-1.3	-1.3	-1.4	-0.7	-0.9	-1.7	-8.6	-4.1
2015	-1.7	-2.5	-0.7	-0.5	-0.9	1.8	6.5	-13.9
2016	-0.8	-1.6	0.4	-0.1	-0.3	-0.2	-5.6	-6.9

Year	Industrial Producer Price Index						Import price index in industry	
	Domestic market				External market			
	Overall index	Sub-indices						
		Overall index excl. energy	Intermediate goods	Consumer goods	Overall index	Overall index excl. energy	Overall index	Overall index excl. energy
2012	4.9	0.8	0.6	1.1	4.1	1.3	4.5	0.6
2013	-0.7	0.0	-1.1	1.1	-1.7	-0.2	-2.7	-0.4
2014	-0.8	-0.5	-1.4	0.2	-2.7	-1.2	-3.7	-0.9
2015	-5.8	0.0	0.0	0.0	-11.4	0.0	-10.5	0.0
2016	-5.4	-0.7	-2.0	0.1	-6.8	-2.2	-2.8	-0.6

Source: ELSTAT and calculations based on ELSTAT data.

Table 9 Compensation of employees and labour cost (2014-2017)

(annual percentage changes)

	2014	2015	2016 Jan.-Sept.	2017 (forecast)
Total compensation of employees	-2.3	-2,2	4.1	5.1
Compensation per employee	-2.1	-2.9	1.2	1.4
Labour productivity (GDP/total employment)	0.3	-0.7	-1.5	0.5
Unit labour cost (total economy)	-2.4	-2.2	2.7	0.9
Total compensation of employees in the general government sector	-0.6	-1.8	1.0	...
Total compensation of employees in the business sector	-3.3	-2.5	6.1	...

Source: For 2014-2015: ELSTAT, National accounts and non-financial accounts of institutional sectors, 14.10-18.11.2016. For the nine months of 2016: ELSTAT, quarterly accounts, 29.11.2016-25.1.2017. For 2017: Bank of Greece forecasts.

Table 10 Balance of payments

(million euro)

