Annual Financial Report

for the year

January 1 - December 31, 2018

In accordance with the International Financial Reporting Standards (IFRS)

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I. Directors Report

DIRECTORS REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

The Investment Bank of Greece operates since 2000, offering to its customers a full range of banking and investment products and services. Products and services are offered to institutional, corporate and retail customers providing loan, deposit and in general all types of banking services as well as access to Greek and foreign money and capital markets, portfolio management services and a full range of investment banking services. Investment services are offered at the Bank's current branches, namely its central branch at Maroussi as well as the branches of Thessaloniki and Heraklion.

At the beginning of 2018, the Investment Bank of Greece entered a new era, both in terms of its management and the actions undertaken to achieve its goal regarding the completion of its sale, a goal set by its major shareholder that had made no progress until the end of 2017 due to various internal and external factors.

INTERNATIONAL ENVIRONMENT

In 2018 global GDP increased by 3.7% YoY compared to 3.8% in 2017. For 2019, the growth rate is expected to slow down to 3.5%.

In the USA, the GDP increased from 2.2% in 2017 to 2.9% in 2018, while it is expected to decrease to 2.3% in 2019. During the year, although FED successively raised its base rate to 2.50% and while at the beginning of the year the market expected further increases, the estimates have already been modified since the first quarter and now the market seems to anticipate more than one decreases until the end of the year.

Accordingly, in the EU, the growth rate faded to 1.9% vs 2.4% in 2017, and is expected to present a further slowdown to 1.3% in 2019. The ECB monetary policy remains accommodative, since interest rates remained unchanged at historic low.

THE GREEK ECONOMY

In 2018, the third Greek Economic Adjustment program was successfully completed resulting in the improvement of the economic environment and the perspectives of the Greek economy. Worth highlighting is the acceleration of economic activity, the achievement of a primary budget surplus for the fifth consecutive year by surpassing the targets of the adjustment program, the upgrading of Greece's upgraded credit rating, the successful completion of the of the systemic banks' stress tests and the further easing of capital controls.

Now, Greece is under the enhanced surveillance of its partners, in order to ensure the unhindered continuance of reforms and to monitor economic developments.

The GDP increased by 1.9% in 2018 compared to 1.5% in 2017, mainly due to the exports of goods and services. The consumer price index recorded a 0.6% increase, while the unemployment rate passed to 18.0% from 20.8% in 2017.

Furthermore, the liquidity of the banks was improved, since the private sector deposits reach now €134.5 billion euros, thus recording a 6.5% increase compared to 2017, while the granting of new loans is also improving. At the same time, important efforts have been expended and plans elaborated to essentially disengage from the non-performing loans and the dependence on the emergency liquidity assistance (ELA).

The recovery of the Greek economy is expected to continue over 2019, based on increased export and tourism activities, improvement of employment and increased private consumption, fixed-capital investments and possible full lift of capital controls as well as the continuance of structural reforms and privatizations. The uncertainty factors that may affect this development pertain to the adherence to the reforms and the delays to their implementation, the possibility to attract foreign investments, the full lifting of capital controls, the slow rate of deposits increase, the delay to the efficient management of the non-performing loans and the geopolitical situation mainly in our region.

Despite the unchanged monetary policy on both sides of the Atlantic, the financial markets were marked by some volatility. Such volatility was perceivable both on the stock and bond markets. Finally, the stock indexes lost the profits accumulated in the beginning of the year, and recorded double-digit losses (lows) ranging from 12 to 18% depending on the index. Bonds followed a similar course, since corporate bonds recorded losses (decreased price and increased spreads), while the government bonds, despite their volatility, recorded some profits. Similar were the developments on the Greek market, since the shares recorded large losses while the transaction activity was quite slow. Bonds were also marked by volatility. On the other hand, the change in the narratives of the central banks and the estimates for a further monetary easing (both at ECB and FED), the strong liquidity of the system and the political stability in Greece, due to the elections, have generated positive expectations regarding the current year, despite the trade conflicts (trade war), the uncertainties regarding the BREXIT and the other risks run by the Eurozone (fiscal situation of member states, mainly Italy, growth, etc.).

DEVELOPMENTS RELATING TO THE BANK

2018 was a milestone for the Investment Bank of Greece, since following an international tender for the sale of its subsidiaries (Investment Bank - CPB Asset Management SA - LAIKI FACTORS) of the CPB, an SPA was signed between CPB and IREON INVESTMENTS LTD (100% subsidiary of Motor Oil Hellas listed in the Athens Stock Exchange), in October. The SPA is subject to the approval of the Bank of Greece.

The year was mainly marked by the following:

- Change of the old executive management. The new management aimed mainly to successfully completing the Bank sale procedure. The objective was achieved thanks to the effective, timely and valid contribution of the officers of the Bank.
- Replacement of the non-executive members of the Board of Directors with new Directors, the experience and knowledge of whom contributed to smoothly achieve the objective of selling the Bank.
- Strategic changes in the organizational structure and adoption of new divisions that contributed to a more efficient, productive and safe operation of the Bank.
- Focus on the development of the loan portfolio of the Banks by extending to healthy and profitable loans, always within the limits set by the Bank of Greece (BoG), given that its majority shareholder (CPB) is under the Special Administration Regime since March 2013. As a result of the above efforts, a new healthy and highly diversified loan portfolio has been formed.
- Ongoing and serious efforts to increase the market share in the Athens Stock Exchange resulting in an 11% increase compared to 2017.

2018 INVESTMENT BANK OF GREECE's GROUP BALANCE SHEET AND INCOME STATEMENT EVOLUTION

On 31.12.2018, the total assets amounted to €208.3 million euros compared to €180.0 million euros. Customer deposits, including deposits of brokerage accounts, amounted to €77.6 million, recording a 5.9% increase compared to 31.12.2017. On 31.12.2018, loans before impairments, including loans for margin trading, amounted to €39.4 million euros, recording a 11.0% increase compared to 2017 (€35.5 million). Past due loans over 90 days correspond to 4% of gross loans (in Greece the relevant index being 31.8%) while the coverage by cumulative provisions ratio amounted to 89.7% (in Greece the relevant ratio amounts to 73.7%). At an individual level, the above ratios amounted to 3.4% and 92.4% respectively.

Net interest income amounted to €3.5 million compared to €3.8 million in 2017, recording an 8% decrease, mainly due to the decreased interest revenues from inter-bank transactions (reduced placements) and slightly increased interest expenses from customer deposits, due to increased balances. Net fee and commission income amounted to €3.0 million in 2018, compared to €3.4 million in 2017, recording a 12% decrease mainly due to reduced investment banking fees and to the determination of the real effective rate.

Trading gains amounted to €3.7 million. The amount was shaped on the basis of the IFRS 9 implementation, according to which the equity instruments valuations were transferred to the profit & loss account. Consequently, in addition to the trading income which amounted to €0.5 million, it includes the amount of €3.4 million arising from the valuation of the mutual funds to which the Bank's subsidiaries

IBG Capital & IBG Investments have invested in. In 2017, the trading income amounted to €1.7 million, while the valuation of the mutual funds of the subsidiaries amounted to €4.4 million and was included in the other comprehensive income after tax.

The total operating expenses of the Group in 2018 amounted to €13.0 million compared to €11.6 million in 2017. The increase in operating expenses is mainly due to the payroll and related costs (€1.0 million) while the main reason was the payment of the amount of €0.5 million to settle a past claim of the Bank employees, as well as the compulsory implementation of the collective agreement and the charges due to the 2017 recruitments. At the same time, the other operating expenses are increased by €0.4 million, an excess mainly due to the expenses that the Bank suffered in 2018 for the first time (SRB, HBA, quarterly shipments and printing of statements). Moreover, note that during 218, a one-off amount of approximately €0.2 million was paid to complete the infrastructure in order to achieve the maximum possible compatibility with the requirements of the statutory environment.

As a result of the above, the cumulative total income after tax of the year 2018 amounted to €-3.9 million, compared to €-0.7 million in 2017.

NON CURRENT ASSETS HELD FOR SALE

On 31.12.2018, the non-current assets held for sale include the companies **IBG Global Funds SICAV-SIF**, a Luxembourg-based Specialized Investment Fund, and **IBG Capital Management S.ar.l**, the managing company of the above Fund domiciled in Luxembourg.
The Management of the Bank, after having investigated various alternatives for exploiting the above assets, considered that they do not generate the estimated contributions in the general business plan of the Bank.

Consequently, it initiated a procedure to sell them while since the expected outcome could not be reached, it decided to liquidate the IBG Global Funds SICAV-SIF Investment Fund and to close the business in accordance with the voluntary liquidation procedure, as provided for in the relevant legal framework of Luxembourg, and also to launch the liquidation of the managing company IBG Capital Management S.ar.l.

The Bank expects that all the above would be completed during the current year 2019.

REGULATORY INDICES

As per the Basel III framework and following the implementation of the regulatory transitional provisions about IFRS 9, the Group's capital adequacy ratio and its Common Equity Tier 1 (CET 1) ratio amounted

to 43.34%. The liquidity coverage ratio (LCR) amounted to 155.28% (compared to the minimum required limit of 100%), the net stable funding ratio (NSFR) amounted to 105.30% (compared to the minimum required limit of >100%), while the leverage ratio amounted to 35.34% (compared to the minimum required limit of 3%).

ESTIMATED IMPACT OF THE INITIAL IMPLEMENTATION OF IFRS 9

At the group level, the implementation of the IFRS 9 accounting rules is estimated to have a pre-tax impact of €572K as of 01.01.2018. Moreover, the amount of €5.231 ths has been reclassified from the fair value reserves to the retained earnings; such amount refers to the valuations of the investments made by the Group in closed-end venture capital mutual funds.

The Group decided to implement the staging approach, in accordance with the European Union legislation (EU Regulation 2017/2995) to mitigate the impacts of the implementation of IFRS 9 on the regulatory capitals. According to the above regulation, there is a five-year transition period, while the impact will be of 5%, 15%, 30%, 50%, and 75% from 2018 to 2022 respectively.

RISK MANAGEMENT

The Group acknowledges that the risk management it undertakes within the framework of its activities is a strategic tool of its business tactics and philosophy governing its operation. Therefore, its Management sees that the risk management is carried out in a clearly defined framework that all units can easily understand. Within this framework, the timely acknowledging of risks, their measurement and management comply with the strategic choices made by the Group and correspond to daily business decision-making.

Carefully monitoring the dynamic character of the financial and regulatory environment in which the Group is operating, it adapts and develops its risk management mechanisms, at the levels of organizational structure, policies, procedures and IT systems, so that these mechanisms remain efficient for the daily bank transactions, complying with the principle of independence, and be functional for the purposes of internal and regulatory supervision.

The procedure to adapt to the evolving regulatory environment and the efforts to upgrade the operations that define the risk management level (policies, systems etc.) require investing important resources that the Group exploits by implementing transparent procedures so that the produced outcome could comply with the pursued one, while the relevant expenses will remain within the limits of the each time budget.

At the lending level, the Bank evaluates the credit risk to be undertaken each time by defining the credit rating of its customers, both by applying one of the most reliable independent credit rating models and exploiting a series of techniques and criteria, complying with the regulatory framework in force. These tools are described and applied within the framework of the Credit Risk Management Policy, the Credit Policy and the Institutional Counterparts Credit Risk Policy and Management. Within this framework, both the approval procedure and the approval levels are clearly defined, while the role of the credit committees and the increased role of the Bank's Chief Risk Officer are clearly separated as of 2018.

A similar management framework, adapted to their nature, applies to market, liquidity and operational risks.

All risks are delimited by the Bank's Risk Tolerance Policy, approved (as for all other policies) by the Board of Directors. The risk tolerance framework distinguishes the maximum risk tolerance levels, the desired level of risk undertaken and the real risk level, thus guiding and coordinating the tasks of the various units so that they comply with Management's strategic choices, which aim for the optimum combination of returns and the protection the Bank's capital. To achieve this goal, the Risk Tolerance Policy provides for the maintenance of certain value levels, for a large number of indexes that reflect the structural view of all important sectors, both for the Bank and the supervisory authorities (capital adequacy, liquidity, loan portfolio quality, performance etc.). This policy is regularly updated both on an annual basis and extraordinarily whenever necessary.

The Risk Management Committee of the Board of Directors supports the BoD in defining the risk management strategy on the basis of the each time Business Plan and the Risk Undertaking Framework in force.

The Risk Management Committee (RMC) makes suggestions to the BoD the Bank's present and future risk undertaking strategy, defines the principles that shall govern the risk management in terms of acknowledging, anticipation, measurement, monitoring, auditing and dealing with risks, in accordance with the each time business strategy in force and the adequacy of the available resources.

Moreover, the RMC guides the Risk Management Division on the implementation of the specified risk strategy, including the compliance with the relevant supervisory framework in force associated with the capital adequacy criteria, while it also monitors the independence, sufficiency and efficiency of the operation of the said Division.

The RCM ensures that the Bank Board of Directors (BoD) is sufficiently informed about all issues regarding the risk undertaking strategy, the tolerance level and the risk undertaking level while performing its strategic and supervisory duties.

The relevant supervisory reports summarize and systematize the view of the risk management framework in all its aspects. The financial risk management is detailed in Note 5 of the Financial Statements and the Consolidated Financial Statements for the year ended December 31, 2018.

PERSONNEL

A particularly important asset for the progress of the Group is its personnel. The Group sees to employ the proper staff so that it can have the critical mass required to respond to its regulatory obligations and also to create with them long-term and mutually beneficial relations. On 31.12.2018 the number of staff amounted to 189 persons compared to 186 on 31.12.2017, while on 31.05.2019 the number of staff was of 185 persons. 36% out of them were women, while 65% of the employees are of higher education and holders of a postgraduate degree.

SHARE CAPITAL STRUCTURE

The Bank's Share Capital amounts to €110.427.027 euros and is divided into 3.762.420 ordinary registered shares with a nominal value of €29.35 euros each; the share capital is fully paid up. All the Bank shares are ordinary, registered, voting shares, not listed in the Athens Stock Exchange, but have all the rights and obligations arising from the Articles of Association of the Bank and defined by the Law. On 31.12.2018 the Bank had no own shares.

DIVIDENDS

According to the results of the year 2018 and in association with Article 44a of Law on Sociétés Anonymes (Law 2190/1920), it is not allowed to distribute dividends.

ESTIMATES ON THE PROGRESS OF THE INVESTMENT BANK OF GREECE GROUP'S ACTIVITIES IN 2019

The financial and banking environment in 2019 presents positive prospects. The recovery of the economy, the improvement of the labor market and the gradual return of the deposits, as well as the zero dependence of the banks on ELA and the signs of recovery in the demand of business loans are encouraging factors for future success.

The Bank, as already mentioned, is about to change its majority shareholder who would then implement its business plan which has already been submitted to the Bank of Greece and is subject to its approval.

Therefore, in 2019, the current Management shall first take advantage of the high liquidity of the Bank in ways that would ensure its maximum possible performance, taking into consideration the current statutory restrictions in developing its loan portfolio.

At the same time, the current composition of the loan portfolio is monitored as well as the transformation opportunities that arise, in order to maintain the high level of solvency that has been achieved, while efforts are made to clear out and enrich the customer base, thus aiming to reciprocal profitable relations.

Moreover, the operating expenses are systematically monitored to optimize the expected results and to comply with the restrictions set by the SPA.

In addition, intense efforts are made to upgrade the operation of the Group by taking initiatives that complement the range of the provided services, and implementing projects relevant to the sectors of Risk Management, Internal Audit and Regulatory Compliance, as well as by implementing the proper organization and support of the stress tests conducted for the first time by the Bank of Greece on non-systemic banks. All these efforts expended by the Management are reflected on the income of the first months of 2019 which is increased compared to the relevant period of last year, and on its operating expenses which, for the time being, are decreasing compared to 2018 thus resulting in marginal losses.

The Bank Management, capitalizing its comparative advantages regarding its flexibility, operational efficiency and experienced staff in financial markets and investment banking, as well as in parallel banking activities, prepares the Bank to become the preferred partner and advisor of the Greek businesses and households in the future.

TRANSACTIONS WITH RELATED PARTIES

All transactions with related parties are objective and carried out according to the arm's length principle for similar transactions with third parties. Important transactions with related parties, as these are defined in IAS 24, are detailed also in Note 38 of the Financial Statements and the Consolidated Financial Statements for the year ended December 31, 2018.

PROTECTION OF THE ENVIRONMENT

The Group monitors the environmental impacts of its activities and aims at best using the natural resources, at reducing the wastes and adapt to the climate change. Moreover, the Group communicates its policies to its customers, suppliers and employees in order to encourage them to adopt the same goals.

EVENTS SUBSEQUENT TO THE BALANCE SHEET

The Group, as already mentioned, is about to change its majority shareholder who would then implement its business plan which has already been submitted to the Bank of Greece and is subject to its approval.

No further important events occurred after the balance sheet date that could affect the present financial statements.

Maroussi, June 21, 2019

FOR THE BOARD OF DIRECTORS

The Chief Executive Officer and Vice Chairman of the Board of Directors	The Deputy Chief Executive Officer
Michael Andreadis	**Angelos Sapranidis**

II. Independent Auditor's Report

[Translation from the original text in Greek]

Independent auditor's report
To the shareholders of "Investment Bank of Greece S.A."

Report on the audit of the financial statements and consolidated financial statements

Our opinion

We have audited the accompanying financial statements of the Bank "Investment Bank of Greece S.A." (the 'Bank'), included in chapter IV of the Annual Financial Report and consolidated financial statements of the Bank "Investment Bank of Greece S.A." (the 'Group'), included in chapter III of the Annual Financial Report, which comprise the statement of financial position as of 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flow statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as well as the consolidated statement of financial position as of 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flow statements for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and consolidated financial position of the Group as at 31 December 2018, the financial performance of the Bank and the consolidated financial performance of the Group and the cash flow of the bank and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and comply with the statutory requirements of Codified Law 2190/1920.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), as they have been transposed into Greek Law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements and consolidated financial statements section of our report.

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

Independence

During our audit we remained independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that has been transposed into Greek Law, and the ethical requirements of Law 4449/2017 and of Regulation (EU) No 537/2014, that are relevant to the audit of the financial statements and consolidated financial statements in Greece. We have fulfilled our other ethical responsibilities in accordance with Law 4449/2017, Regulation (EU) No 537/2014 and the requirements of the IESBA Code.

We declare that the non-audit services that we have provided to the Bank are in accordance with the aforementioned provisions of the applicable law and regulation and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.
The non-audit services that we have provided to the Bank, during the year ended as at 31 December 2018, are disclosed in the 39 of the financial statements and consolidated financial statements.

We declare that for the year ended as at December 31, 2018 we have not provided non-audit services to the subsidiaries of the Bank.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements of the Bank and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Financial assets measured at fair value for which no listed price in an active market is available (Consolidated Financial Statements)	
The Group's investment portfolio, which is measured at fair value in accordance with IFRS 13, amounts to €70 million as at 31 December 2018. Out of the above amount, €45 million relate to financial assets for which a listed price in an active market is available. The majority of these items is classified as financial assets at fair value through profit or loss. The remaining amount of €24 million refer to financial assets for which no listed price in an active market is available and is comprised mainly of investments in closed-end venture capital mutual funds. These investments are classified as financial assets at fair value through profit 0r loss and, as a result, any gain or loss arising from their valuation is recognised in profit or loss in the Statement of profit or loss and other comprehensive income. We focused on this area due to the relative size of the amount in the Consolidated Statement of Financial Position and the inherent subjective nature of its valuation. The fair value of closed-end venture capital mutual funds is determined based on key assumptions which require significant judgement, such as forecasted revenue, operating expenses and discount rates. For more information on the measurement of financial assets at fair value for which no listed price in an active market is available, you can refer to notes 4, 6.2, 17, 18 and 20 of the Consolidated Financial Statements.	The audit procedures we performed in relation to the valuation of financial assets for which no listed price in an active market is available, in conjunction with our internal valuation specialists, included the following: • Assessing the availability of quoted prices in liquid markets. • Assessing the available reports and other information used by Management for the valuation of the investments. • Assessing whether the valuation process was appropriately designed and captured the relevant valuation inputs. • Assessing key assumptions of the valuation models used for the investments in closed-end venture capital mutual funds. More specifically: – we evaluated the assumptions regarding forecasted revenue by agreeing the prices with the Power Purchase Agreements confirming their compliance with the applicable legislation, – we verified that the valuation model includes customary operating expenses, and – we performed independent calculations of the Cost of Equity, using available external sources of information. Based on the audit procedures performed, we are satisfied that the estimates regarding the valuation of financial assets for which there is no listed price in an active market are reasonable. Additionally, we have assessed the disclosures in the relevant notes concerning the valuation of Financial assets measured at fair value for which there is no listed price in an active market.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Impairment allowance for loans and advances to customers under IFRS 9 (Financial Statements and Consolidated Financial Statements)</td></tr>
<tr><td>At 31 December 2018 loans and advances to customers of the Bank and the Group amounted to €47 million and €39 million respectively and the accumulated impairment allowance amounted to €1,5 million.

With the introduction of IFRS 9 in 2018, a number of additional judgements and assumptions are introduced and reflected in the Bank and the Group’s financial statements, including the identification of increases in credit risk and the application of forward looking economic scenarios.

The Bank and the Group determine an expected credit loss allowance for the loans and advances to customers using impairment models based on key assumptions including probability of default (PD) and loss given default (LGD).

For loans and advances to customers that have been impaired, the impairment allowance for credit risks is determined by taking into consideration the recoverability of exposures and the underlying collaterals.

We focused on this area due the size of loans and advances to customers and the subjective nature of the calculation of impairment allowance.

Impairment allowance represents Management’s best estimate of both the timing of recognition of impairment and the measurement of the amount of the impairment required in relation to loss events, which have occurred at the year end.

For more information you can refer to notes 2.4, 4, 5.1 and 19 of the financial statements and consolidated financial statements.</td><td>The audit procedures performed regarding the impairment allowance for loans and advances to customers included the following:

• We assessed the completeness and accuracy of data used in the impairment models by agreeing details to the source systems.
• We assessed the reasonableness of the impairment model methodology applied by management and key modelling judgements to determine the credit risk parameters for the expected credit loss calculation.
• We examined Management’s assessment regarding impairment indicators, uncertainties and assumptions applied in the assessment of the recoverability of exposures and underlying collaterals. We also considered the current financial performance as well as the assumptions commonly used in the industry.
• For a sample of loans, we obtained an understanding of the latest developments in order to verify whether there are indicators of impairment and we examined the reasonableness of key assumptions and impairment allowance, taking into consideration the value of the underlying collaterals.
• For the aforementioned sample, we inspected the relevant agreements and other supporting documentation to confirm the existence and legal right to the collaterals.

Based on the procedures performed, we consider that the key assumptions used for the measurement of impairment allowance for loans and advances to customers were reasonable.</td></tr>
<tr><td colspan="2">Use of IT Systems (Financial Statements and Consolidated Financial Statements)</td></tr>
<tr><td>The Bank and the Group’s financial reporting processes are highly reliant on information produced by the Bank and Group's Information</td><td>We assessed the information security resilience of the Bank by evaluating the design of key IT processes and controls over financial reporting.</td></tr>
</table>

Key Audit Matter	How our audit addressed the key audit matter
Technology (IT) systems, and / or automated processes and controls (i.e. calculations, reconciliations) implemented in these systems. The nature, complexity and the increased use of these information systems combined with the large volume of transactions being processed on a daily basis increase the risk over the effective interconnectivity of the IT systems and data and the risk around the degree of reliability of the financial reporting information. The banking environment is also subject to a number of internal and external threats relating to cyber security.	More specifically, we assessed the administration of access, changes and daily IT operations for key layers of underlying infrastructure for the systems in scope of the audit. In order to place reliance on the system generated information (i.e. data and reports), we performed additional substantive procedures as part of our audit.

Other Information

The members of the Board of Directors are responsible for the Other Information. The Other Information, which is included in the Annual Report in accordance with Law 3556/2007, is the Board of Directors Report (but does not include the financial statements, the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements and consolidated financial statements does not cover the Other Information and except to the extent otherwise, explicitly stated in this section of our Report, we do not express an audit opinion or other form of assurance thereon.

In connection with our audit of the financial statements and consolidated financial statements, our responsibility is to read the Other Information identified above and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We considered whether the Board of Directors Report includes the disclosures required by Codified Law 2190/1920.

Based on the work undertaken in the course of our audit, in our opinion:

- The information given in the Board of Directors' report for the year ended at 31 December 2018 is consistent with the financial statements and consolidated financial statements.
- The Board of Directors' report has been prepared in accordance with the legal requirements of article 43a and 107A of the Codified Law 2190/1920.

In addition, in light of the knowledge and understanding of the Bank and Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board of Directors' Report. We have nothing to report in this respect.

Responsibilities of Board of Directors and those charged with governance for the financial statements and consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and comply with the requirements of Codified Law 2190/1920, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and consolidated financial statements, the Board of Directors is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements and consolidated financial statements, including the disclosures, and whether the financial statements and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements and the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank and Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report.

Report on other legal and regulatory requirements

1. Additional Report to the Audit Committee

Our opinion on the accompanying financial statements and consolidated financial statements is consistent with our as per Art. 11 of Regulation (EU) No 537/2014, Additional Report to the Audit Committee of the Bank.

2. Appointment

We were first appointed as auditors of the Bank by the decision of the annual general meeting of shareholders on 29.06.2012. Our appointment has been renewed annually by the decision of the annual general meeting of shareholders for a total uninterrupted period of appointment of 7 years.

Athens, 24 June 2019

The Certified Auditor

PricewaterhouseCoopers S.A.
Certified Auditors
268 Kifissias Avenue
152 32 Halandri
Soel Reg. No 113

Konstantinos Michalatos
Soel Reg. No 17701

III. Consolidated Financial Statements for the year ended December 31, 2018

Consolidated Financial Statements

for the year

January 1 - December 31, 2018

In accordance with the International Financial Reporting Standards (IFRS)

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Amounts in Eur '000	**Note**	**31 December 2018**	**31 December 2017**
Interest income		3.884	4.143
Interest expenses		(354)	(312)
Net interest income	7	**3.530**	**3.832**
Fee and commission income		5.622	6.341
Fee and commission expenses		(2.619)	(2.918)
Net fee and commission income	8	**3.003**	**3.423**
Dividend income		112	207
Net trading income	9	3.682	1.684
Profit/(loss) from investment portfolio	9	0	208
Other operating income	10	371	290
		4.165	**2.389**
Total operating income		**10.698**	**9.643**
Staff Costs	11	(8.636)	(7.640)
Other operating expenses	12	(4.105)	(3.694)
Depreciation	23	(283)	(309)
Total operating expenses		**(13.024)**	**(11.643)**
Profit/(loss) before provisions and taxes		**(2.326)**	**(1.999)**
Provision for loans impairment	19	427	(291)
Other provisions	13	(516)	(2.171)
Total provisions		**(89)**	**(2.462)**
Loss before tax		**(2.415)**	**(4.462)**
Income tax	14	(1.540)	(602)
Loss after tax (a)		**(3.955)**	**(5.063)**
Other comprehensive income after tax (b)		**(34)**	**4.388**
Total comprehensive income after tax (a)+(b)		**(3.989)**	**(675)**

The enclosed notes (pages 5 to 58) form integral part of the present financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in Eur '000	**Note**	**31 December 2018**	**31 December 2017**
ASSETS			
Cash and balances with central banks	15	57.213	30.719
Loans and advances to credit institutions	16	11.718	23.983
Financial assets at fair value through profit or loss	17	64.595	44.840
Derivative financial instruments	18	24	49
Loans and advances to customers	19	37.990	33.147
Financial assets at fair value through other comprehensive income	20	1.382	23.076
Assets held for sale	21	2.682	0
Investments in associates	22	54	54
Property, plant and equipment and intangible assets	23	1.329	1.241
Deferred tax assets	24	1.484	2.854
Other stock exchange transactions	25	6.175	6.376
Guarantee Securities for Investment Services	26	10.580	10.409
Current tax assets	27	232	205
Other assets	27	12.796	2.568
Total assets		**208.254**	**179.524**
LIABILITIES AND EQUITY			
Due to credit institutions	28	41.932	18.069
Due to customers	29	57.941	51.841
Customer balances to stock exchange accounts	30	19.692	21.484
Derivative financial instruments	18	5.384	406
Liabilities held for sale	21	76	0
Retirement benefit obligations	31	301	264
Other liabilities	32	4.981	4.784
Provisions	33	880	1.219
Total liabilities		**131.189**	**98.067**
Equity			
Share capital	34	110.427	110.427
Fair value reserves		16	5.266
Other reserves	35	18.926	18.941
Retained losses		(52.304)	(53.177)
Total equity		**77.065**	**81.457**
Total liabilities and equity		**208.254**	**179.524**

The enclosed notes (pages 5 to 58) form integral part of the present financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in Eur '000	Share capital	AFS reserves	Other reserves	Retained earnings	**Total**
Balance at 1st January 2017	**110.427**	**874**	**18.946**	**(48.114)**	**82.133**
Fair value losses on available for sale financial assets	0	6.428	0	0	6.428
Tax related to profits/(losses) recognised in equity	0	(2.036)	0	0	(2.036)
Net profit/(loss) for the year 01/01-31/12/2017	0	0	0	(5.063)	(5.063)
Other comprehensive income	0	0	(4)	0	(4)
Equity balances as at 31st December 2017	**110.427**	**5.266**	**18.941**	**(53.177)**	**81.457**

Amounts in Eur '000	Share capital	AFS reserves	Other reserves	Retained earnings	**Total**
Balance at 1st January 2018	**110.427**	**5.266**	**18.941**	**(53.177)**	**81.457**
IFRS 9 Impact	0	(5.231)	0	4.828	(403)
Balance at 1st January 2018, adjusted to the IFRS 9 impact	**110.427**	**35**	**18.941**	**(48.349)**	**81.055**
Profits/(losses) from the valuation at fair value through other comprehensive income	0	(24)	0	0	(24)
Tax related to profits/(losses) recognised in equity	0	5	0	0	5
Net profit/(loss) for the year 01/01-31/12/2018	0	0	0	(3.955)	(3.955)
Other comprehensive income	0	0	(15)	0	(15)
Equity balances as at 31st December 2018	**110.427**	**16**	**18.926**	**(52.304)**	**77.065**

The enclosed notes (pages 5 to 58) form integral part of the present financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in Eur '000	Note	31 December 2018	31 December 2017
Cash Flows from Operating Activities			
Loss before tax		**(2.415)**	**(4.462)**
Adjustments for:			
Depreciation	23	283	309
Fair value (profits)/losses on financial assets		(2.587)	(1.649)
(Profits)/losses on revaluation of derivatives		25	254
Retirement benefit obligations	31	30	27
Impairment of investments in subsidiaries	13	0	219
Loan and other investments provision	19	(422)	291
Other provisions		620	1.952
Profit / loss of fair value of financial assets		12	0
Profit / loss on investment property valuation		(84)	0
Fair value (profits)/losses from carbon emission reserve		0	(167)
Cash flows from operating activities before changes in operating assets and liabilities		*(4.539)*	*(3.225)*
Changes in operating assets and liabilities			
Trading Portfolio		6.666	(3.755)
Loans and advances to customers		(7.494)	(10.857)
Other assets		(10.247)	(1.653)
Due to credit institutions		23.864	16.209
Due to customers		5.647	161
Other liabilities		(2.283)	3.852
Cash flows from operating activities before income tax		*11.614*	*732*
Income tax paid		0	0
Net cash flows from operating activities		**11.614**	**732**
Investing activities			
Participation in subsidiaries and associates		2.500	0
Purchases of PPE		(166)	(88)
(Acquisition)/disposal and maturity of investment securities		332	3.416
Proceeds from Investments available for sale		90	383
Proceeds from disposals of PPE		15	0
Purchases of intangible assets		(156)	0
Net cash flows from investing activities		**2.615**	**3.712**
Net increase/(decrease) in cash and cash equivalents		14.229	4.444
Cash and cash equivalents at beginning of year		54.702	50.258
Cash and cash equivalents at end of year	36	**68.931**	**54.702**

The enclosed notes (pages 5 to 58) form integral part of the present financial statements.

1. Information about the Group

The "INVESTMENT BANK OF GREECE S.A." with the distinctive title "INVESTMENT BANK OF GREECE (IBG)" (hereinafter the "Bank") was established under the act ref. 55401/18.1.2000 of the Athens Notary Ms. Anna Tsafara, daughter of Panagiotis, approved by the Decision ref. K2-881/24.1.2000 of the Minister of Development, published in the Government Gazette ref. 533/26.1.2000 (SA & LTD Issue). It operates as a société anonyme in accordance with the Greek legislation and in particular the provisions of the Cod. Law 2190/1920 on sociétés anonymes, as in force.

Initially, the Bank had its registered office in the Municipality of Athens which then was transferred to the Municipality of Amaroussion, Attica (24B Kifissias Avenue) upon a Resolution of the General Meeting of the Shareholders dated November 27, 2001. It has activities in Greece and employs 189 persons in total. It is supervised by the Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece, in accordance with the provisions of Law 4261/2014 on financial institutions having their registered office in Greece, to which the Bank submits regulatory records as provided for in the Bank of Greece Governor's Act ref. 2640/18.01.2011.

On December 29, 2003 the extraordinary General Meeting of its Shareholders decided the merger by absorption of the Bank by "MARFIN - HELLENIC SA", in accordance with the provisions of the Cod. Law 2190/1920, Laws 2515/1997 and 2166/1993, and with Transformation Balance Sheets as of June 30, 2003. The above merger has been approved by the Decision ref. K2/2369/27.2.2004 of the Prefecture of Athens.

On June 29, 2006 the Boards of Directors of "INVESTMENT BANK OF GREECE S.A" and "EGNATIA FINANCE S.A" decided to initiate the merger by absorption procedures of the second by the first with transformation date the date of June 30, 2006.

The Boards of Directors of the Bank and the société anonyme under the corporate name "EGNATIA FINANCE ANONIMI CHRIMATISTIRIAKI ETERIA PAROCHIS EPENDITIKON IPIRESION S.A.", with the distinctive title "EGNATIA FINANCE SA" with registered office in Athens (8 Dragatsaniou Street) and Registration Number 23105/06/B/90/34 (hereinafter the "Absorbed Bank"), announced that in accordance with the provisions of article 68, para. 2, articles 69-77 of Cod. Law 2190/1920, article 16 of Law 2515/1997, articles 1-5 of Law 2166/1993 and the trade legislation in general, they have entered into the Draft Merger Agreement dated 26.03.2007 by which the above companies will merge by absorption of the second by the first. The said Draft was subject to the publication formalities of the Cod. Law 2190/1920 and was registered on the Companies Register of the Ministry of Development, Direction of Companies and Credit, on April 20, 2007. The above merger was also approved by the Decision ref. K2/9485/22.6.2007 of the Prefecture of Athens.

The Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece approved the Merger by absorption of "EGNATIA FINANCE S.A." by the Bank by its resolution minutes ref. 245/1/08.06.2007.

On June 6, 2008 the Boards of Directors of "INVESTMENT BANK OF GREECE S.A." and "LAIKI ATTALOS S.A.", member of "CYPRUS POPULAR BANK" Group, which is under a resolution scheme since 25.03.2012, decided the merger by absorption of "LAIKI ATTALOS S.A." by the "INVESTMENT BANK OF GREECE S.A.". The transformation date was set on 31.12.2007. The above merger was also approved by the Decision ref. K2/14014/28.11.2008 of the Prefecture of Athens. As a result of the merger and the exchange ratio, the share of "Laiki Bank" in the share capital of "INVESTMENT BANK S.A." was increased from 92.04% to 97.08%.

The Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece approved the Merger by absorption of "LAIKI ATTALOS S.A." by the Bank by its resolution minutes ref. 270/21.10.2008.