	2013	2014	2015	2016
I CURRENT ACCOUNT (I.A+I.B+I.C+I.D)	**-3,687.6**	**-2,912.6**	**205.8**	**-1,103.9**
BALANCE OF GOODS AND SERVICES (I.A+I.B)	**-5,026.6**	**-3,979.0**	**-298.8**	**-1,261.6**
Receipts	*54,941.4*	*57,839.3*	*52,706.4*	*49,514.6*
Payments	*59,968.0*	*61,818.3*	*53,005.2*	*50,776.2*
I.A Goods balance (I.A.1 – I.A.2)	**-20,776.0**	**-22,252.2**	**-17,231.2**	**-16,581.9**
I.A.1 Exports of goods	*26,895.6*	*26,788.0*	*24,787.2*	*24,486.7*
Oil	9,485.1	9,049.8	6,713.7	6,156.2
Ships (receipts)	443.0	626.0	175.5	156.1
Goods excluding oil and ships	16,967.6	17,112.1	17,898.0	18,174.5
I.A.2 Imports of goods	*47,671.6*	*49,040.2*	*42,018.4*	*41,068.6*
Oil	16,398.5	15,325.2	10,921.8	8,988.7
Ships (payments)	1,921.9	2,771.9	606.7	297.3
Goods excluding oil and ships	29,351.1	30,943.0	30,489.9	31,782.6
I.B Services balance (I.B.1 – I.B.2)	**15,749.4**	**18,273.2**	**16,932.4**	**15,320.2**
I.B.1 Receipts	*28,045.8*	*31,051.3*	*27,919.2*	*25,027.9*
Travel	12,152.2	13,393.1	14.125.8	13,220.0
Transport	12,060.9	13,130.8	9,968.3	7,814.2
Other services	3,832.7	4,527.4	3,825.0	3,993.6
I.B.2 Payments	*12,296.4*	*12,778.1*	*10,986.8*	*9,707.7*
Travel	1,835.2	2,076.4	2,037.4	2,009.8
Transport	6,492.2	6,258.6	5,430.0	4,453.4
Other services	3,969.1	4,443.1	3,519.4	3,244.5
I.C Primary income balance (I.C.1 – I.C.2)	**-457.0**	**1,401.2**	**1,026.2**	**750.1**
I.C.1 Receipts	*6,458.1*	*8,458.3*	*7,519.2*	*6,648.0*
Wages, salaries	209.3	209.9	153.8	134.0
Interest, dividends, profits	3,213.7	4,832.4	4,200.8	3,462.2
Other primary income	3,035.1	3,416.1	3,164.6	3,051.8
I.C.2 Payments	*6,915.1*	*7,057.1*	*6,493.0*	5,897.9
Wages, salaries	453.0	491.7	379.4	233.2
Interest, dividends, profits	6,097.1	6,202.9	5,814.5	5,244.6
Other primary income	365.0	362.6	299.1	420.1
I.D Secondary income balance (I.D.1 – I.D.2)	**1,796.1**	**-334.7**	**-521.5**	**-592.4**
I.D.1 Receipts	*4,652.8*	*2,550.7*	*1,909.7*	*1,803.7*
General government	3,375.5	1,441.7	1,054.9	1,017.3
Other sectors	1,277.3	1,109.0	854.9	786.4
I.D.2 Payments	*2,856.7*	*2,885.5*	*2,431.2*	*2,396.0*
General government	2,068.1	2,054.7	1,695.0	1,825.9
Other sectors	788.6	830.8	736.2	570.2
II CAPITAL ACCOUNT (II.1–II.2)	**3,040.8**	**2,510.6**	**1,988.6**	**1,035.7**
II.1 Receipts	**3,380.6**	**2,866.2**	**2,369.5**	**1,278.4**
General government	3,298.9	2,789.8	2,319.3	1,198.2
Other sectors	81.7	76.4	50.2	80.2
II.2 Payments	**339.8**	**355.6**	**380.9**	**242.7**
General government	9.7	8.8	4.1	28.5
Other sectors	330.1	346.7	376.8	214.2
CURRENT AND CAPITAL ACCOUNT (I+II)	**-646.8**	**-402.0**	**2,194.4**	**-68.2**
III FINANCIAL ACCOUNT (III.A+III.B+III.C+III.D)	**2,562.5**	**1,461.7**	**3,430.3**	**76.5**
III.A Direct investment[1]	**-2,713.6**	**250.1**	**889.8**	**-3,403.1**
Assets	-534.2	2,275.9	1,921.7	-622.2
Liabilities	2,179.4	2,025.8	1,032.0	2,780.9
III.B Portfolio investment[1]	**6,583.1**	**6,978.0**	**8,348.3**	**9,837.6**
Assets	-1,023.6	8,910.1	6,996.0	7,299.0
Liabilities	-7,606.7	1,932.1	-1,352.4	-2,538.6
III.C Other investment[1]	**-1,414.0**	**-6,222.5**	**-6,162.2**	**-6,939.5**
Assets	-21,187.9	-6,888.7	16,699.8	-15,458.9
Liabilities	-19,773.9	-666.2	22,861.9	-8,519.3
(General government borrowing)	30,061.2	4,000.2	11,921.6	6,492.9
III.D Change in reserve assets[2]	**107.0**	**456.0**	**354.4**	**581.5**
IV ERRORS AND OMISSIONS (I + II - III + IV=0)	**3,209.3**	**1,863.7**	**1,235.9**	**144.7**
RESERVE ASSETS	**4,172**	**5,117**	**5,535**	**6,539**

Source: Bank of Greece.
1 (+) net inflow, (–) net outflow.
2 (+) decrease, (–) increase.

Table 11 General government and state budget balances

(as a percentage of GDP)

	2012	2013	2014	2015	2016
General government balance[1] *(national accounts data – convergence criterion)*	**-8.8**	**-13.2**	**-3.6**	**-7.5**	**-2.2***
– Central government	-8.4	-15.4	-4.3	-7.5	-2.2*
– Social security funds, local government, legal entities in public law	-0.5	2.3	0.7	-0.1	0.0*
General government balance adjusted for net support to financial institutions[1]	-6.0	-2.4	-3.7	-3.5	-2.2*
General government primary balance adjusted for net support to financial institutions[1]	-0.9	1.6	0.3	0.1	1.3*
State budget balance					
Administrative data[2]	***-8.2***	***-3.0***	***-2.1***	***-2.0***	***-0.7***
Cash data[3]	***-5.6***[4]	***-7.1***[5]	***-2.4***[6]	***-1.9***[7]	***-2.0***[8]