As of December 31, 2018, the shareholding of "INVESTMENT BANK S.A." was the following:

Shareholders	Number of Shares	%
CYPRUS POPULAR BANK LTD. (Under liquidation since 25/3/2013)	3.652.724	97,08%
ACTIVE S.A.	32.012	0,85%
BOGDANOS ATHANASIOS ELIAS	32.012	0,85%
SAXON MARITIME INC.	21.396	0,57%
OTHER SHAREHOLDERS	24.276	0,65%
TOTAL	**3.762.420**	**100,00%**

The Bank's term is set to ninety nine (99) years and its purpose, according to its Articles of Association, is the provision of all banking services allowed by the Law either for its own account or for the account of third parties.

Note that due to rounding, the actual sums of the amounts presented in the condensed consolidated financial statements might not be exactly equal to sums presented in the financial statements, and this also applies to the percentages.

Branches operating in Greece:

1. Central branch 32 Aigialias St, Maroussi
2. Thessaloniki: 20 Mitropoleos St, Thessaloniki
3. Heraklion: 46 25th Avgoustou St, Heraklion

Subjection of Cyprus Popular Bank (hereinafter the "CPB"), major shareholder of the Group, to a resolution scheme.

CPB, due to its participation in the Greek debt restructuring program implemented in March-April 2012 (PSI+), and also due to the increasing credit risk affecting its loan portfolio, suffered very considerable losses that affected both its accounting values and its regulatory capitals, and as a result its required capital adequacy indexes were not covered.

On March 25, 2013 and within the framework of the economic support program for Cyprus by the European Union ("EU"), the European Central Bank ("ECB") and the International Monetary Fund ("IMF") (jointly the "troika"), the CPB was subjected into a resolution scheme which, inter alia, included the following: (a) absorption

of a substantial part of its assets, liabilities and operations in Cyprus by the Bank of Cyprus, and (b) the transfer of its Greek banking activities, including the major part of IBG's loans and deposits, to Piraeus Bank Group.

Disposal of the Group's loans and deposits portfolio

On 26 March 2013 and within the framework of the Cypriot Law on the Resolution of Banks and Other Financial Institutions, the framework for transferring the major part of the loans portfolio (of a nominal value before provisions of approximately €365.3 million) and a significant part of the IBG deposits which on the above date amounted to ca €66.2 million to Piraeus Bank Group, was agreed. Moreover, other assets and liabilities were transferred, amounting to €0.3 million (before provisions) and €1.5 million respectively. The agreed price took into account, inter alia, the assessments made by the international consulting firm PIMCO regarding the expected credit risk losses of the Group's loan portfolio, under the worst-case scenario. The accounting loss due to this transaction, which affected the 2013 income statements, amounted to ca €17 million. The initially agreed consideration amounted to €125.7 million and was received in full by the Group, while a settlement amount of ca €58.1 that arose mainly from the decrease, subsequent to March 26, of the deposits transferred to Piraeus Bank, remained receivable as of December 31, 2014 by the Bank of Cyprus to which the majority of the Cyprus Popular Bank's assets and liabilities were transferred, under the Cypriot Law for the Resolution of Banks and Other Financial Institutions. The amount of €58.1 million has been received on 19.01.2015, thus significantly increasing the Group's liquidity.

Estimates on the capability of the Group to smoothly continue as a going concern

The financial statements have been prepared on the basis of the "going concern", since the Management estimates that the Group is capable of smoothly continuing its operation in the foreseeable future. This estimate is corroborated by the foreseen completion of the transfer of the bank shares from CPB to IREON INVESTMENTS LTD, a subsidiary of MOTOR OIL HELLAS.

Macroeconomic Environment

In 2018, the GDP recorded a 1.9% increase, while the consumer Price Index a 0.6% increase and the unemployment rate passed to 18%. The recovery of the Greek economy is expected to continue over 2019, provided that the reforms will continue, investment will be boosted and the lifting of capital controls will be fully implemented while the geopolitical developments will not worsen. In the capital markets, favorable prospects are created due to the strong liquidity of the banking system and the estimates about a further monetary easing and the political stability in Greece.

Group capital adequacy

As of December 31, 2018, the Group's Core Tier I ratio was of 43.34% (2017: 42.23%), which was well above the minimum level required by the Bank of Greece ("BoG").

2. Basis of preparation

2.1. Compliance

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as these have been adopted by the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated financial statements as of 31.12.2018 were approved by the BoD dated 21.06.2019 and are subject to the final approval of the General Meeting of the Shareholders, while they are available to the investors at the offices of the Group (32 Aigialias & Paradissou St, Maroussi) and on the website of the Group (www.ibg.gr).

2.2. Basis of presentation

The financial statements are presented in Euro which is the reporting currency and the amounts are rounded to the nearest thousand.

The financial statements have been prepared in accordance with the historical cost basis, which has been modified so as to include the valuation at fair value of the financial assets and liabilities (including the derivative financial instruments) through the income statement. The financial statements have been prepared under the going concern principle and after taking into account the macroeconomic and fiscal developments in Greece.

The preparation of the financial statements in accordance with the IFRS requires the use of estimates and assumptions that affect the valuation of the assets and liabilities, the recognition of possible liabilities on the date of the financial statements and the reporting of income and expenses incurred during the period under consideration. Consequently, the actual results may differ from these estimates, despite the fact that they are based on the best knowledge of the Management of the current conditions and actions. The areas involving a significant degree of judgment or complexity or where assumptions and estimates significantly affect the financial statements are mentioned in Note 4.

2.3. New standards, amendments to standards and interpretations

In particular, new standards, amendments to standards and interpretations have been issued that apply to financial years after 1.1.2018. The estimates of the Group regarding the impact of the application of such new standards, amendments to standards and interpretations are presented here below.

<u>Standards and Interpretations compulsory to the current financial year</u>

IFRS 9 "Financial Instruments"

The IFRS 9 replaces the provisions of IAS 39 pertaining to the classification and measurement of financial assets and liabilities and also includes a model for the expected credit losses that replaces the model of the incurred credit losses applied in accordance with the IAS 39. Moreover, IFRS 9 establishes a principle-based hedge accounting approach and deals with inconsistencies and weaknesses of the IAS 39 previous model.

IFRS 15 "Revenue from Contracts with Customers"

The IFRS 15 was issued in May 2014. The purpose of the standard is to provide a single, comprehensive income recognition model for all contracts with customers in order to improve comparability within industries, across industries, and across capital markets. It includes the principles that an entity shall apply to define the measurement of revenue and the timing of their recognition. The underlying principle is that an entity recognizes revenue in order to depict the transfer of goods or services to customers at the amount that the entity expects to be entitled to in exchange for these goods or services. The standard has no significant impact on the financial statements of the Group.

IFRS 4 (Amendments) "Applying IFRS 9 *Financial instruments* with IFRS 4 *Insurance policies*"

The amendments introduce two approaches. The amended standard will: a) offer all entities that issue insurance policies the option to recognize in other comprehensive income rather than profit or loss, any discrepancies that could arise because of the implementation of the IFRS 9 before the new insurance policies standard is issued, and b) offer the entities whose activities are mainly connected with insurance, an optional temporary exemption from applying the IFRS 9 until 2021. The entities that chose to defer the application of the IFRS 9 continue to apply the financial instruments standard IAS 39. The standard has no impact on the Group.

IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions"

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting handling of modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2, according to which an award shall be treated as if it was wholly equity-settled, where an employer is bound to withhold an amount to cover the employee's tax obligation associated with a share-based payment and remit that amount to the tax authorities. The standard has no significant impact on the financial statements of the Group.

IAS 40 (Amendments) "Transfers of Investment Property"

The amendments clarify that to transfer to or from investment properties there must be a change in use. To consider whether a property has a changed use it should be evaluated whether such property meets the definition and whether the change may be documented. The standard has no significant impact on the financial statements of the Group.

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The Interpretation provides guidance on how to define the date of a transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts.

Annual Improvements to 2014 IFRS Standards (cycle 2014-2016)

IAS 28 "Investments in Associates and Joint Ventures"

The amendments clarify that when venture capital organizations, mutual funds and similar entities make use of the choice to measure their investments in associates or joint ventures at fair value through profit or loss, this choice shall be made separately for each associate or joint venture at the initial recognition.

Standards and Interpretations compulsory to future financial years

IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (Applies to annual periods beginning on or after 1.1.2019)

The amendments offer to the companies the possibility, provided they fulfill a specific condition, to measure the prepayable financial assets with negative compensation at the amortized cost or fair value through the other total income instead of the fair value through results. The standard has no significant impact on the financial statements of the Group.

IFRS 16 "Leases" (Applies to annual periods beginning on or after 1.1.2019)

The IFRS 16 was issued in January 2016 and replaces the IAS 17. The objective of the standard is to ensure the lessees and lessors provide useful information that fairly presents the essentials of the lease transactions. The IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all lease agreements of a term longer than 12 months, unless the underlying asset is of low value. As regards the accounting handling by the lessor, IFRS 16 substantially incorporates the requirements of IAS 17. Therefore, the lessor continues to classify the lease agreements as operating leases or finance leases, and to adopt a different accounting handling for each type of lease. The Group is currently examining the impact of IFRS 16 on its consolidated financial statements and estimates that it will not have any significant impact on them.

IFRS 17 "Insurance policies" (Applies to annual periods beginning on or after 1.1.2021)

The IFRS 17 was issued in May 2017 and replaces the IFRS 4. IFRS 17 introduces the principles for the recognition, measurement and presentation of the insurance policies falling within the scope of the standard as well as the relevant disclosures. The purpose of the standard is to ensure that an entity provides relevant information which fairly present the said contracts. The new standard settles the comparability issues raised in IFRS 4, since it requires the insurance policies to be consistently recognized. The insurance liabilities will be measured in current values and not at their historic cost. The standard has not been adopted yet by the European Union.

IAS 28 (Amendments) "Investments in Associates and Joint Ventures" (Applies to annual periods beginning on or after 1.1.2019)

The amendments clarify that entities shall recognize their long-term participations in associates or joint ventures to which the equity method does not apply, in accordance with the IFRS 9.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (Applies to annual periods beginning on or after 1.1.2019)

The Interpretation clarifies application of recognition and measurement requirements for current and deferred income tax when there is uncertainty over income tax treatments. IFRIC Interpretation 23 applies to all aspects of the recognition of the income tax when there is such uncertainty, including the taxable profit/loss, the tax base of the assets and liabilities, the tax profits and losses and the tax rates.

IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" (Applies to annual periods beginning on or after 1.1.2019)

The amendments define the way entities shall specify the pension costs when modifications to defined benefits plans do occur.

IFRS 3 (Amendments) "Definition of Business Combinations" (Applies to annual periods beginning on or after 1.1.2020)

The new definition focuses on the sense of outputs on goods and services provided to customers as opposed to the previous definition that focused on the provision of dividends or other economic benefits directly to investors and other parties or lowering costs. The amendments have not been adopted yet by the European Union.

IAS 1 and IAS 8 (Amendments) "Definition of Material" (Applies to annual periods beginning on or after 1.1.2020)

The amendments clarify the definition of material and how it shall be applied, thus supplementing the definition with guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments have not been adopted yet by the European Union.

Annual Improvements to IFRS Standards (cycle 2015-2017) (Applies to annual periods beginning on or after 1.1.2019)

The following amendments include changes in four IFRS. The amendments have not been adopted yet by the European Union.

IFRS 3 "Business Combinations"

The amendments clarify how an entity re-measures the stake it previously had in a jointly controlled activity when it acquires control of the said business.

IFRS 11 "Joint Arrangements"

The amendments clarify how an entity does not re-measure the stake it previously had in a jointly controlled activity when it jointly acquires control of the said business.

IAS 12 "Income Taxes"

The amendments clarify how an entity does recognize all impacts on income tax due to the distribution of dividends in the same manner.

IAS 23 "Borrowing Costs"

The amendments clarify how an entity does handle, as part of its general borrowing any loan contracted especially for the development of an asset when such asset is ready for its intended use or available for sale.

2.4 Transition to IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" issued in its final form in July 2014 by the International Accounting Standards Board (IASB) and the amendment "Prepayment Features with Negative Compensation" issued in October 2017, is implemented by the Group since January 1, 2018.

IFRS 9 replaced IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes the revised requirements regarding a) the classification and measurement of the financial assets of the assets and liabilities, b) the impairment of the financial assets and c) the risk hedge accounting.

Classification and measurement of financial assets

IFRS 9 establishes a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

The financial assets shall be measured at amortized cost, if they are held as part of a business model aiming at holding the financial assets to collect contractual cash flows and their contractual cash flows represent solely payments of principal and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest. In all other cases, the financial assets will be classified at fair value through profit and loss (FVTPL).

An entity may, at initial recognition, define a financial asset as measured at fair value through profit and loss (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis.

Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss, unless such a presentation would create or enlarge an

accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognized in profit or loss, unless this would create or enlarge an accounting mismatch.

The Group has performed an initial analysis of its portfolios of financial assets in order to assess whether:

a. The cash flows resulting from each financial asset are solely payments of principal and interest (SPPI) on specified dates, according to the applicable contractual terms, and
b. The objective of the business model for each portfolio of financial assets is achieved by holding the financial assets to collect their contractual cash flows, by selling the financial assets, or by both.

The assessment is being performed based on the facts and circumstances that exist at the date of initial application, i.e. on January 1, 2018.

On the basis of the analysis performed, the Bank expects to apply the following classification and respective measurement bases for its existing portfolios of financial assets within the scope of IFRS 9:

Portfolio (Classification under IAS 39)	Classification under IFRS 9	Measurement under IFRS 9
Cash and balances with Central Banks	Hold to collect contractual cash flows	Amortized cost
Loans and advances to credit institutions	Hold to collect contractual cash flows	Amortized cost
Trading portfolio - Government bonds (1)	Hold to sell	Fair value through profit and loss - FVTPL
Trading portfolio - Corporate bonds (1)	Hold to sell	Fair value through profit and loss - FVTPL
Trading portfolio - Equity securities (1)	Cash flows are not SPPI / Hold to sell	Fair value through profit and loss - FVTPL
Portfolio available for sale - Debt instruments	Hold to collect cash flows	Fair value through other comprehensive income - FVOCI
Portfolio available for sale - Equity securities	Hold to collect cash flows	Fair value through profit and loss - FVTPL
Loans and advances to customers	Hold to collect cash flows	Amortized cost
Loans and advances to customers	Hold to collect cash flows	Fair value through profit and loss - FVTPL
Other stock exchange transactions	Hold to collect cash flows	Amortized cost
Investment Services Guarantee Securities	Hold to collect cash flows	Amortized cost

(1) "Financial assets through profit and loss" as per the Balance Sheet presentation

Impairment of financial assets

The Group has drafted a new Impairment Policy in accordance with IFRS 9 and has developed a related Impairment Methodology. The main components of this impairment methodology are the following:

A. Impairment is assessed for financial assets measured at amortized cost, financial assets measured at FVOCI, undrawn loan commitments and letters of guarantee.

B. Impairment is defined under IFRS 9 as expected credit loss (ECL) and represents loss which could result from default events of (i) performing credit exposures without any significant increase in credit risk (Stage 1 exposures) over the next 12 months, (ii) performing credit exposures whose credit risk has increased significantly since initial recognition (Stage 2 exposures) over the entire remaining maturity of the instrument, and (iii) non-performing exposures (Stage 3 exposures) over the entire remaining maturity of the instrument.

C. The expected credit losses (ECL) are estimated for each individual instrument (facility) using the formula:
Expected credit losses (ECL) = Exposure at default (EAD) x Probability of default (PD) x loss given default (LGD)

D. Exposure at default (EAD) is estimated by taking into consideration both the outstanding amount and the undrawn credit limit provided under an instrument.

E. Probability of default (PD) is estimated using a predictive algorithm which takes into consideration both internal (facility specific) and external (macroeconomic) parameters.

F. Loss given default (LGD) is estimated based on the expected net realizable value of the collaterals pledged against the credit exposure, if any.

The new requirements of IFRS 9 can be applied retrospectively by adjusting the Bank's balance sheet on the date of transition, i.e. 1 January 2018. However, the Group applied the exemption not to restate comparative figures for prior periods. Consequently, the Group's 2017 comparatives will be presented on an IAS 39 basis.

Based on assessments undertaken to date under the new Impairment Methodology, the total estimated impact of adopting IFRS 9 on the opening balance of the Bank's impairment allowance as of January 1, 2018 is an increase of €572k. The corresponding estimated decrease in the opening balance of the Bank's net equity as of January 1, 2018, is €572k, representing the increase in the impairment allowance before tax effect.
The impact of transiting to IFRS 9 on the retained earnings and the adjustment of the fair value reserves is detailed as follows (in '000 euros):

Impairment	**IFRS 9 Impact**
Loans and advances to customers	572
Other financial assets	-
Total impairment	**572**

Reclassification	**IFRS 9 Impact**
Adjustment of the fair value reserve	5.231
Total reclassification	**5.231**

Hedge accounting

The Group does not apply any hedge accounting under IAS 39 and does not intend to apply any hedge accounting under IFRS 9. Consequently, all derivatives held by the Group are and will continue to be measured at Fair Value through profit or loss (FVTPL).

Impacts on the capital requirements

The adoption of IFRS 9 as of January 1, 2018 does not materially affect (0.1%) the Bank's CET 1 capital ratio.

3. Major Accounting Principles

The accounting principles applied to the preparation of the financial statements are the following:

3.1. Subsidiaries

The Group is not listed in the Athens Stock Exchange and is a subsidiary, with a stake of 97.08%, of Laiki Bank which is under a resolution scheme. In accordance with the instructions of the Bank of Greece, it is bound to draft solo and consolidated financial statements since both its solo statements and those of its subsidiaries are fully consolidated in the financial statements of the Investment Bank which drafts them in accordance with the IFRS and are available to the public.

Participations in subsidiaries are presented at the acquisition cost less any impairment, where necessary.