Sources: Bank of Greece, Ministry of Finance and ELSTAT.
* Provisional data (State General Accounting Office, Introductory Report on the 2017 Budget).
1 ELSTAT data, as notified to the European Commission (Excessive Deficit Procedure). Figures may not add up due to rounding.
2 State General Accounting Office data (State Budget Execution Bulletins and Introductory Report on the 2017 Budget).
3 Bank of Greece data. These data refer only to the state budget on a cash basis, excluding movements in the OPEKEPE account.
4 Excluding interest of €4,751 million and €519 million paid through EFSF notes on Greek government bonds included in the PSI and in the context of the debt buyback, respectively.
5 Excluding revenue of €2.0 billion arising out of the transfer of profits from Greek government bond holdings of Eurosystem central banks (Securities Markets Programme – SMP). Including expenditure of around €6,155 million for the payment of arrears.
6 Excluding revenue of €62 million arising out of the transfer of profits from SMP holdings of Eurosystem central banks. Including expenditure of around €1,152 million for the payment of arrears.
7 Excluding revenue of €55 million arising out of the transfer of profits from SMP holdings of Eurosystem central banks.
8 Excluding revenue of €43 million arising out of the transfer of profits from SMP holdings of the Eurosystem central banks. Including expenditure of around €3,850 million for the payment of arrears.

Table 12 Decomposition of changes in the general government debt-to-GDP ratio[1]

(percentage points of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
General government debt-to-GDP ratio	103.6	103.1	109.4	126.7	146.2	172.1	159.6	177.4	179.7	177.4	180.3
Changes in the general government debt-to-GDP ratio	-3.8	-0.5	6.3	17.3	19.5	25.8	-12.5	17.9	2.3	-2.3	2.9
– Primary balance	1.5	2.2	5.4	10.1	5.3	3.0	3.7	9.1	-0.4	3.9	-1.3
– Interest rate/growth rate differential (snowball effect)	-4.8	-2.1	0.9	7.1	12.3	20.7	19.3	13.3	6.7	5.9	4.2
– Deficit-debt adjustment[2]	-0.6	-0.6	0.1	0.1	1.9	2.1	-35.6	-4.6	-4.0	-12.1	0.0

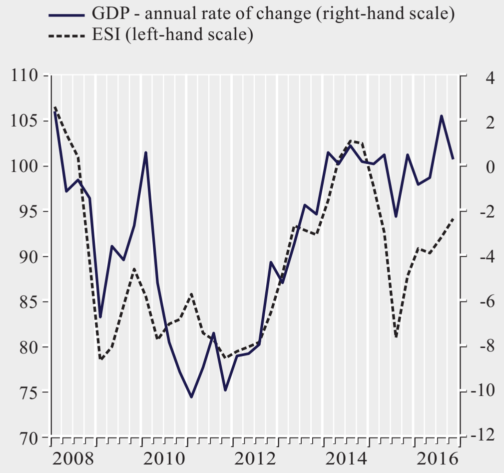
Sources: Introductory Report on the 2017 Budget and ELSTAT.
* Provisional data.
1 Changes in the debt ratio have been decomposed using the following formula:

$$\left(\frac{D_t}{Y_t} - \frac{D_{t-1}}{Y_{t-1}}\right) = \frac{PB_t}{Y_t} + \left(\frac{D_{t-1}}{Y_{t-1}} * \frac{i_t - g_t}{1 + g_t}\right) + \frac{SF_t}{Y_t}$$

where D_t = general government debt
PB_t = primary balance (deficit (+) or surplus (-))
Y_t = GDP at current prices
g_t = nominal GDP growth rate
i_t = average nominal interest rate on government debt
SF_t = deficit-debt adjustment

2 The deficit-debt adjustment includes expenditure or liability assumption by general government that does not affect the deficit but increases debt, as well as revenue (e.g. privatisation proceeds) that does not affect the deficit but reduces debt.

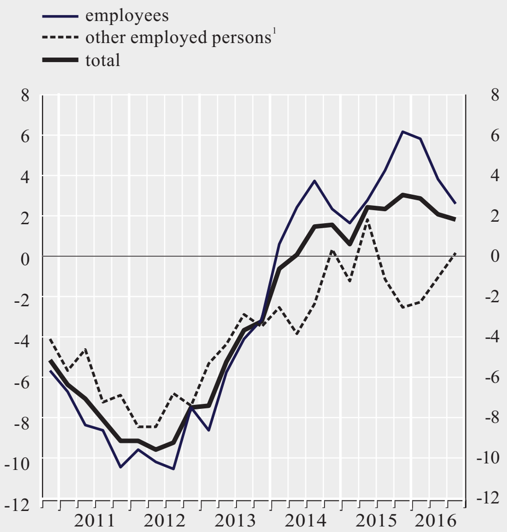
Chart 1 GDP and Economic Sentiment Indicator[1] (Q1 2008 - Q4 2016)



Sources: ELSTAT and European Commission/IOBE.
1 Three-month moving average.

Chart 2 Employment (Q4 2010-Q3 2016)

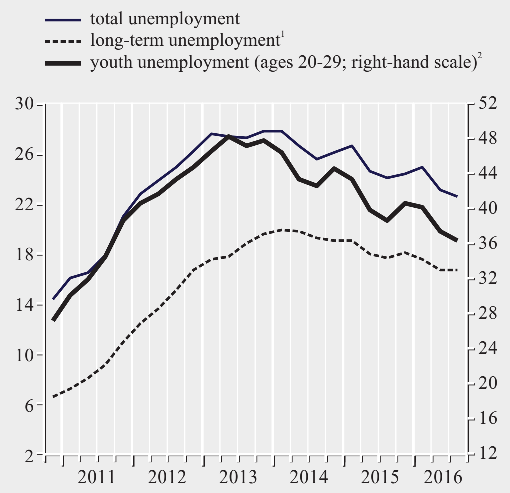
(year-on-year percentage changes; quarterly data)



Source: ELSTAT, Labour Force Surveys.
1 Other employed persons=self-employed with employees (employers) + self-employed without employees + contributing family workers.

Chart 3 Unemployment rates (Q4 2010-Q3 2016)

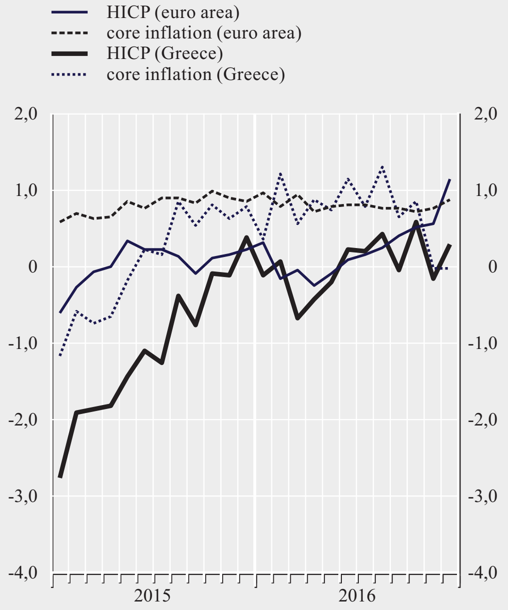
(percentage of labour force)



Source: ELSTAT, Labour Force Surveys.
1 For twelve months or more.
2 As a percentage of the labour force of this age group.

Chart 4 Harmonised index of consumer prices (HICP) and core inflation in Greece and the euro area (January 2015-December 2016)

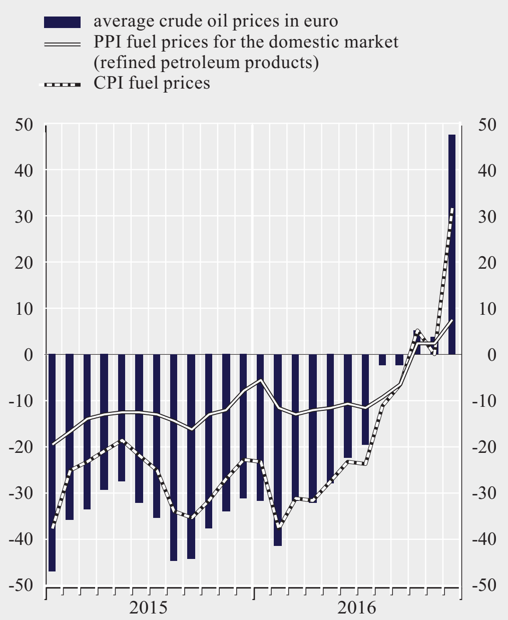
(year-on-year percentage changes; monthly data)



Sources: ELSTAT and Eurostat.