3.2. Foreign currency transactions

Transactions in foreign currencies are converted to the transaction currency, i.e. Euro, at the exchange rate valid on the dates these transactions were made. Monetary assets and liabilities denominated in foreign currencies, are converted to Euro in accordance with the exchange rate valid on the date the financial statements were drafted. The resulting foreign exchange differences are recorded on the income statement.

Exchange differences arising from the conversion of the non-monetary financial assets are part of the variation of their fair value. The arising exchange differences for non-monetary financial assets, such as assets classified as trading securities, are recognized in the income statement.

3.3. Investments in financial instruments

The following accounting policies have been applied to the reference period prior to January 1, 2018, to recognize the financial instruments under IAS 39.

(a) Classification

Instruments presented at fair value through profit or loss: This category is divided into two sub-categories: financial assets held for trading and assets that upon inception are designated at fair value through profit or loss. A financial asset is classified in this category if acquired in order to make gains from the short term values variation or if so designated by the Management. This category includes derivatives that are not designated as hedging instruments nor are they effective hedging instruments.

Loans and receivables: means the loans and any kind of receivables created by the Group by granting money to a debtor other than those created with the intention of short-term profit taking.

Investments available for sale: means the investments that are not "loans and receivables" nor are they recorded on the "held to maturity investments" or "investments held for trading". They include bonds, mutual fund units and shares.

(b) Recognition

The Group recognizes the financial assets held for trading and available-for-sale investments as of the date it is committed to purchase the assets. From this date on, any gains and losses arising from changes in the fair value of the assets are recognized. Loans and receivables are recognized when cash is advanced to the borrowers.

(c) Measurement

Financial instruments are initially measured at fair value, including the transaction costs.
After the initial valuation, all trading portfolio instruments and the available-for-sale assets are measured at fair value, except the financial instruments that have no market price in an active market and whose fair value cannot be reliably measured, which are valued at cost, including the transaction fees and less the impairment losses.

All non-trading financial liabilities, loans and receivables, as well as the held-to-maturity assets are presented at their amortized cost less impairment losses. The amortized cost is calculated according to the effective interest rate method. Premiums and discounts, including the transaction costs are included in the carrying amount of the related instrument and are amortized based on the effective interest rate of the instrument.

(d) Fair Value Measurement

The fair value of the financial instruments is based on their market price, on the reporting date, without deducting the transaction costs. If there is no market price, the fair value of the instrument is calculated using valuation models or the discounted cash flow technique.

Where discounted cash flow techniques are used, the estimated future cash flows are based on the Management's best estimate, while the discount rate is a market rate at the reporting date for an instrument with similar terms and conditions. Where valuation models are used, inputs are based on the relevant market prices at the reporting date.

The fair value of derivatives that are not exchange-traded equals the amount that the Group will receive or pay to terminate the contract on the reporting date, after taking into account the current market conditions and the current creditworthiness (credit rating) of the counterparties.

(e) Gains and losses on subsequent measurement

The gains and losses arising from a change in the fair value of the available-for-sale assets are recognized in the other comprehensive income. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in equity through the total other comprehensive income is transferred to the income statement.

Gains and losses arising from a change in the fair value of the trading portfolio instruments are recognized in the income statement.

(f) Derecognition

A financial instrument is derecognized from the financial statements of the Group when the Group loses control on the contractual rights that arise from the financial instrument. This occurs when the instrument is sold, expired or the cash inflows relevant to it are transferred to an independent third party. A financial liability is derecognized when it is extinguished.

3.4. Repurchase agreements

The Group enters into agreements to purchase (sell) securities and resell (repurchase) substantially the same securities on a certain date in the future, and at a fixed price. The purchased securities subject to a commitment to resell them in future dates (reverse repos) are not recognized as investments. The amounts paid for such purchase are recognized in loans and advances to banks or customers. The receivables are presented in the statement of financial position as collateralized by the underlying security. Investments sold under repurchase agreements (repos) continue to be recognized in the statement of financial position and are measured depending on their classification. The proceeds from the sale of these investments are reported as liabilities to banks or customers.

The difference between the sale and repurchase price is recognized on an accrual basis throughout the transaction period and is included in the interests.

3.5. Owner-occupied property and equipment

Tangible assets are presented at acquisition cost or at deemed cost less the accumulated depreciation and any impairments.

Depreciation is calculated under the straight line method throughout the useful life of the tangible assets. Plots are not depreciated. The useful life has been defined as follows:

- Buildings and plants: 30-50 years
- Machinery and equipment: 4-7 years
- Vehicles: 9-10 years

Leasehold improvements are depreciated over the useful life of the improvement or the duration of the lease whichever is the shorter.

The fixed assets' useful life is reviewed and adjusted, if appropriate, at each reporting date. Tangible assets are reviewed for possible impairment whenever events occur or in case that the acquisition cost is not considered recoverable. An asset's carrying amount is immediately reduced to its recoverable amount if the asset's acquisition cost is greater than its recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and the "value in use".

Gains and losses on disposals are the difference between the proceeds and the value presented in the statement of financial position. Such a difference is recorded in the income statement.

3.6. Intangible assets

Intangible assets include the Group's software and are presented at acquisition cost less any accumulated amortizations and impairments. Amortization is performed using the straight-line method throughout the useful life of the software ranging from 1 to 5 years.

3.7. Cash and cash equivalents

Cash and cash equivalents include monetary assets with a maturity shorter than three months from the acquisition date, such as cash balances, unrestricted balances held at the Central Bank and amounts due from financial institutions. Cash and cash equivalents are recognized at amortized cost.

3.8. Impairment of Financial Assets

The following accounting policies have been applied to the reference period prior to January 1, 2018, to recognize the financial instruments under IAS 39.

(a) Assets presented at amortized cost

The Group evaluates at each reporting date whether there is substantial evidence that a financial asset, or group of financial assets, is impaired. A financial asset or group of financial assets is impaired, and impairment losses are incurred, only when there is substantial evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and such a loss event (or events) does have an impact on the estimated future cash flows of the financial asset if it can be relevantly estimated. Objective evidence that a financial asset or group of assets is impaired includes information that come to the attention of the Group about the following loss events:

i. Significant financial difficulty of the debtor/borrower;
ii. Breach of the terms of a contract resulting in the delay or default of payment of the principal or interests.
iii. Granting to the borrower forbearance measures due to the borrower's financial difficulty with more adverse terms for the Group compared to the initial agreement.
iv. Strong probability that the borrower will go bankrupt or enter another financial reorganization regime.
v. Lack of active market for this specific financial asset due to financial difficulty.
vi. Indications of a significant decrease in the expected future cash flows from a group of financial assets, compared to the initial acquisition cost, although it is impossible to determine the possible impairment loss. These indications may, by way of example, refer to the following:
   - Unexpected changes in the payment status of the borrowers or a group of borrowers;
   - National or local economic conditions that contribute to the decrease of the value of the assets that are part of a larger group.

The Group first assesses whether objective evidence of impairment exists for loans and significant receivables individually or collectively for assets the receivables for which are not considered individually significant. If for an individually assessed financial asset no objective evidence of loss exist, then these assets are included in groups with similar credit risk features and are collectively assessed. Assets that are individually assessed for impairment and for which an impairment loss arises, are not included in the assessment at portfolio level.

If during the impairment check it arises that there is substantial evidence that an impairment loss on loans and receivables or on held-to-maturity investments carried at amortized cost has been incurred, the impairment loss is the difference between the booked value of the receivables and the expected cash flows (less the future credit losses that have already incurred) discounted at the present value according to the effective interest rate. The carrying amount of the asset is reduced with the use of an allowance account and the amount of the loss is recognized in the income statement. In the event that a loan or receivables or a held-to-maturity investment has a floating interest rate, the discount rate corresponds to the current effective interest rate as arises from the contract. Practically, the Group may measure the impairment loss on the basis of an asset's fair value using the market current interest rate considered noticeable.

The calculation of the present value of the expected future cash flows of a collateralized financial asset reflects the cash flows that may arise from the foreclosure less costs for acquiring and selling the collateral in the event that the foreclosure is impossible.

In the event of a collective evaluation of impairment, the financial assets are grouped on the basis of similar credit risk features (e.g. on the basis of the Group's credit rating which takes into account the collateral, the asset, the historic behavior, geographical factors, the industry and other factors). These features are relevant to the calculation of the future cash flows for groups of assets since they indicate the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and the historical loss experience for assets with credit risk characteristics similar to those in the portfolio.
Historical loss experience is adjusted on the basis of current actual data in order to reflect the effects of the current conditions that did not affect the period to which the historical loss experience refer in order to eliminate the impacts of the conditions that affected the historical data and do not apply any longer.

The methodology and the assumptions used to define the future cash flows are regularly reviewed by the Group to readjust any differences between the loss estimates and the actual loss. When a loan is uncollectable, it is written off against the related provision. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been defined. Any subsequent recovery of amounts previously written off are recognized in the income statement.

If, at a subsequent time, the amount of the impairment loss decreases and such decrease can be associated to an event that occurred after the impairment calculation, then the previously recognized impairment loss is reversed by adjusting the allowance. The reversal is recognized in the income statement.

(b) Assets presented at fair value

The Group examines at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. An important and continuous decrease of the fair value of the security compared to its acquisition cost is considered to be an indication of impairment for securities classified as assets available for sale. If any such evidence exists for available-for-sale financial assets, the cumulative loss of the said assets that equal the difference between the acquisition cost and the current fair value, less any prior impairment loss are transferred from equity to profit or loss. Impairment losses recognized in the income statement are not reversed. If, at a subsequent time, the fair value of a debt instrument classified as available-for-sale increases and the increase can be associated with an event that occurred after the impairment loss was recognized in profit or loss, then the impairment loss is reversed through the profit or loss.

3.9. Financial Liabilities

Financial liabilities are presented at the amortized cost as this arises from the effective interest method. Due to banks and customers are classified in this category.

3.10. Financial guarantees

Financial guarantees (letters of guarantee) are contracts under which the Group undertakes to compensate the holder for a loss that he may suffer because the principal debtor will fail to timely fulfill his obligations.

Commission from the financial guarantee contracts is initially recognized as liability (is considered to be the fair value of the liability) and then is gradually transferred to the income statement throughout the guarantee term.

On each reporting date, the Group examines whether there is evidence that the letters of guarantee will be forfeited and in such a case, the recognized liability is the higher amount between the present value of the amount that is expected to be paid and the amortized amount of the collected commissions.
The liabilities arising from financial guarantee contracts are presented in the item "Other liabilities".

3.11. Staff benefits

Short-term staff benefits The short-term staff benefits in cash and in kind (except benefits for the termination of the employment relationship) are recognized as expense when accrued. Benefits to employees based on their performance and on the profitability of the Group are recognized to the extent that the Group has undertaken on the reporting date the deemed obligation to make such payments.

Staff retirement indemnities Benefits given after the termination of the employment include lump-sum severance grants, pensions and other benefits paid to the employees after the employment termination in exchange for their service. The Group's liabilities for retirement benefits pertain to both defined contribution plans and defined benefit plans.

i) Defined contribution plan

The defined contribution plans pertain to payments of contributions made to Insurance Bodies (e.g. the Social Security Fund - IKA), and therefore there is no legal obligation of the Group in the event that the State Fund fails to pay the pension to the insured persons. The obligation of the employer is limited to the payment of the employer's contribution to the Funds. The contribution payable by the Group for a defined contribution plan is recognized as liability after deducting the contribution paid, while the accrued contributions are recognized as expense in the income statement.

ii) Defined benefit plan

Defined benefit plan means a benefit plan receivable by employees upon their exit from the service (pursuant to the Greek legislation), in which the benefits are defined based on financial and demographic assumptions. The most important assumptions are, inter alia, age, years of service, salary, life expectancy ratios, discount

rate and the salaries and pensions growth rate. In defined benefit plans, the liability value equals the present value of the payable defined benefits on the reporting date, decreased by the fair value of the plan's assets. The liability of the defined benefits and the relevant expense are calculated on an annual basis by an independent actuary using the projected unit credit method. The present value of the liability is defined by discounting the estimated future cash outflows using interest rates of high ranking corporate or sovereign bonds in the same currency and with the same term to maturity as those of the liability, or an interest rate taking into account the risk and the term of the liability, where there is an insufficient deep market for such bonds. The service and net financial costs of the defined benefits' net liability (asset) are recognized in the statement of profit or loss and are included in the staff costs. The defined benefits' net liability (after deducting the assets) is recognized in the statement of financial position, while the variations that arise from the re-measurement are recognized in the Other comprehensive income and cannot be a posteriori reclassified to the income statement.

Employment termination benefits The employment termination benefits are paid when employees terminate their employment before retirement. The Group records these benefits when it undertakes to terminate the employment of existing employees in accordance with a detailed plan from which it is impossible to withdraw.

3.12. Provisions

The Group recognizes provisions if as a result of a past event, has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions take into account also the time value of money.

3.13. Offsetting financial instruments

Financial assets and liabilities are set off and the net amount is reported in the statement of financial position only when there is a legal right to set off the recognized amounts and there is an intention to either settle the net amount arising from the offset or to simultaneously settle the total amount of both the financial asset and the liability. Offsetting revenue and expense is allowed only if they are part of a total entry.

3.14. Leases

The Group as Lessee: Leases where the lessor transfers the right to use an asset over an agreed period, without transferring the risks and rewards of the ownership of the asset, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized to the income statement proportionally over the lease term.

The Group as Lessor: Fixed assets leased out under operating leases are included in tangible assets of the statement of financial position. They are depreciated over their anticipated useful lives on a basis consistent with similar privately-owned tangible assets. The rental income (net of any incentives offered to lessees) is recognized using the straight-line method over the lease term.

3.15. Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accruals basis, using effective interest rate method or the relevant floating interest rate. The effective interest method is a method to calculate the amortized cost of a financial asset or liability and to allocate the interest income or expense over the reference period. Effective interest rate is the rate that discounts just the estimated future payments or receipts throughout the expected life of the financial instrument. Interest income and expense include coupon payments from the securities of the investment and trading portfolios, the interests on loans and placements, the interests on derivatives used to hedge the loans and the depreciation of the premium/discount amounts of the securities.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the interest rate used to discount the future cash flows for measuring the impairment loss.

3.16. Fee and commission income

Fee and commission income is recognized in the income statement throughout the period in which the relevant services were provided, unless they influence the effective interest rate.

3.17. Net trading income

The net trading income on financial transactions includes the gains and losses that arise from liquidations and changes in the fair value of the trading financial assets and liabilities.

3.18. Dividend income

Dividend income is recognized in the income statement on the date the dividend is approved.

3.19. Income tax and deferred tax

The income tax charge consists of the current taxes, the deferred taxes and the differences from previous financial years' tax audits.

Income tax is recognized in the year's income statement, except the tax on transactions directly recognized in equity, in which case it is directly, mutatis mutandis, recognized in equity. To assess the annual tax charge, all required adjustments on the accounting result are taken into account in order to define the final taxable income.

Current income taxes include short-term liabilities or claims vis-à-vis fiscal authorities pertaining to payable taxes on the year's taxable income and any additional income taxes pertaining to previous financial years.

Current taxes are measured on the basis of tax rates and fiscal laws that apply to the corresponding financial years, based on the annual taxable profit.

Deferred taxes are taxes or tax relieves relevant to the financial encumbrances or benefits that arise during the financial year in question, but have already been or will be allocated to different financial years by the tax authorities. The deferred income tax is defined using the liability method; such liability is defined by the temporary differences between the carrying amount and the tax base of the assets and liabilities. The deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction did not affect either the accounting or the taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates expected to apply on the financial year when the asset will be realized or the liability will be settled, considering the tax rates (and tax laws) that have been enacted or are substantively in force until the reporting date. In the event that it is impossible to clearly define the reversal time of the temporary differences, the tax rate to be applied is the one that applies to the financial year after the reporting date.

Deferred income tax assets are recognized to the extent that there will be a future taxable profit in order to utilize the temporary difference generated by the deferred income tax asset.
Tax audit differences pertain to additional income taxes and additional charges attributed by the tax authorities due to the redefinition of the Group's taxable income within the framework of an ordinary or extraordinary tax audit.

3.20. Share capital

(a) Incremental costs of share capital increase

The direct incremental costs pertaining to the issuance of new shares are presented net of taxes and proceeds, and as a reduction of equity.

(b) Dividends

Dividends are recognized as liability in the year when dividends are approved by the Group's shareholders.

4. Critical accounting estimates and assumptions for the implementation of the accounting principles

To apply the accounting principles of the Group, the Management makes estimates and assumptions that may affect the amounts of the assets and liabilities reported on the financial statements. The estimates and assumptions are reviewed on every financial statements reporting date and are based on historic data and other factors, including estimates about future events, which assumptions are considered reasonable under the current circumstances. The estimates and assumptions for the implementation of the accounting principles pertain mainly to the following fields:

A. Impairment provisions for credit risks from loans and advances to customers

The Group, on every financial statements reporting date examines whether there are objective evidence that loans and advances to customers have been impaired. In the event of such evidence, the recoverable amount of the receivables is calculated and relevant impairment provisions are formed (estimated as non-recoverable amount).

The impairment provision is based on the assumptions of the Management regarding the recoverability of the exposure and the guarantees received. The Management makes assumptions on the financial position of the counterparty, the credit risk, the recoverability of any collaterals and guarantees, as well as to define the timing when the impairment will be recognized.

Additional information on the impairment provisions for credit risks from loans and advances to customers is included in Notes 2.4, 5.1 and 19.

B. Recoverability of deferred tax assets

The Group recognizes deferred tax assets to the extent that it assumes that it will have sufficient future tax profits available.

The recognition of the above deferred tax assets requires estimates regarding the future financial performance of the Group's companies to which the deferred tax assets have been recognized. In particular, the definition of the deferred tax assets that may be recognized requires critical estimates about the time the future taxable profits will be achieved and their amount.

Further information about the deferred tax assets of the Group can be found in Note 24.

C. Financial assets fair value

The fair value of the financial assets for which there are no market prices in an active market is defined using valuation models.

The valuation methodology used includes discounted cash flow methods mainly based on observable elements, wherever available. The fair value of the investments in closed-end venture capital mutual funds (AKES) depends on major assumptions including forecasted revenue, operating expenses and discount rates. The closed-end venture capital mutual funds (AKES) invest in renewable energy sources (wind farms and solar parks).

Further information about the fair value of financial assets can be found in Notes 6.2, 17, 18 and 20.

5. Financial Risk Management

The Group, as any other credit institution is exposed to risks. Such risks are constantly monitored in different ways to avoid the accumulation of excessive risks. The nature of these risks as well as their management are explained here below. Moreover, further financial information is given to describe the extent and the nature of the financial risks faced by the Group, with relevant comparative information on the previous financial year.

5.1. Credit risk

Credit risk is the risk of loss due to possible failure or unwillingness of the counterparty to fulfill its contractual obligations, thus resulting in the loss of funds and profit. Credit risk management focuses on ensuring a certain disciplined mentality, transparency, and calculated risk undertaking based on internationally recognized practices.

Credit Risk Management

Credit risk management methodologies are adjusted to reflect the each time economic environment. Various methods are used which are annually reviewed, or whenever necessary, and are adjusted depending on the Group's strategy and its short- and long-term goals.

The various analyses of sectors and sub-sectors of the economy, in association with the financial forecasts offer guidance to define the credit policy.

The credit limits per borrower are defined by having in view the minimization of the credit risk and considering the credit rating of the borrower, the offered collaterals and guarantees that reduce the Group's exposure to credit risk, the type and the term of the facility. The creditworthiness analysis for each borrower is conducted by taking into account the country risk as well as the business sector in which such borrower is active, as well as his qualitative and quantitative characteristics.

At the same time, credit approval limits have been established, while tasks during the financing procedure have been set to ensure the objectivity, independence and control of the new and existing credit facilities.

During the approval procedure, the overall credit risk for each counterparty or group of counterparties is examined, and all risks are then related to each another, while the credit limits approved by various companies of the Group are added up.

The creditworthiness of the counterparties as well as their credit exposure are systematically monitored, in association with the relevant approved limits. At the same time, any concentration is continuously analyzed and monitored in view of limiting any possible large exposures and risky concentrations. Credit risk concentration may be generated per economy sector, counterparty or group of counterparties, country, currency and type of collaterals.

Balancing the profit-risk relation is vital to the ongoing Group's profitability. This relation is analyzed at customer and product levels through profitability measurement analysis and pricing definition, in order to combine the undertaken risk with the expected profits.

In addition, within the framework of the credit risk management policy, the effect of extreme but feasible scenarios on the quality of the loan portfolio and on the available funds is evaluated by conducting stress tests.

Credit rating systems

The methods to evaluate the creditworthiness are classified in the following categories, depending on the type of the counterparty: central governments (for purchase and holding of bonds), financial institutions, large and small & medium-sized entities (SMEs) and natural persons.

As regards the governments' and financial institutions rating, it is detailed in the following sections "Counterparty Bank risk" and "Country risk".

Natural persons are rated following a research conducted in the TIRESSIAS bank information system presenting the background of the transaction activity of the customer and their income. In particular, for issuing a credit card, customers are evaluated with the scoring system based both on demographic factors and objective financial information (e.g. income, assets).

To rate large and SME businesses, a risk classification system is used. The first aspect concerns the classification of the borrower's creditworthiness to a ten-scaled rating system based on qualitative and quantitative criteria, thus defining the probability failing to meet its obligations. The weighting coefficients for the different criteria varies depending on the nature and the size of the borrower's activity.

The second aspect of the transaction risk rating is the evaluation of the quality and sufficiency of the collaterals, thus defining the expected loss in case of default.

The customer's degree of creditworthiness is used in association with the degree of the collaterals' sufficiency (i.e. the unsecured risk) during the credit approval stage and the definition of the relevant limits. In particular, the creditworthiness rating of the business portfolio is systematically monitored in order to internally calculate the probability of default and to timely diagnose any adverse drifting to the various portfolio quality/risk stages, in view of elaborating the appropriate strategies to hedge the risks undertaken.

Maximum exposure to credit risk prior to offered collaterals and other credit upgradings

The following table presents the maximum exposure to credit risk arising from financial instruments presented in the statement of financial position, without taking into consideration any received collaterals or other credit upgradings. As far as the financial instruments presented in the statement of financial position are concerned, the exposure to credit risk equals their book value.

Amounts in Eur '000	**Maximum exposure 2018**	**2017**
Exposure to credit risk from items on the SOFP:		
Loans and advances to credit institutions	11.718	23.983
Financial assets at fair value through profit or loss	64.595	44.840
Derivative financial instruments	24	49
Loans and advances to customers (net of provisions)		
Retail	8.022	12.913
Wholesale:		
Large Corporate	8.707	5.385
Small and medium business	17.518	14.848
Loans and advances to customers measured at fair value through profit and loss:	3.741	0
Investment portfolio securities:		
Financial assets at fair value through other comprehensive income	1.382	23.076
Other assets	29.551	19.354
Total balance sheet items	**145.259**	**144.449**
Exposure to credit risk from off balance sheet items:		
Letters of guarantee	3.040	2.936
Total	**148.299**	**147.385**

Loans and advances

The following table presents the quality of the loans and advances of the Group.

Amounts in Eur '000

Loans and advances to customers and impairment provisions per IFRS 9 Stage

31/12/2018	**Stage 1** Loans and advances to customers without significant increase in credit risk after initial recognition		**Stage 2** Loans and advances to customers with significant increase in credit risk after initial recognition		**Stage 3** Credit-impaired loans and advances to customers		**Total** Loans and advances to customers		Loans and advances to customers net value
	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	
Individuals									
Consumer	1.101	44	0	0	19	19	1.120	63	1.057
Margin/Brokerage	6.967	0	0	0	306	306	7.272	306	6.967
Corporate									
Small Business	8.454	93	0	0	1.256	788	9.710	880	8.830
SMEs	8.834	105	0	0	0	0	8.834	105	8.729
Corporate	8.036	63	0	0	0	0	8.036	63	7.973
Margin Corporate/SMEs	734	0	0	0	0	0	734	0	734
Total	**34.126**	**305**	**0**	**0**	**1.580**	**1.112**	**35.706**	**1.417**	**34.289**
Commitments relevant to credit risk									
Loan commitments	2.140	9	900	32	0	0	3.040	40	3.000
Total	**2.140**	**9**	**900**	**32**	**0**	**0**	**3.040**	**40**	**3.000**

Amounts in Eur '000

Loans and advances to customers and impairment provisions per IFRS 9 Stage

1/1/2018	Stage 1: Loans and advances to customers without significant increase in credit risk after initial recognition		Stage 2: Loans and advances to customers with significant increase in credit risk after initial recognition		Stage 3: Credit-impaired loans and advances to customers		Total: Loans and advances to customers		Loans and advances to customers net value
	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	
Individuals									
Consumer	993	35	0	0	0	0	993	35	959
Margin/Brokerage	11.920	0	0	0	298	296	12.217	296	11.921
Corporate									
Small Business	417	16	862	228	2.547	2.079	3.827	2.323	1.503
SMEs	13.101	164	0	0	0	0	13.101	164	12.937
Corporate	3.140	71	0	0	0	0	3.140	71	3.069
Margin Corporate/SMEs	2.245	0	0	0	0	0	2.245	0	2.245
Total	**31.816**	**287**	**862**	**228**	**2.845**	**2.376**	**35.523**	**2.890**	**32.633**
Commitments relevant to credit risk									
Loan commitments	1.636	13	1.300	46	0	0	2.936	58	2.877
Total	**1.636**	**13**	**1.300**	**46**	**0**	**0**	**2.936**	**58**	**2.877**

Amounts in Eur '000

Loans and advances to customers on 31.12.2018 based on their quality (impairments under IFRS 9)

31/12/2018	Loans and advances to customers				Total value before impairment	Accumulated impairment provisions		Total net value after impairment	Value of collaterals
	Not past due	Past due	Individual assessment	Collective assessment		Individual assessment	Collective assessment		
Individuals									
Consumer	1.107	12	19	1.101	1.120	19	44	1.057	591
Margin/Brokerage	6.967	306	306	6.967	7.272	306	0	6.967	19.954
Corporate									
Small Business	8.454	1.256	1.256	8.454	9.710	788	93	8.830	6.930
SMEs	8.020	815	0	8.834	8.834	0	105	8.729	515
Corporate	8.036	0	0	8.036	8.036	0	63	7.973	0
Margin Corporate/SMEs	734	0	0	734	734	0	0	734	688
Total	**33.318**	**2.388**	**1.580**	**34.126**	**35.706**	**1.112**	**305**	**34.289**	**28.679**
Commitments relevant to credit risk									
Loan commitments	2.140	900	0	3.040	**3.040**	0	40	3.000	518
Total	**2.140**	**900**	**0**	**3.040**	**3.040**	**0**	**40**	**3.000**	**518**

Amounts in Eur '000

Loans and advances to customers on 31.12.2017 based on their quality (impairments under IAS 39)

31/12/2017	Loans and advances to customers				Total value before impairment	Accumulated impairment provisions		Total net value after impairment	Value of collaterals
	Not past due	Past due	Individual assessment	Collective assessment		Individual assessment	Collective assessment		
Individuals									
Consumer	993	0	993	0	993	0	0	993	669
Margin/Brokerage	11.920	298	12.217	0	12.217	297	0	11.921	30.888
Corporate									
Small Business	799	3.028	3.827	0	3.827	2.079	0	1.747	1.322
SMEs	12.869	232	13.101	0	13.101	0	0	13.101	6.409
Corporate	2.000	1.140	3.140	0	3.140	0	0	3.140	0
Margin Corporate/SMEs	2.245	0	2.245	0	2.245	0	0	2.245	6.763
Total	**30.825**	**4.698**	**35.523**	**0**	**35.523**	**2.376**	**0**	**33.147**	**46.051**
Commitments relevant to credit risk									
Loan commitments	1.636	1.300	2.936	0	2.936	0	0	2.936	266
Total	**1.636**	**1.300**	**2.936**	**0**	**2.936**	**0**	**0**	**2.936**	**266**

Amounts in Eur '000

Loans and advances to customers on 31.12.2018 and impairment provisions per IFRS 9 Stage

	Consumer loans			Margin/ Brokerage Retail		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Performing	1.099	0	0	6.967	0	0
Up to 30 days	2	0	0	0	0	0
From 31 to 60 days	0	0	0	0	0	0
From 61 to 90 days	0	0	0	0	0	0
Unlikely to pay	0	0	0	0	0	0
From 91 to 180 days	0	0	10	0	0	0
From 181 to 360 days	0	0	0	0	0	0
From 361 to 720 days	0	0	0	0	0	0
More than 720 days	0	0	9	0	0	306
Denounced	0	0	0	0	0	0
Total	**1.101**	**0**	**19**	**6.967**	**0**	**306**
Impairments	44	0	19	0	0	306
Net value	1.057	0	0	6.967	0	0
Collaterals	591	0	0	19.954	0	0

Amounts in Eur '000

Loans and advances to customers on 31.12.2018 and impairment provisions per IFRS 9 Stage

	Corporate loans			Margin Corporate/SMEs		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Performing	24.510	0	0	734	0	0
From 1 to 30 days	815	0	0	0	0	0
From 31 to 60 days	0	0	0	0	0	0
From 61 to 90 days	0	0	0	0	0	0
Unlikely to pay	0	0	0	0	0	0
From 91 to 180 days	0	0	0	0	0	0
From 181 to 360 days	0	0	0	0	0	0
From 361 to 720 days	0	0	0	0	0	0
More than 720 days	0	0	0	0	0	0
Denounced	0	0	1.256	0	0	0
Total	**25.325**	**0**	**1.256**	**734**	0	0
Impairments	304	0	788	0	0	0
Net value	25.021	0	468	734	0	0
Collaterals	6.109	0	1.336	688	0	0

Amounts in Eur '000

Loans and advances to customers on 31.12.2017 and impairment provisions per IAS 39 Stage

	Consumer loans	**Margin/ Brokerage Retail**	**Corporate loans**	**Margin Corporate/ SMEs**
Performing	993	11.920	15.667	2.245
From 1 to 30 days	0	0	1.853	0
From 31 to 60 days	0	0	0	0
From 61 to 90 days	0	0	0	0
Unlikely to pay	0	0	0	0
From 91 to 180 days	0	0	0	0
From 181 to 360 days	0	0	0	0
From 361 to 720 days	0	0	0	0
More than 720 days	0	298	1.291	0
Denounced	0	0	1.256	0
Total	**993**	**12.217**	**20.068**	**2.245**
Impairments	0	297	2.079	0
Net value	993	11.921	17.988	2.245
Collaterals	669	30.888	7.731	6.763

Amounts in Eur '000

Analysis of collaterals and guarantees received

31/12/2018	Real estate collaterals	Financial collaterals	Government guarantees	Other collaterals	Total collaterals
Individuals	0	591	0	19.954	**20.546**
Corporate	5.040	300	0	2.794	**8.134**
Total	**5.040**	**891**	**0**	**22.748**	**28.679**
31/12/2017					
Individuals	0	569	0	30.888	**31.557**
Corporate	0	6.000	0	8.594	**14.494**
Total	**0**	**6.569**	**0**	**39.482**	**46.051**

Total credit risk: Exposures and weighting under Regulation 575/2013

Amounts in Eur '000

	31/12/2018				31/12/2017			
Exposures	Total amount	Impairment	Amount after impairment	Weighted amount	Total amount	Impairment	Amount after impairment	Weighted amount
Central governments or central banks	57.731	0	57.731	2.367	33.822	0	33.822	9.005
Regional governments or local authorities	0	0	0	0	0	0	0	0
Public sector entities	4.792	0	4.792	4.792	4.775	0	4.775	4.775
Multilateral development banks	0	0	0	0	0	0	0	0
International organizations	0	0	0	0	0	0	0	0
Financial institutions	13.829	0	13.829	4.095	24.244	0	24.244	22.195
Corporate entities	36.198	15	36.183	27.029	33.648	0	33.648	19.970
Retail banking	18.615	2	18.613	976	24.230	0	24.230	5.634
Secured on property collateral	4.219	0	4.219	2.004	0	0	0	0
In default	1.580	1.103	477	711	2.845	2.376	469	703
High risk	20.695	0	20.695	31.043	17.913	0	17.913	26.869
Covered bonds	0	0	0	0	0	0	0	0
Short term credit assessment	0	0	0	0	0	0	0	0
Collective investment undertakings CIU	0	0	0	0	0	0	0	0
Shares	443	0	443	523	370	0	370	451
Other	14.575	0	14.575	7.927	15.145	0	15.145	6.870
Total	**172.677**	**1.120**	**171.557**	**81.467**	**156.992**	**2.376**	**154.616**	**96.472**

Total credit risk: Exposure-based classification

Amounts in Eur '000

	31/12/2018				31/12/2017			
Exposures	Total amount	Impairment	Amount after impairment	Weighted amount	Total amount	Impairment	Amount after impairment	Weighted amount
On balance sheet	149.797	1.118	148.679	78.268	131.532	2.376	129.156	94.724
Off-balance sheet	20.207	2	20.205	1.735	25.265	0	25.265	1.585
Counterparty risk	2.673	0	2.673	1.464	195	0	195	163
Total	**172.677**	**1.120**	**171.557**	**81.467**	**156.992**	**2.376**	**154.616**	**96.472**

Total credit risk: Off-balance sheet items classification

Amounts in Eur '000

	31/12/2018				31/12/2017			
Exposures	Total amount	Impairment	Amount after impairment	Weighted amount	Total amount	Impairment	Amount after impairment	Weighted amount
Risk-free letters of guarantee	0	0	0		0	0	0	
Medium-risk letters of guarantee	1.948	2	1.946		2.163	0	2.163	
High-risk letters of guarantee	1.092	0	1.092		773	0	773	
Approved loan agreements and credit lines*	17.167	0	17.167		22.329	0	22.329	
Total	**20.207**	**2**	**20.205**	**1.735**	**25.265**	**0**	**25.265**	**1.585**

* The approved loan agreements and credit lines refer to lines that may be canceled unconditionally at any time without notice, except the amount of €270k (31 Dec. 2018).

Counterparty banks risk

The Group is exposed to the risk of capital losses due to contingent delayed payments of outstanding and contingent liabilities of counterparty banks. Thanks to its daily activities, the Group transacts with other banks and financial institutions. By conducting such activities, the Group runs the risk of capital losses due to contingent delayed payments to the Group of outstanding and contingent liabilities of counterparty banks.

The limits of counterparty banks reflect the admissible risk level and are further divided into Foreign Exchange and Cash Services or other services that run such a risk depending on the needs and the volume of the operations of each service. In general, the maximum limits are set by bank evaluation models and the instructions given by the regulatory authorities.

The credit limit granted to each counterparty is divided into sub limits, thus covering placements, investments, foreign currency acquisitions, as well as the daily settlement limit. The actual positions are compared to the limits on a daily basis.

Country risk

The Group is exposed to the risk of capital loss due to possible political, economic and other events that occur in a specific country where the capitals or cash of the Group have been placed or invested through various local banks and financial institutions.

All countries are assessed with reference to size, economic data and prospects of the country, as well as its credit rating by international credit rating agencies (Moody's, Standard & Poor's). The actual positions per country are compared to their limits on a daily basis. The limits are reviewed at least once a year, while countries with the smaller size and lower solvency ratio are subject to a more thorough and frequent analysis and evaluation, where necessary.

5.2. Market risk

Market risk is the risk of losses to the various transaction portfolios due to the variation of the performance of the prices of the prices of the goods included in the said portfolios. Such portfolios are the shares and stock exchange indexes portfolios, as well as interest rates, commodities, currencies etc.

The Group operates mainly in the stock exchange transactions sector and therefore its major portfolio running a market risk is the Equities/Equity and Index Derivatives Book, listed mainly on the Hellenic Exchanges.