Chart 5 Evolution of CPI/PPI fuel prices and of Brent crude oil prices in euro (January 2015-December 2016)

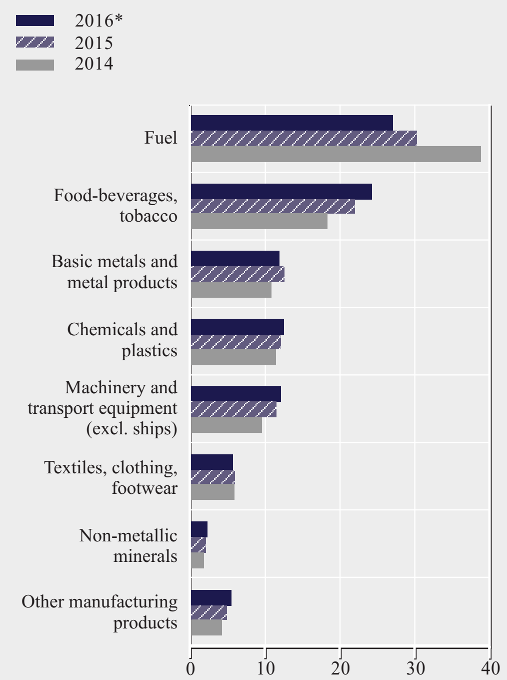
(year-on-year percentage changes; monthly data)



Source: Calculations based on ELSTAT data and, for crude oil prices (UK Brent), on ECB data.

Chart 6 Sectoral breakdown of Greek exports of goods

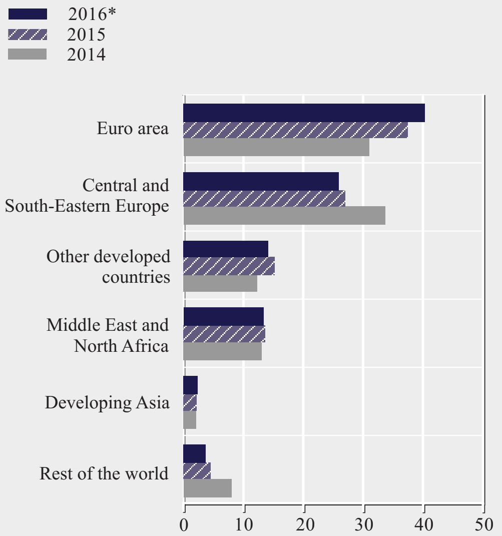
(percentage of total export receipts)



Source: Eurostat, COMEXT database.
*Data for January-September 2016.

Chart 7 Greek exports of goods, by destination

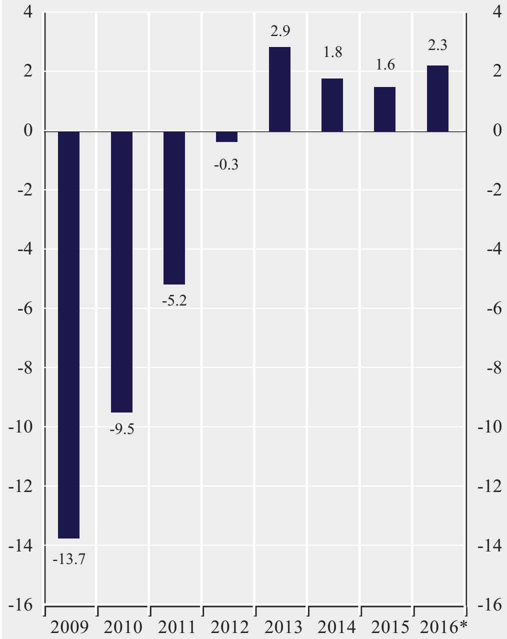
(percentage of total export receipts)



Source: Eurostat, COMEXT database.
*Data for January-September 2016.

Chart 8 Structural primary balance of general government

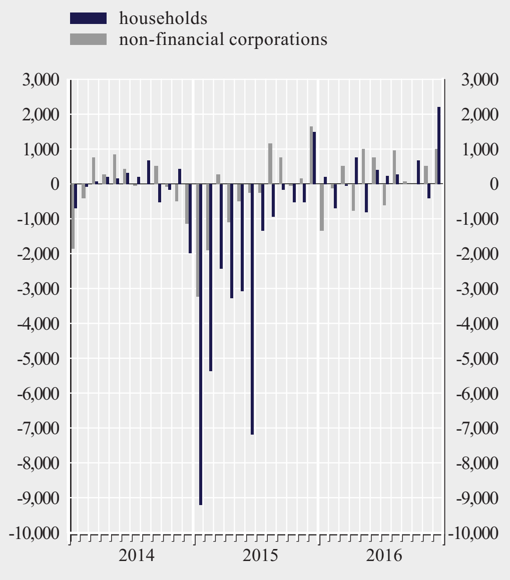
(as a percentage of potential GDP)



Source: Bank of Greece.
*Forecast.
Note: The structural primary balance of general government is calculated according to the Eurosystem methodology.

Chart 9 Deposits by non-financial corporations and households with domestic banks (January 2014-December 2016)

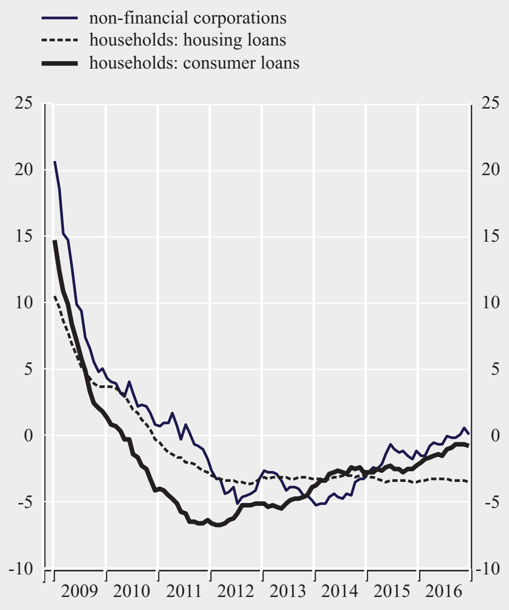
(flows in million euro)



Source: Bank of Greece.

Chart 10 Evolution of bank credit to non-financial corporations and households (January 2009-December 2016)

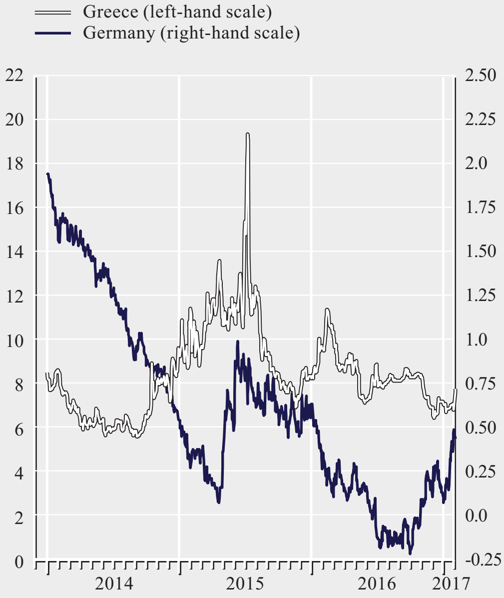
(annual rate of change %)



Source: Bank of Greece.

Chart 11 Yields on 10-year Greek and German government bonds (January 2014-January 2017)

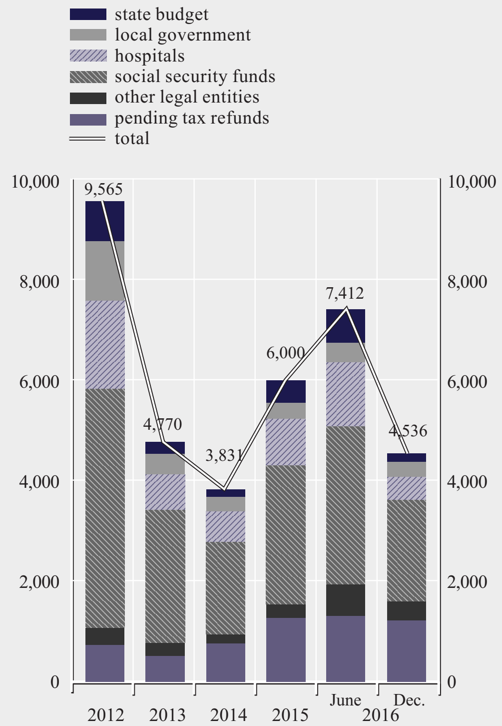
(daily data, yields in percentages)



Source: Thomson Reuters Datastream.

Chart 12 General government arrears to suppliers

(million euro)



Source: Ministry of Finance, State General Accounting Office.