The Group's Risk Management Committee (RMC) approves the market risk management procedures and has set the relevant limits for undertaking such a risk per product and portfolio. The limits in question are systematically monitored and checked, while they are reviewed at least once a year; they are modified, if necessary, depending on the Group's strategy and current market conditions.

According to the Institutional Counterparties Credit Risk Policy and Management responsible for approving the relevant limits for the counterparty, issuer and country risk is the Executive Committee or the Board of Directors

of the Bank (depending on the value of the limit) upon relevant recommendation of the competent unit handling the relation, based on internal and/or external financial analyses.
The RMD measures, checks and monitors the Market Risk on a daily basis and conducts measurements to estimate the said risks for the different portfolios.

Measurements are conducted using various methodologies and measurement techniques such as Value At Risk – VAR. The measurement of the Value At Risk defines the maximum possible portfolio loss with a confidence level of 99% and a one day of hold period, using the variance - covariance method. The measurements cover all trading and available for sale portfolios of the Group's companies.
The market risk, in terms of VaR, for the aforementioned positions as of December 31, 2018, amounted to €184.38k as analysed in the following table.

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Foreign exchange risk	2,25	2,64
Bond portfolio interest rate risk	182,73	155,15
Stock market portfolio market risk	16,37	18,44
Decrease due to correlation	-16,97	-24,97
Net market risk	**184,38**	**151,26**

Apart from the above measurements, the portfolios market risk is monitored by a series of additional limits such as the maximum open position limit for every product, and stop-loss limits for every portfolio.

Finally, at regular intervals and in any case by the end of each semester, measurements of various stress test scenarios are conducted regarding the market risk in order to more efficiently manage the said risk and to inform the Management and the supervisory authorities.

5.3. Interest Rate Risk

Interest rate risk means the risk run by the Group to impair the value of the financial instruments and the net interest income due to adverse fluctuations of the market interest rates. Interest rate risk arises due to deferred readjustment of the interest rates or the expiry of the assets and liabilities on and off the statement of financial position.

The method of Static Repricing Gap is mainly used to estimate the exposure to the interest rate risk of transactions' portfolio and the bank's portfolio. The Static Repricing Gap method is used to estimate the sensitivity level of all current assets and liabilities of the Group (on and off Statement of Financial Position items).

The method in question separates the interest rate-sensitive assets and the liabilities into maturity time zones for every currency depending on the remaining period until their maturity, for the fixed interest rate items or the next repricing period for the floating interest rate items, and calculates the interest rate exposure, the balance between the assets and liabilities for every period.

The following tables present the Group's exposure to the interest rate risk. The tables present the assets and liabilities of the Group at their carrying amounts, classified according to the interest rate revaluation date, for floating interest rates or maturity date, for fixed interest rates.

Interest Rate Risk

Amounts in Eur '000	Up to 1 month	1-3 months	3-12 months	Non-interest bearing	Total
Balance at 31 December 2018					
Assets					
Cash and balances with Central Banks	0	0	0	57.213	**57.213**
Advances to credit institutions	3.221	7.003	0	1.494	**11.718**
Financial assets at fair value through profit or loss	0	0	61.790	2.805	**64.595**
Loans and advances to customers (net of provisions)	31.684	2.011	2.917	1.378	**37.990**
Financial assets at fair value through other comprehensive income	0	0	0	1.382	**1.382**
Other assets	16.005	0	0	19.352	**35.357**
Total assets	**50.909**	**9.014**	**64.707**	**83.625**	**208.254**
Liabilities					
Due to credit institutions	41.932	0	0	0	**41.932**
Due to customers	53.658	3.593	690	0	**57.941**
Other liabilities	0	0	0	30.436	**30.436**
Provisions	0	0	0	880	**880**
Total liabilities	**95.590**	**3.593**	**690**	**31.317**	**131.189**
Total interest rate gap	**(44.681)**	**5.421**	**64.017**	**52.308**	**77.065**
Balance at 31 December 2017					
Total Assets	52.496	18.651	34.959	73.417	**179.524**
Total Liabilities	63.833	6.032	45	28.157	**98.067**
Net position	**(11.337)**	**12.619**	**34.914**	**45.260**	**81.457**

Moreover, the Group, for measuring the interest rate risk, calculates the negative impact on the annual interest rate results from a simultaneous fluctuation of the interest rate curve by 200 bps.

5.4. Foreign exchange risk

Foreign exchange risk is the risk of fluctuation of the value of the financial instruments and assets and liabilities due to changes in exchange rates. Foreign currency transactions risk arises from an open position, positive or negative, which exposes the Group to exchange rates changes. Such a risk could arise in the event of assets

being carried in one currency while financed by liabilities in another, or from forwards and swaps, as well as derivatives, including options.

The following tables present the Group's exposure to the foreign exchange risk. The following tables the carrying amount of the assets and liabilities of the Group, classified per currency.

Foreign exchange risk

Amounts in Eur '000	EUR	USD	GBP	CHF	JPY	Other currencies	Total
Balance at 31 December 2018							
Foreign exchange risk from assets							
Cash and balances with central banks	57.118	67	19	1	1	7	**57.213**
Loans and advances to credit institutions	8.899	781	302	133	205	1.398	**11.718**
Financial assets at fair value through profit or loss	63.850	745	0	0	0	0	**64.595**
Derivative financial instruments	24	0	0	0	0	0	**24**
Loans and advances to customers (net of provisions)	37.467	503	0	19	0	0	**37.990**
Financial assets at fair value through other comprehensive income	1.382	0	0	0	0	0	**1.382**
Investments in subsidiaries and associates	54	0	0	0	0	0	**54**
Property, plant and equipment and intangible assets	1.329	0	0	0	0	0	**1.329**
Other assets	33.683	262	4	0	0	0	**33.950**
Total Assets	**203.807**	**2.359**	**324**	**153**	**207**	**1.405**	**208.254**
Foreign exchange risk from liabilities							
Due to credit institutions	41.146	786	0	0	0	0	**41.932**
Due to customers	51.414	6.042	5	12	0	469	**57.941**
Derivative financial instruments	5.384	0	0	0	0	0	**5.384**
Other liabilities	21.104	1.710	261	98	124	1.455	**24.750**
Provisions	880	0	0	0	0	0	**880**
Retirement benefit obligations	301	0	0	0	0	0	**301**
Total Liabilities	**120.229**	**8.538**	**265**	**109**	**124**	**1.924**	**131.189**
Net Position	**83.577**	**(6.179)**	**59**	**43**	**83**	**(519)**	**77.065**
Balance at 31 December 2017							
Total Assets	168.783	8.317	463	269	192	1.500	**179.524**
Total Liabilities	84.383	11.735	381	241	125	1.203	**98.067**
Net Position	**84.401**	**(3.418)**	**83**	**28**	**66**	**297**	**81.457**

Moreover, the Group, for measuring the foreign exchange risk, calculates the negative impact on the annual results from a fluctuation of the exchange rates.

5.5. Risk arising from share and other securities price changes

The risk pertaining to shares and other securities held by the Group arises from possible adverse fluctuations of the current prices of shares and other securities. The Group invests mainly in shares in the Athens Stock Exchange (ASE) and Cyprus Stock Exchange (CSE), and depending on the investment goal, they are allocated to the appropriate portfolio (assessment at the fair value through profit or loss or available for sale). Investments are also made aiming at taking advantage of short-term fluctuations in share/ratio prices or at hedging open

positions with the use of derivatives on shares or ratios. The Group is not exposed to risks as far as commodities prices are concerned.

The Group, in assessing the price risk, calculates the negative impact on its annual results after taxes from a change in share prices.

5.6. Liquidity risk

Liquidity risk means the risk of failing to raise sufficient cash to cover the direct obligations of the Group or to do so the Group shall suffer significant financial cost.

The said risk is controlled through a developed liquidity management structure comprising various types of controls, procedures and limits. This ensures compliance with the regulations on liquidity ratios set by the competent supervisory authorities, as well as with internal limits.

Control and management of the liquidity risk are achieved by using and controlling the following ratios:

(a) Liquidity coverage ratio (LCR): defined as the quotient of the high quality liquid assets to the net 30-day cash outflows as these are defined in the Regulation EU 575/2013;

(b) Net stable funding ratio (NSFR): defined as the quotient of the available stable funding to the required stable funding, as these are defined in the Regulation EU 575/2013.

An important part of the assets is financed by customer deposits. Short-term cash requirements are financed mainly through current and savings deposits. Long-term investments are mainly covered by bonds and time deposits.

Although these deposits can be withdrawn on demand without prior notice, their highly diversified nature both in number and in type of deposits, ensures the absence of major fluctuations and, therefore, in their majority, constitute a stable deposit basis.

The Group conducts liquidity stress tests.

The following liquidity risk tables analyze liabilities to other banks, customer deposits and other liabilities to the Group’s customers for the corresponding periods depending on the period from the reporting date to maturity. The referred amounts correspond to the contractual non-discounted cash flows.

Liquidity risk

Amounts in Eur '000	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Over 5 years	Total
Balance at 31 December 2018							
Liabilities							
Due to credit institutions	62	7.102	34.767	0	0	0	**41.932**
Due to customers	42.186	0	15.756	0	0	0	**57.941**
Other liabilities	26.123	4.413	180	601	0	0	**31.317**
Total liabilities	**68.370**	**11.515**	**50.703**	**601**	**0**	**0**	**131.189**
Total assets	**148.280**	**1.971**	**18.838**	**19.259**	**15.442**	**4.465**	**208.254**
Balance at 31 December 2017							
Liabilities							
Due to credit institutions	516	17.171	382	0	0	0	**18.069**
Due to customers	35.991	0	15.850	0	0	0	**51.841**
Other liabilities	22.454	3.571	769	1.363	0	0	**28.157**
Total liabilities	**58.961**	**20.742**	**17.001**	**1.363**	**0**	**0**	**98.067**
Total assets	**141.157**	**1.274**	**24.179**	**7.096**	**5.350**	**468**	**179.524**

5.7. Capital adequacy

The Group is subject to supervision of the Bank of Greece that sets and monitors the capital adequacy requirements of the Group.

To calculate the capital adequacy starting from 01.01.2014 the new supervisory framework (Basel III) that was transposed into the Greek Law pursuant to Law 4261/2014 base, is applied; it substantially modifies the credit risk calculation and introduces capital requirements for the operational risk. No significant changes occurred to the calculation of the market risk. In particular, the credit risk of the investment portfolio is calculated using the standard method, while the operational risk is calculated using the Basic Indicator Approach.

The capital adequacy of the Group is monitored at regular intervals by the Financial Department of the Group and the results are submitted on a quarterly basis to the Bank of Greece.

The regulatory capitals of the Group exclusively derive from the Core Equity (Tier I). They mainly include the share capital, the reserves and results carried forward. Furthermore, they are adjusted in accordance with the provisions of the Decision ref. ΕΠΑΘ 114-1/04.08.2014. The Group has no Tier II additional regulatory capital.

The Capital Adequacy ratio of the Group as of 31.12.2018 and 31.12.2017 was the following:

	31/12/2018	31/12/2017
Share Capital	110.427	110.427
Other Reserves	18.942	24.207
Retained Earnings	(52.304)	(53.177)
Goodwill and other intangible assets	(327)	(371)
Other adjustments	(806)	(742)
Total Tier I	**75.932**	**80.344**
Total supervisory capitals	**75.932**	**80.344**
Weighted assets		
- on-SFP items	76.819	94.724
- off-SFP items	4.662	1.749
- transaction portfolio items	75.460	75.168
- operatinal risk	18.251	18.610
Total	**175.193**	**190.251**
Capital Adequacy Ratio	**43,34%**	**42,23%**

In 2018, the Capital Adequacy ratio of the Group amounted to 43.34%, recording a 111 bps increase, compared to 2017, mainly due to the decrease of the weighted assets.

6. Fair value of financial assets and liabilities

6.1. Financial assets and liabilities not carried at fair value

The fair value represents the amount for which an asset could be replaced or a liability settled through an arm's length transaction. Differences may arise between the carrying amount and the fair value of financial assets of the statement of financial position and liabilities. The items of the transaction portfolio, the derivatives and the securities available-for-sale are presented in the financial statements at their fair value. Loans and other advances, securities held to maturity and financial liabilities are presented at the amortized cost. The carrying amount of these items, as presented in the financial statements, does not significantly differ from their fair value. In particular:

(a) Loans and advances to credit institutions

Due from other banks include mainly short-term interbank placements and other collectibles. The vast majority of the placements have a one-month maturity and therefore their fair value is quite similar to their carrying amount.

(b) Loans and advances to customers

Loans to customers are presented after deduction of the corresponding provision for impairment. The vast majority of the above refer to floating interest loans and therefore their carrying amount is quite similar to their fair value.

(c) Deposits

The fair value of deposits without fixed maturity (saving and current accounts) is the amount that the Group should pay upon customer demand, which value is equal to their carrying amount. The customer deposits and placements from other banks have an average maturity shorter than three months. Therefore, their estimated fair value does not materially differ from their carrying amount.

6.2. Fair Value Hierarchy

IFRS 7 defines the valuation models hierarchy regarding the objectivity of the data used by these models. The observable data are based on active markets and derive from independent sources, while non-observable information refers to the Management assumptions. These two methods for retrieving information generate the following hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities

This level includes listed shares and borrowed funds on stock exchanges (such as London, Frankfurt and New York) and derivatives such as Futures (Nasdaq, S&P 500).

Level 2 - includes inputs other than the quoted prices included in Level 1 and considered to be directly or indirectly observable. This level includes the majority of OTC derivatives and various issued debts. The sources of such data are the LIBOR curve, Bloomberg and Reuters.

Level 3 - Inputs that are not based on observable market data (unobservable inputs). This level includes capital investments and borrowed funds that are not traded on an active market, and there are no similar traded products.

Hierarchy as of December 31, 2018:

Amounts in Eur '000	**31 December 2018**			
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	43.900	0	20.695	**64.595**
Derivative financial instruments	24	0	0	**24**
Loans and advances to customers	0	0	3.741	**3.741**
Financial assets at fair value through other comprehensive income	389	993	0	**1.382**
Total	**44.314**	**993**	**24.436**	**69.742**

Financial liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	5.384	0	0	**5.384**
Total	**5.384**	**0**	**0**	**5.384**

Hierarchy as of December 31, 2017:

Amounts in Eur '000	31 December 2017			
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	42.017	2.823	0	**44.840**
Derivative financial instruments	49	0	0	**49**
Available for sale portfolio	3.912	986	18.179	**23.076**
Total	**45.978**	**3.809**	**18.179**	**67.965**

Financial liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	406	0	0	**406**
Total	**406**	**0**	**0**	**406**

7. Net interest income

The net interest income is analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Interest and similar income		
Interest from fixed yield securities	1.468	1.556
Interest from loans	1.953	1.694
Interest from interbank transactions	444	835
Other interest income	20	58
Total	**3.884**	**4.143**
Interest and similar expenses		
Interest on deposits	(210)	(221)
Interbank transactions	(87)	(47)
Other interest expense	(58)	(43)
Total	**(354)**	**(312)**
Net interest income	**3.530**	**3.832**

8. Net fee and commission income

The net fee and commission income is analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Net income from commissions on commercial transactions	(6)	138
Net income from investment banking	172	434
Net income from stock market transactions	2.507	2.526
Other commission income	330	324
Net fee and commission income	**3.003**	**3.423**

9. Net trading income

The net trading income is analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Profit/(loss) from foreign exchange and foreign exchange risk hedging	(174)	98
Profit/(loss) from derivatives held for trading	5.034	(1.944)
Profit/(loss) from investments in shares, mutual funds and price risk hedging	(4.130)	1.750
Profit/(loss) from bonds and bond risk hedging	2.952	1.989
Total	**3.682**	**1.892**

The income of 2018 was mainly affected by the valuation of the mutual funds to which the Bank's subsidiaries have invested in amounting to €3.4 million. In 2017, the relevant valuations of the mutual funds of the subsidiaries amounted to €4.3 million and were included in the other comprehensive income after tax. Moreover, the 2018 income includes gains from the trading portfolio of €0.4 million, compared to €1.6 million in 2017.

10. Other operating income

The other income of the Group is analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Rental income	16	16
Unused provisions reversed	69	0
Other income	286	274
Total	**371**	**290**

11. Staff costs

The total charge to the profit and loss of the financial year for staff costs is analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Salaries and wages	6.453	5.747
Social security cost	1.622	1.434
Pension costs - defined benefit plans	100	76
Other employee benefit expenses	460	383
Total	**8.636**	**7.640**

The total staff of the Group on 31.12.2018 amounted to 189 persons (31.12.2017: 186).

12. Other operating expenses

The "Other operating expenses" item is analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Fees to lawyers, advisors, auditors etc.	891	802
IT applications	613	548
Subscriptions	300	347
Building expenses	820	680
Advertisement and promotion expenses, sponsorships, etc.	124	53
Taxes and duties	620	676
Office supplies	49	14
Other operating expenses	688	575
Total	**4.105**	**3.694**

13. Other provisions

The "Other provisions" item is analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Impairment of participations (Note 22)	0	219
Reversal of impairmentof property plant and equipment (Note 23)	(85)	0
Provision for legal cases and letters of guarantee (Note 33)	(310)	240
Performance fees provision	911	1.712
Total	**516**	**2.171**

The fee provision of €911k and €1.712k refers to a contractual right to pay the administrators of the A.K.E.S. in which the companies IBG CAPITAL S.A and IBG INVESTMENT S.A. participate in, because of the increase in value for the shareholders.

14. Income Tax

The charge to the profit and loss of the financial year for income tax is analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Deferred tax	(1.540)	(602)
Total	**(1.540)**	**(602)**

According to Law 4110/2013, as in force, the Greek tax rate is 29%. Moreover, the distributed dividends are subject to 15% tax withholding. For the unaudited years refer to Note 37.

For the financial year 2018, the audit is in progress and the relevant tax certificate is expected to be issued after the publication of the financial statements for the year 2018. Upon completion of the tax audit the Group's Management does not expect any significant tax liabilities beyond those already reported and presented in the financial statements.

15. Cash and balances with Central Banks

The cash and balances with Central Banks are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Cash	429	498
Deposits with central bank	56.784	30.221
Total	**57.213**	**30.719**

The average amount of cash to be placed by the Group with the Bank of Greece in December 2018 amounted to €403k.

16. Loans and advances to credit institutions

The loans and advances of the Group to credit institutions are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Interbank deposits	7.003	0
Placements from foreign banks	1.135	2.951
Placements from domestic banks and other receivables	3.576	3.892
Time deposits	4	6.024
Blocked deposits in foreign banks	0	11.117
Total	**11.718**	**23.983**
Current	***11.718***	***23.983***
Non-current	***0***	***0***

17. Financial assets at fair value through profit or loss

The trading portfolio is analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Shares and other securities with variable yield		
Equity securities listed on ASE	2.805	8.933
Mutual Funds	20.695	0
Other bonds	26.133	25.262
Other government bonds	3.456	2.896
Bank bonds	11.505	7.750
Total financial assets at fair value through profit or loss	**64.595**	**44.840**
Current	***64.595***	***44.840***
Non-current	***0***	***0***

The increased balances of 2018 are due to the presentation of the mutual funds of the subsidiaries on the financial assets at fair value through profit or loss in accordance with IFRS 9. The relevant amount of 2017 was presented in the investment securities portfolio available for sale.

The major assumptions for the valuation of the Mutual Funds (investments in closed-end venture capital mutual funds) are presented in Note 4.

18. Derivative Financial Instruments

Amounts in Eur '000	31 December 2018			31 December 2017		
	Nominal value	Estimated fair value Assets	Estimated fair value Liabilities	Nominal value	Estimated fair value Assets	Estimated fair value Liabilities
Derivatives on indices/securities:						
Futures	2.535	0	0	4.178	0	0
Options	93	24	5.359	220	49	330
Futures on indices	1.246	0	0	7.543	0	0
Foreign exchange swaps	0	0	25	0	0	77
		24	**5.384**		**49**	**406**
Total derivative financial instruments		**24**	**5.384**		**49**	**406**
Current		***24***	***5.384***		***49***	***406***
Non-current		***0***	***0***		***0***	***0***

The valuation of the futures contracts on December 31, 2018 and 2017, due to the daily clearing of these derivatives is included in the exchange-traded derivatives margin account which has been included in Other Assets.

19. Loans and advances to customers

The Group's loans portfolio is analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Loans and advances to customers measured at amortzed cost		
Consumer loans	1.119	992
Loans to individuals (stock exchnage sector)	7.272	12.218
Intercompany Loans	11.711	14.466
Bond loans	9.255	0
Corporate loans (stock exchnage sector)	734	2.245
Corporate loans	5.615	5.602
	35.706	**35.523**
Less: Provisions for impairment of loans and advances to customers	(1.457)	(2.376)
Book value of loans and advances to customers measured at amortzed cost after provision	**34.249**	**33.147**
Loans and advances to customers measured at fair value through profit and loss	3.741	0
Total loans and advances to customers	**37.990**	**33.147**
Current	***17.571***	***24.656***
Non-current	***20.419***	***8.491***

The provisions for impairment losses are analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Balance at the beginning of the year	(2.376)	(2.085)
Provisions for the year	427	(291)
Change to Net Equity - Due to application IFRS 9 at 01/01/2018	(573)	0
Loans written-off	1.064	0
Balance at the end of year	**(1.457)**	**(2.376)**

In 2018, the Group granted a syndicated bond loan of €3.7 million to the company Business Energy, which did not fulfill the SPPI valuation criteria and therefore it has been compulsorily measured at fair value through profit and loss (Note 6.2).

20. Financial assets at fair value through other comprehensive income

The investment portfolio of the Group includes instruments consisting of shares, bonds and mutual funds.

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Financial assets at fair value through other income statement		
Government bonds	0	102
Other bonds	993	4.601
Total fixed yield securities	*993*	*4.703*
Equity securities listed on ASE	377	193
Domestic mutual funds	0	17.913
Non-listed securities	12	268
Total equity securities with variable yield	*389*	*18.373*
Total	**1.382**	**23.076**
Current	***0***	***0***
Non-current	***1.382***	***23.076***

The major assumptions for the valuation of the Mutual Funds (investments in closed-end venture capital mutual funds) are presented in Note 4.

The investments in closed-end venture capital mutual funds as of January 1, 2018 were transferred to the financial assets at the fair value through profit and loss. See Note 17.

21. Assets held for sale

On 31.12.2018, the non-current assets held for sale include the companies **IBG Global Funds SICAV-SIF**, a Luxembourg-based Specialized Investment Fund, and **IBG Capital Management S.ar.l**, the managing company of the above Fund domiciled in Luxembourg.

The Management of the Bank, after having investigated various alternatives for exploiting the above assets, considered that they do not generate the estimated contributions in the general business plan of the Bank.

Consequently, it initiated a procedure to sell them while since the expected outcome could not be reached it decided to liquidate the **IBG Global Funds SICAV-SIF** Investment Fund and to close the business in accordance with the voluntary liquidation procedure, as provided for in the relevant legal framework of Luxembourg, and also to launch the liquidation of the managing company **IBG Capital Management S.ar.l.** The Bank expects that all the above would be completed during the current year 2019.

Analysis of the assets held for sale and liabilities relevant to the assets held for sale

Amounts in Euro '000	**31η December 2018**
ASSETS	
Loans and advances to other financial institutions	397
Financial assets at fair value through other comprehensive income	2.257
Other assets	28
Assets held for sale	**2.682**
LIABILITIES	
Due to other financial institutions	1
Other liabilities	67
Provissions	9
Liabilities related to assets held for sale	**76**

22. Investments in subsidiaries and associates

Name	**% interest held at 31/12/2018**	**Country**	**Business activity**
IBG CAPITAL S.A.	100,00%	Greece	Venture capital firm
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Provision of investment services
IBG CAPITAL MANAGEMENT S.AR.L.	100,00%	Luxemburg	Mutual fund management firm
IBG GLOBAL FUNDS SICAV - SIF	100,00%	Luxemburg	Mutual fund
IBG INVESTMENT SERVICES LTD	100,00%	Cyprus	Provision of investment services
HELLENIC CAPITAL PARTNERS S.A.	20,00%	Greece	Venture capital mutual fund management firm
IBG A.E.P.E.Y.	79,31%	Greece	Provision of investment services
CPB ASSET MANAGEMENT S.A.	4,40%	Greece	Mutual fund management firm

Name	% interest held at 31/12/2017	Country	Business activity
IBG CAPITAL S.A.	100,00%	Greece	Venture capital firm
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Provision of investment services
IBG CAPITAL MANAGEMENT S.AR.L.	100,00%	Luxemburg	Mutual fund management firm
IBG GLOBAL FUNDS SICAV-SIF	100,00%	Luxemburg	Mutual fund
IBG INVESTMENT SERVICES LTD	100,00%	Cyprus	Provision of investment services
HELLENIC CAPITAL PARTNERS S.A.	20,00%	Greece	Venture capital mutual fund management firm
IBG A.E.P.E.Y.	79,31%	Greece	Provision of investment services
CPB ASSET MANAGEMENT S.A.	4,40%	Greece	Mutual fund management firm

Company	**Financial figures 31-12-2018**			
Amounts in Eur '000	**Assets**	**Liabilities**	**Revenue**	**Profit/(loss) before tax**
IBG CAPITAL S.A.	7.353	2.887	0	380
IBG INVESTMENTS S.A.	17.093	8.235	3.030	2.696
IBG CAPITAL MANAGEMENT S.AR.L.	116	58	45	4
IBG GLOBAL FUNDS SICAV - SIF	2.566	18	4	(133)
IBG INVESTMENT SERVICES LTD	0	0	0	0
HELLENIC CAPITAL PARTNERS S.A.	1.593	350	771	16
IBG A.E.P.E.Y.	320	833	0	(7)
CPB ASSET MANAGEMENT S.A.	1.384	832	687	(8)

Company	**Financial figures 31-12-2017**			
Amounts in Eur '000	**Assets**	**Liabilities**	**Revenue**	**Profit/(loss) before tax**
IBG CAPITAL S.A.	5.030	857	0	25
IBG INVESTMENTS S.A.	14.053	7.891	0	(217)
IBG CAPITAL MANAGEMENT S.AR.L.	90	37	59	27
IBG GLOBAL FUNDS SICAV-SIF	5.300	27	389	220
IBG INVESTMENT SERVICES LTD	0	0	0	(1)
HELLENIC CAPITAL PARTNERS S.A.	1.670	316	829	15
IBG A.E.P.E.Y.	327	833	0	(6)
CPB ASSET MANAGEMENT S.A.	1.447	883	744	5

The financial statements of the above subsidiaries of the Group, except "IBG A.E.P.E.Y." which is under liquidation, are consolidated under the full consolidation method in the consolidated financial statements of the "Investment Bank of Greece S.A".

The "Investments in Associates" item is analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Balance at the beginning of the year	**54**	**273**
- Impairment of investments in subsidiaries	0	(241)
- Profit/(losses) from investments in associates	0	22
Balance at end of the year	**54**	**54**

23. Property, plant and equipment and intangible assets

The variations of the tangible assets item during the financial year 2018 are the following:

	Property, plant and equipment			
Amounts in Eur '000	**Land and buildings**	**Vehicles & machinery**	**Furniture and other equipment**	**Total**
Acquisition cost at 1 January 2018	5.360	43	3.279	8.682
less: Accumulated depreciation	(4.670)	(15)	(3.127)	(7.811)
Net book value at 1 January 2018	**691**	**28**	**152**	**870**
Additions	121	0	130	251
Disposals/write-offs	0	(32)	(101)	(133)
Depreciation for the year	(46)	(4)	(54)	(104)
Depreciation of assets sold/written off	0	17	101	117
Acquisition cost at 31 December 2018	5.481	11	3.308	8.800
less: Accumulated depreciation	(4.716)	(2)	(3.080)	(7.798)
Net book value at 31 December 2018	**765**	**9**	**228**	**1.002**

The variations of the tangible assets item during the financial year 2017 are the following:

	Property, plant and equipment			
Amounts in Eur '000	**Land and buildings**	**Vehicles & machinery**	**Furniture and other equipment**	**Total**
Acquisition cost at 1 January 2017	5.360	34	3.235	8.630
less: Accumulated depreciation	(4.602)	(11)	(3.057)	(7.670)
Net book value at 1 January 2017	**759**	**23**	**178**	**960**
Additions	0	9	49	57
Disposals/write-offs	0	0	(5)	(5)
Depreciation for the year	(68)	(4)	(75)	(147)
Depreciation of assets sold/written off	0	0	5	5
Acquisition cost at 31 December 2017	5.360	43	3.279	8.682
less: Accumulated depreciation	(4.670)	(15)	(3.127)	(7.811)
Net book value at 31 December 2017	**691**	**28**	**152**	**870**

The variation of the other intangible assets during the financial year 2018 is the following:

Amounts in Eur '000	**Software**
Acquisition cost at 1 January 2018	1.537
Less: Accumulated amortisation	(1.166)
Net book value at 1 January 2018	**371**
Additions	136
Amortisation for the year	(180)
Acquisition cost at 31 December 2018	1.673
Less: Accumulated amortisation	(1.346)
Net book value at 31 December 2018	**327**

The variation of the other intangible assets during the financial year 2017 is the following:

Amounts in Eur '000	**Software**
Acquisition cost at 1 January 2017	1.507
Less: Accumulated amortisation	(1.004)
Net book value at 1 January 2017	**503**
Additions	30
Amortisation for the year	(162)
Acquisition cost at 31 December 2017	1.537
Less: Accumulated amortisation	(1.166)
Net book value at 31 December 2017	**371**

24. Deferred tax

The variation of the temporary differences within the financial year 2018 is analyzed as follows:

Amounts in Eur '000	**Balance at 1th January 2018**	**Recognised in profit or loss**	**Recognised in equity**	**Balance at 31th December 2018**
PPE and investment property	164	5	0	169
Other provisions	3.837	(1.247)	162	2.753
Retirement benefit obligations	77	11	0	88
Financial assets at fair value through other comprehensive income	(2.048)	2.035	7	(7)
Financial assets at fair value through profit or loss	(93)	(2.723)	0	(2.815)
Tax losses	917	379	0	1.296
Total	**2.854**	**(1.540)**	**169**	**1.484**

The other provisions include the deferred tax assets against participations impairment losses amounting to €0,96 million.

The variation of the temporary differences within the financial year 2017 is analyzed as follows:

Amounts in Eur '000	**Balance at 1th January 2017**	**Recognised in profit or loss**	**Recognised in equity**	**Balance at 31th December 2017**
PPE and investment property	16	148	0	164
Other provisions	3.428	409	0	3.837
Retirement benefit obligations	69	8	0	77
Available for sale portfolio	(13)	0	(2.036)	(2.048)
Bonds at fair value through profit or loss	306	(397)	0	(93)
Tax losses	1.687	(769)	0	917
Total	**5.494**	**(602)**	**(2.036)**	**2.854**

The other provisions include the deferred tax assets against participations impairment losses amounting to €1.92 million.

The recognition of the tax assets is based on the Management estimate that the companies of the Group will have sufficient future taxable profits to be utilized against temporary differences and tax losses (Note 4).

25. Other stock exchange transactions

The other stock exchange transactions are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Margin derivative trading account	5.350	5.200
Clearing accounts for securities transactions of ASE, Greek derivatives market of the ASE and foreign stock markets	78	66
Clearing accounts for securities transactions of Bonds	183	853
Customers' demands for securities transactions of ASE, ADEX and foreign stock exchanges	564	257
	6.175	**6.376**
Current	***0***	***0***
Non-current	***6.175***	***6.376***

26. Guarantee Securities for Investment Services

These items are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Hellenic Deposit and Investment Guarantee Fund	4.792	4.775
Guarantee fund	3.794	3.693
Auxiliary fund	1.994	1.941
Total	**10.580**	**10.409**
Current	***0***	***0***
Non-current	***10.580***	***10.409***

27. Current tax assets and Other assets

The current tax assets are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Other receivables from the Greek State	232	205
Total	**232**	**205**

The other assets are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Interest and other accrued income	501	221
Other receivables	122	206
Guarantees	209	219
Other receivables except loans	432	725
Carbon emission reserve	11.876	1.547
Advances and other receivables accounts	59	73
Total	**13.199**	**2.990**
Less: Provisions	(403)	(421)
Total	**12.796**	**2.568**
Current	***12.587***	***2.349***
Non-current	***209***	***219***

28. Due to credit institutions

The dues to other credit institutions are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Due to credit institutions - current accounts	62	517
Due to credit institutions - time deposits	34.767	382
Interbank deposits	7.102	17.170
Total	**41.932**	**18.069**
Current	***41.932***	***18.069***
Non-current	***0***	***0***

29. Due to customers

The deposits and other customers' accounts are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Sight deposits	13.708	8.745
Savings accounts	745	785
Time deposits	39.405	33.194
Blocked deposits	3.980	8.732
Cheques payable	103	386
Total	**57.941**	**51.841**
Current	***57.941***	***51.841***
Non-current	***0***	***0***

In the time deposits the amount of €25.432k refers to balances of stock exchange customers. The relevant amount in 2017 was of €26.434k.

30. Customer balances to stock exchange accounts

The customer balances from stock exchange transactions are analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Settlement accounts from securities transactions of ASE, Greek derivatives market and foreign stock exchanges	876	584
Settlement accounts for securities transactions of Bonds	73	532
Due to customers from transactions in the ASE, the Greek derivatives market of the ASE and other foreign stock markets	18.743	20.368
Total	**19.692**	**21.484**
Current	***19.692***	***21.484***
Non-current	***0***	***0***

31. Retirement benefit obligations

The amounts recorded on the statement of financial position are the following:

Amounts in Eur '000	31 December 2018	31 December 2017
Balance sheet obligations for:		
Lump-sum payments upon retirement		
– Unfunded	301	264
	301	**264**

The amounts recorded on the income statement are the following:

Amounts in Eur '000	31 December 2018	31 December 2017
Current service cost	26	23
Finance cost	4	4
Cost of settlement	70	49
Total included in employee benefits	**100**	**76**

Changes in liabilities in the Statement of Financial Position are as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Net liability in opening balance sheet	**264**	**236**
Employer contributions paid	(77)	(53)
Expenditure to be recorded in the income statement	100	76
Amount recorded in Other comprehensive income	15	4
Net liability in closing balance sheet	**301**	**264**

32. Other liabilities

The other liabilities are analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Liabilities arising from taxes	395	368
Obligations to Associated banks	178	767
Accrued interest and other expenses	8	7
Other payables	4.002	3.261
Social insurance cost	399	382
Total	**4.981**	**4.784**
Current	***4.981***	***4.784***
Non-current	***0***	***0***

33. Provisions

The provisions are analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Provision for legal cases	560	890
Other provisions	321	329
Total	**880**	**1.219**

34. Share capital

The share capital remained unchanged and is analyzed as follows:

	Number of shares	Nominal value	Total no of ordinary shares
31 December 2017	**3.762.420**	€ 29,35	**110.427.027**
31 December 2018	**3.762.420**	€ 29,35	**110.427.027**

35. Other reserves

The other reserves are analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Statutory reserve	11.719	11.767
Special reserves	5.672	5.624
Other reserves	(10)	5
Share premium	1.545	1.545
Other reserves	**18.926**	**18.941**

Statutory Reserve: According to the Greek Trade Law, the Group is required to withhold from its net accounting profits a minimum of 5% per year as statutory reserve. Such withholding ceases to be compulsory

when the total statutory reserve exceeds 1/3 of the paid up share capital. This taxed reserve is non-distributable throughout the Group's lifetime and is intended to cover any debit balances of the profit or loss carried forward item.

Extraordinary Reserves: The extraordinary reserves have been formed from taxed profits, and therefore no additional tax liability will be imposed in case of their distribution.