ANNUAL ACCOUNTS OF THE BANK OF GREECE FOR THE YEAR 2016

To the Shareholders of BANK OF GREECE A.E

Report on the Financial Statements

We have audited the accompanying financial statements of BANK OF GREECE A.E. (the “Bank”) which comprise the balance sheet as of 31 December 2016 and the statement of income, the appropriation account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles prescribed by the European Central Bank (ECB) as adopted by the Bank in Article 54A of its Statute and the Greek accounting principles, where the Guideline of the ECB does not provide specific direction, as well as for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, as incorporated into Greek law. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the 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 Bank’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 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 financial statements give a true and fair view of the financial position of BANK OF GREECE A.E. as at 31 December 2016 and of its financial performance for the year then ended in accordance with the accounting principles prescribed by the ECB as adopted by the Bank in Article 54A of its Statute and the Greek accounting principles, where the Guideline of the ECB does not provide specific direction.

Report on Other Legal and Regulatory Requirements

We verified that the contents of the Report of the General Council relating to the statement of income for 2016 to the Annual Shareholders Meeting are consistent and correspond with the accompanying financial statements.

Athens, 20 January 2017

KPMG Certified Auditors A.E.
AM SOEL 114

Harry Sirounis Certified Auditor Accountant AM SOEL 19071	Ioannis Achilas Certified Auditor Accountant AM SOEL 12831

BALANCE SHEET AS AT 31 DECEMBER 2016
EIGHTY-NINTH YEAR

(in euro)

ASSETS	31.12.2016	31.12.2015
1. Gold and gold receivables	**5,261,753,291**	**4,655,876,333**
2. Claims on non-euro area residents denominated in foreign currency	**2,578,715,907**	**2,046,275,257**
2.1 Receivables from the International Monetary Fund (IMF)	737,322,397	635,957,699
2.2 Balances with banks and security investments, external loans and other external assets	1,841,393,510	1,410,317,558
3. Claims on euro area residents denominated in foreign currency	**204,874,084**	**613,387,274**
3.1 General government	16,419,464	306,522,843
3.2 Other claims	188,454,620	306,864,431
4. Claims on non-euro area residents denominated in euro	**23,659**	**23,881**
4.1 Balances with banks, security investments and loans	23,659	23,881
4.2 Claims arising from the credit facility under ERM II	0	0
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	**22,953,000,000**	**38,599,000,000**
5.1 Main refinancing operations	15,430,000,000	26,570,000,000
5.2 Longer-term refinancing operations	7,500,000,000	12,000,000,000
5.3 Fine-tuning reverse operations	0	0
5.4 Structural reverse operations	0	0
5.5 Marginal lending facility	23,000,000	29,000,000
5.6 Credits related to margin calls	0	0
6. Other claims on euro area credit institutions denominated in euro	**43,665,037,526**	**68,914,635,432**
7. Securities of euro area residents denominated in euro	**57,197,297,804**	**39,764,480,573**
7.1 Securities held for monetary policy purposes	42,484,409,198	20,711,295,716
7.2 Other securities of euro area residents denominated in euro	14,712,888,606	19,053,184,857
8. General government long-term debt denominated in euro	**6,353,182,528**	**4,843,627,573**
9. Intra-Eurosystem claims	**1,854,318,415**	**1,781,727,954**
9.1 Participating interest in the ECB	564,765,496	564,765,496
9.2 Claims equivalent to the transfer of foreign reserves to the ECB	1,178,260,606	1,178,260,606
9.3 Net claims related to the allocation of euro banknotes within the Eurosystem	0	0
9.4 Net claims arising from balances of TARGET2 accounts	0	0
9.5 Other claims within the Eurosystem (net)	111,292,313	38,701,852
10. Items in course of settlement	**0**	**0**
11. Other assets	**2,316,135,103**	**2,294,067,038**
11.1 Coins	59,834,993	58,024,469
11.2 Tangible and intangible fixed assets	792,236,542	801,561,779
11.3 Other financial assets	95,176,220	93,405,313
11.4 Off-balance-sheet instruments revaluation differences	45,122	82,318
11.5 Accruals and prepaid expenses	779,083,565	743,311,071
11.6 Sundry	589,758,661	597,682,088
TOTAL ASSETS	**142,384,338,317**	**163,513,101,315**

(in euro)

LIABILITIES	31.12.2016	31.12.2015
1. Banknotes in circulation	**29,929,190,200**	**28,792,125,675**
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	**907,409,514**	**1,387,143,530**
2.1 Current accounts (covering the minimum reserve system)	876,909,514	1,258,943,530
2.2 Deposit facility	0	0
2.3 Fixed-term deposits	0	0
2.4 Fine-tuning reverse operations	0	0
2.5 Deposits related to margin calls	30,500,000	128,200,000
3. Other liabilities to euro area credit institutions denominated in euro	**0**	**0**
4. Liabilities to other euro area residents denominated in euro	**9,527,107,565**	**5,085,184,765**
4.1 General government	8,269,754,053	3,749,122,957
4.2 Other liabilities	1,257,353,512	1,336,061,808
5. Liabilities to non-euro area residents denominated in euro	**2,461,327,349**	**1,227,986,892**
6. Liabilities to euro area residents denominated in foreign currency	**751,912,348**	**646,431,879**
7. Liabilities to non-euro area residents denominated in foreign currency	**2,754**	**2,666**
7.1 Deposits and other liabilities	2,754	2,666
7.2 Liabilities arising from the credit facility under ERM II	0	0
8. Counterpart of special drawing rights allocated by the IMF	**0**	**0**
9. Intra-Eurosystem liabilities	**85,571,386,262**	**113,977,496,400**
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	0	0
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem	13,314,137,100	19,590,587,680
9.3 Net liabilities arising from balances of TARGET2 accounts	72,257,249,162	94,386,908,720
9.4 Other liabilities within the Eurosystem (net)	0	0
10. Items in course of settlement	**1,004,753**	**955,123**
11. Other liabilities	**1,226,620,075**	**1,310,063,399**
11.1 Off-balance-sheet instruments revaluation differences	21,829	17,549,614
11.2 Accruals and income collected in advance	26,548,519	16,430,532
11.3 Sundry	1,200,049,727	1,276,083,253
12. Provisions	**7,477,308,544**	**7,198,507,643**
13. Revaluation accounts	**3,715,573,000**	**3,071,705,530**
14. Capital and reserves	**815,495,953**	**815,497,813**
14.1 Capital	111,243,362	111,243,362
14.2 Ordinary reserve	111,243,362	111,243,362
14.3 Extraordinary reserve	84,500,000	84,500,000
14.4 Special reserve from the revaluation of land and buildings	507,247,856	507,247,856
14.5 Other special reserves	1,261,373	1,263,233
TOTAL LIABILITIES	**142,384,338,317**	**163,513,101,315**

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2016

(in euro)

	2016	2015
1. Net interest income	**1,493,189,116**	**1,725,725,824**
1.1 Interest income	1,512,703,581	1,784,257,403
1.2 Interest expense	-19,514,465	-58,531,579
2. Net result of financial operations, write-downs and risk provisions	**17,841,266**	**22,840,471**
2.1 Realised gains arising from financial operations	17,841,266	22,840,471
2.2 Write-downs on financial assets and positions	-32,995,688	-5,209,328
2.3 Transfer from provisions for foreign exchange rate, interest rate, credit and gold price risks	32,995,688	5,209,328
3. Net income from fees and commissions	**83,151,340**	**89,837,658**
3.1 Fees and commissions income	84,141,587	90,793,604
3.2 Fees and commissions expense	-990,247	-955,946
4. Income from equity shares and participating interests	**38,863,345**	**31,565,454**
5. Net result of pooling of monetary income	**82,785,679**	**15,265,637**
6. Other income	**12,660,688**	**12,261,807**
Total net income	**1,728,491,434**	**1,897,496,851**
7. Staff costs and pension benefit expenses	**-258,636,323**	**-256,662,684**
8. Other administrative expenses	**-49,173,789**	**-49,798,073**
9. Depreciation of tangible and intangible fixed assets	**-14,948,548**	**-13,378,128**
10. Consultancy fees for the auditing of the banking system	**-8,939,681**	**-6,326,531**
11. Provisions	**-304,443,890**	**-408,482,232**
Total expenses	**-636,142,231**	**-734,647,648**
PROFIT FOR THE YEAR	**1,092,349,203**	**1,162,849,203**

DISTRIBUTION OF PROFIT

(Article 71 of the Statute)

(in euro)

	2016	2015
Dividend to be distributed: €0.47712 per share for 19,864,886 shares	9,477,934	9,477,934
Tax on dividends (tax rate 29%, Articles 47 and 58, Law 4172/2013, as currently in force)	3,871,269	3,871,269
To the Government	1,079,000,000	1,149,500,000
	1,092,349,203	**1,162,849,203**

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