36. Cash and cash equivalents

For the preparation of the cash flow statement of the Group, cash and cash equivalents include short-term placements with other banks which are immediately available or have a 90-day maturity.

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Cash and balances with central bank (Note 15)	57.213	30.719
Loans and advances to credit institutions (Note 16)	11.718	23.983
Total	**68.931**	**54.702**

Cash flows from operating activities of the Group include trading portfolio transactions. Investment portfolio transactions are included in the cash flows from investing activities.

37. Commitments, contingent liabilities and assets

a) Contingent liabilities from guarantees

The nominal values of the contingent and undertaken liabilities are analyzed as follows:

Amounts in Eur '000	**31 December 2018**	**31 December 2017**
Contingent liabilities		
Letters of Guarantee (Bid and Performance books)	1.948	2.163
Letters of Guarantee (Advance Payment, Prompt Payment)	1.092	773
Total	**3.040**	**2.936**

b) Contingent tax liabilities

According to Law 4174/2013 (Article 65A as in force and according to article 82 of Law 2238/1994), Greek companies the financial statements of which are compulsorily audited are bound to get an "Annual Tax Certificate" up to the financial year 2015, the issuance of which requires the conduct of a tax audit by the auditors who audit their annual financial statements. For the years starting on 01.01.2016 and henceforth, the Annual Tax Certificate will be optional, but the Bank continues to get it.

The Group has been audited by the tax authorities up to the financial year 2009. It has not been audited by the tax authorities for the year 2010 to which the Annual Tax Certificate did not apply and therefore the Group may be possibly liable to pay additional taxes, if they are established.

The Group has obtained a tax certificate by the Auditors without qualifications for the years 2011 to and including 2017.

The Bank has obtained a tax certificate by the Auditors without qualifications for the years 2011, 2012, 2015, 2016 and 2017. For the years 2013 and 2014, it has obtained a tax certificate from its Auditors without qualifications, but with an emphasis of matter based on the inquiry submitted by the Bank to the Ministry of Finance regarding the tax handling of the loss from the transfer of assets and liabilities to Piraeus Bank. For the financial year 2018, the Bank is currently audited by its Auditors. This audit is in progress and the relevant tax certificate is expected to be issued after the publication of the financial statements for the year 2018. We consider that until the completion of the tax audit, no additional tax liabilities will arise that will have a significant impact on the financial statements.

Moreover, the company IBG CAPITAL S.A. has obtained a tax certificate without qualifications from its Auditors for the financial years 2011 to and including 2013, while for the years 2014 to and including 2018 it is not required to obtain any tax certificate in accordance with Law 4174/2013, article 65.

According to the Greek tax legislation and the relevant ministerial decisions, the companies for which a tax certificate without remarks about infringements of the tax legislation is issued are not exempted from the infliction of additional taxes and fines by the tax authorities within the framework of the legal restrictions (five years from the end of the financial year in which the relevant tax return shall be submitted). In the light of the above, generally it is considered that the right of the Greek State to inflict taxes up to the financial year 2012 is exhausted as regards the Group.

c) Contingent legal obligations

There are no pending legal liabilities or obligations that could materially affect the financial position of the Group on December 31, 2018, except the cases for which a relevant provision has been formed (Note 33).

38. Related party transactions

All transactions are objective, are conducted at arm's length and fall within the scope of the normal activities of the Group. The volume of transactions per category is shown here below.

38.1. Transactions of the Group with companies in the CYPRUS POPULAR BANK Group

Amounts in Eur '000	31 December 2018	31 December 2017
a) Receivables		
Loans and advances to credit institutions	0	11.230
Loans net of provisions	7.723	12.387
Other receivables	1.132	207
Total	**8.855**	**23.824**

Amounts in Eur '000	31 December 2018	31 December 2017
b) Payables		
Due to credit institutions	120	516
Deposits	1.422	6.413
Other liabilities	181	767
Total	**1.723**	**7.696**

Amounts in Eur '000	31 December 2018	31 December 2017
c) Income		
Interest and similar income	833	319
Commission income	1.094	363
Other income	246	182
Total	**2.173**	**864**

Amounts in Eur '000	31 December 2018	31 December 2017
d) Expenses		
Interest and similar expenses	80	59
Commission expenses	88	93
Total	**168**	**153**

38.2. Transactions with Management and members of the Board of Directors

Amounts in Eur '000	31 December 2018	31 December 2017
a) Receivables		
Loans	35	26
Total	**35**	**26**

Amounts in Eur '000	31 December 2018	31 December 2017
b) Payables		
Deposits	1	15
Total	**1**	**15**

Amounts in Eur '000	31 December 2018	31 December 2017
c) Income		
Interest and similar income	2	0
Total	**2**	**0**

38.3. Remuneration of Management and members of the Board of Directors

Amounts in Eur '000	31 December 2018	31 December 2017
Board of Directors compensation	85	56
Salaries	395	408
Total	**480**	**464**

39. External auditors

The total fees paid by the Group to the independent auditor "PricewaterhouseCoopers Auditors" for their audit and other services provided to the Bank are analyzed as follows:

Amounts in Eur '000	31 December 2018	31 December 2017
Statutory Audit	49	48
Tax Audit Certificate	39	40
Other Audit Services	11	3
Non Audit Services	8	0
Total	**107**	**91**

40. Events after the financial statements date

The Bank, as already mentioned, is about to change its majority shareholder who would then implement its business plan which has already been submitted to the Bank of Greece and is subject to its approval. No further important events occurred after the balance sheet date that could affect the present financial statements.

Maroussi, June 21, 2019

The Managing Director and Vice Chairman of the Board of Directors	The Deputy Chief Executive Officer	The Financial Services Management
Michael Andreadis	**Angelos Sapranidis**	**Konstantinos Kalliris**

IV. Financial Statements of the Bank for the year ended December 31, 2018

Financial Statements

for the year

January 1 - December 31, 2018

In accordance with the International Financial Reporting Standards (IFRS)

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Amounts in Euro '000	Note	31st December 2018	31st December 2017
Interest income		3.954	4.174
Interest expense		(328)	(311)
Net interest income	7	**3.626**	**3.863**
Fee and commission income		5.622	6.341
Fee and commission expenses		(2.615)	(2.915)
Net fee and commission income	8	**3.006**	**3.426**
Dividend income		197	190
Net trading income	9	365	1.684
Other operating income	10	341	237
		903	**2.111**
Total operating income		**7.535**	**9.400**
Staff Costs	11	(8.636)	(7.640)
Other operating expenses	12	(3.845)	(3.425)
Depreciation	22	(283)	(309)
Total operating expenses		**(12.764)**	**(11.374)**
Profit/(loss) before provisions and taxes		**(5.228)**	**(1.973)**
Provision for loans impairment	19	471	(291)
Other provisions	13	(224)	556
Total provisions		**247**	**264**
Loss before tax		**(4.981)**	**(1.709)**
Income tax	14	(751)	(1.220)
Loss after tax (a)		**(5.732)**	**(2.929)**
Other comprehensive income after tax (b)		**(32)**	**18**
Total comprehensive income after tax (a)+(b)		**(5.764)**	**(2.911)**

The enclosed notes (pages 5 to 58) form integral part of the present financial statements.

STATEMENT OF FINANCIAL POSITION

Amounts in Euro '000	Note	31st December 2018	31st December 2017
ASSETS			
Cash and balances with central banks	15	57.213	30.718
Loans and advances to credit institutions	16	11.699	22.769
Financial assets at fair value through profit or loss	17	43.900	44.840
Derivative financial instruments	18	24	49
Loans and advances to customers	19	45.059	41.027
Financial assets at fair value through other comprehensive income	20	1.382	1.302
Assets held for sale	21	2.513	0
Investments in subsidiaries and associates	22	6.868	11.588
Property, plant and equipment and intangible assets	23	1.329	1.241
Deferred tax assets	24	3.703	4.256
Other stock exchange transactions	25	6.175	6.376
Guarantee Securities for Investment Services	26	10.580	10.409
Current tax assets	27	232	205
Other assets	27	12.780	2.252
Total assets		**203.457**	**177.033**
EQUITY AND LIABILITIES			
Due to credit institutions	28	41.932	18.068
Due to customers	29	58.000	52.353
Customer balances to stock exchange accounts	30	19.692	21.484
Derivative financial instruments	18	5.384	406
Retirement benefit obligations	31	301	264
Other liabilities	32	4.979	4.727
Provisions	33	880	1.211
Total liabilities		**131.169**	**98.512**
Shareholders equity			
Share capital	34	110.427	110.427
Fair value reserve		16	33
Other reserves	35	18.177	18.192
Retained losses		(56.332)	(50.132)
Total equity		**72.288**	**78.520**
Total liabilities and equity		**203.457**	**177.033**

The enclosed notes (pages 5 to 58) form integral part of the present financial statements.

STATEMENT OF CHANGES IN EQUITY

Amounts in Euro '000	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
Balance at 1st January 2017	**110.427**	**11**	**18.196**	**(47.203)**	**81.431**
Fair value losses on available for sale financial assets	0	31	0	0	31
Tax related to profits/(losses) recognised in equity	0	(9)	0	0	(9)
Net profit/(loss) for the year 01/01-31/12/2017	0	0	0	(2.929)	(2.929)
Other comprehensive income	0	0	(4)	0	(4)
Equity balances as at 31st December 2017	**110.427**	**33**	**18.192**	**(50.132)**	**78.520**

Amounts in Euro '000	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
Balance at 1st January 2018	**110.427**	**33**	**18.192**	**(50.132)**	**78.520**
IFRS 9 Impact	0	0	0	(469)	**(469)**
Balance at 1 January 2018, adjusted to the IFRS 9 impact	**110.427**	**33**	**18.192**	**(50.600)**	**78.052**
Fair value losses on available for sale financial assets	0	(24)	0	0	(24)
Tax related to profits/(losses) recognised in equity	0	7	0	0	7
Net profit/(loss) for the year 01/01-31/12/2018	0	0	0	(5.732)	(5.732)
Other comprehensive income	0	0	(15)	0	(15)
Equity balances as at 31st December 2018	**110.427**	**16**	**18.177**	**(56.332)**	**72.288**

The enclosed notes (pages 5 to 58) form integral part of the present financial statements.

CASH FLOW STATEMENT

Amounts in Euro '000	**Note**	**31st December 2018**	**31st December 2017**
Cash flows from operating activities			
Loss before tax		**(4.981)**	**(1.709)**
Adjustments for:			
Depreciation	23	283	309
Fair value (profits)/losses on financial assets		856	(1.571)
(Profits)/losses on revaluation of derivatives		25	254
Retirement benefit obligations	31	30	27
Loan and other investments provision	19	(471)	291
Other provisions	13	327	(556)
Profit / loss on investment property valuation		(84)	0
Fair value (profits)/losses from carbon emission reserve		0	(167)
Cash flows from operating activities before changes in operating assets and liabilities		*(4.016)*	*(3.121)*
Changes in operating assets and liabilities			
Trading Portfolio		5.061	(3.191)
Loans and advances to customers		(4.038)	(10.345)
Other assets		(10.479)	1.803
Due to credit institutions		23.864	16.209
Due to customers		5.647	161
Other liabilities		(2.807)	3.540
Cash flows from operating activities before income tax		*13.232*	*5.056*
Income tax paid		0	0
Net cash flows from operating activities		**13.232**	**5.056**
Investing activities			
Participation in subsidiaries and associates		2.500	0
Purchases of PPE		(166)	(88)
Proceeds from disposals of PPE		15	0
Purchases of intangible assets		(156)	0
Net cash flow from investing activities		**2.193**	**(88)**
Net increase/(decrease) in cash and cash equivalents		**15.425**	**4.968**
Cash and cash equivalents at beginning of year		53.487	48.520
Cash and cash equivalents at end of year	36	**68.912**	**53.487**

The enclosed notes (pages 5 to 58) form integral part of the present financial statements.

1. Information about the Bank

The "INVESTMENT BANK OF GREECE S.A." with the distinctive title "INVESTMENT BANK OF GREECE (IBG)" (hereinafter "IBG" or the "Bank") was established under the act ref. 55401/18.1.2000 of the Athens Notary Ms. Anna Tsafara, daughter of Panagiotis, approved by the Decision ref. K2-881/24.1.2000 of the Minister of Development, published in the Government Gazette ref. 533/26.1.2000 (SA & LTD Issue). It operates as a société anonyme in accordance with the Greek legislation and in particular the provisions of the Cod. Law 2190/1920 on sociétés anonymes, as in force.

Initially, the Bank had its registered office in the Municipality of Athens which then was transferred to the Municipality of Amaroussion, Attica (24B Kifissias Avenue) upon a Resolution of the General Meeting of the Shareholders dated November 27, 2001. It has activities in Greece and employs 189 persons in total. It is supervised by the Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece, in accordance with the provisions of Law 4621/2014 on financial institutions having their registered office in Greece, to which the Bank submits regulatory records as provided for in the Bank of Greece Governor's Act ref. 2640/18.01.2011.

On December 29, 2003 the extraordinary General Meeting of its Shareholders decided the merger by absorption of the Bank by "MARFIN - HELLENIC SA", in accordance with the provisions of the Cod. Law 2190/1920, Laws 2515/1997 and 2166/1993, and with Transformation Balance Sheets as of June 30, 2003. The above merger has been approved by the Decision ref. K2/2369/27.2.2004 of the Prefecture of Athens.

On June 29, 2006 the Boards of Directors of "INVESTMENT BANK OF GREECE S.A" and "EGNATIA FINANCE S.A" decided to initiate the merger by absorption procedures of the second by the first with transformation date the date of June 30, 2006.

The Boards of Directors of the Bank and the société anonyme under the corporate name "EGNATIA FINANCE ANONIMI CHRIMATISTIRIAKI ETERIA PAROCHIS EPENDITIKON IPIRESION S.A.", with the distinctive title "EGNATIA FINANCE SA" with registered office in Athens (8 Dragatsaniou Street) and Registration Number 23105/06/B/90/34 (hereinafter the "Absorbed Bank"), announced that in accordance with the provisions of article 68, para. 2, articles 69-77 of Cod. Law 2190/1920, article 16 of Law 2515/1997, articles 1-5 of Law 2166/1993 and the trade legislation in general, they have entered into the Draft Merger Agreement dated 26.03.2007 by which the above companies will merge by absorption of the second by the first. The said Draft was subject to the publication formalities of the Cod. Law 2190/1920 and was registered on the Companies Register of the Ministry of Development, Direction of Companies and Credit, on April 20, 2007. The above merger was also approved by the Decision ref. K2/9485/22.6.2007 of the Prefecture of Athens.

The Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece approved the Merger by absorption of "EGNATIA FINANCE S.A." by the Bank by its resolution minutes ref. 245/1/08.06.2007.

On June 6, 2008 the Boards of Directors of "INVESTMENT BANK OF GREECE S.A." and "LAIKI ATTALOS S.A.", member of "CYPRUS POPULAR BANK" Group, which is under a resolution scheme since 25.03.2013, decided the merger by absorption of "LAIKI ATTALOS S.A." by the "INVESTMENT BANK OF GREECE S.A.". The transformation date was set on 31.12.2007. The above merger was also approved by the Decision ref. K2/14014/28.11.2008 of the Prefecture of Athens. As a result of the merger and the exchange ratio, the share of "Laiki Bank" in the share capital of "INVESTMENT BANK S.A." was increased from 92.04% to 97.08%.

The Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece approved the Merger by absorption of "LAIKI ATTALOS S.A." by the Bank by its resolution minutes ref. 270/21.10.2008.

As of December 31, 2018, the shareholding of "INVESTMENT BANK S.A." was the following:

Shareholders	Number of Shares	%
CYPRUS POPULAR BANK LTD. (Under liquidation since 25/3/2013)	3.652.724	97,08%
ACTIVE S.A.	32.012	0,85%
BOGDANOS ATHANASIOS ELIAS	32.012	0,85%
SAXON MARITIME INC.	21.396	0,57%
OTHER SHAREHOLDERS	24.276	0,65%
TOTAL	**3.762.420**	**100,00%**

The Bank's term is set to ninety nine (99) years and its purpose, according to its Articles of Association, is the provision of all banking services allowed by the Law either for its own account or for the account of third parties.

Note that due to rounding, the actual sums of the amounts presented in the condensed consolidated financial statements might not be exactly equal to sums presented in the financial statements, and this also applies to the percentages.

Branches operating in Greece:

1. Central branch: 32 Aigialias St, Maroussi
2. Thessaloniki: 20 Mitropoleos St, Thessaloniki
3. Heraklion: 46 25th Avgoustou St, Heraklion

Subjection of Cyprus Popular Bank (hereinafter the "CPB"), major shareholder of the Bank, to a resolution scheme.

CPB, due to its participation in the Greek debt restructuring program implemented in March-April 2012 (PSI+), and also due to the increasing credit risk affecting its loan portfolio, suffered very considerable losses that affected both its accounting values and its regulatory capitals, and as a result its required capital adequacy indexes were not covered.

On March 25, 2013 and within the framework of the economic support program for Cyprus by the European Union ("EU"), the European Central Bank ("ECB") and the International Monetary Fund ("IMF") (jointly the

"troika"), the CPB was subjected into a resolution scheme which, inter alia, included the following: (a) absorption of a substantial part of its assets, liabilities and operations in Cyprus by the Bank of Cyprus, and (b) the transfer of its Greek banking activities, including the major part of IBG's loans and deposits, to Piraeus Bank Group.

Disposal of the Bank's loans and deposits portfolio

On 26 March 2013 and within the framework of the Cypriot Law on the Resolution of Banks and Other Financial Institutions, the framework for transferring the major part of the loans portfolio (of a nominal value before provisions of approximately €365.3 million) and a significant part of the IBG deposits which on the above date amounted to ca €66.2 million to Piraeus Bank Group, was agreed. Moreover, other assets and liabilities were transferred, amounting to €0.3 million (before provisions) and €1.5 million respectively. The agreed price took into account, inter alia, the assessments made by the international consulting firm PIMCO regarding the expected credit risk losses of the Bank's loan portfolio, under the worst-case scenario. The accounting loss due to this transaction, which affected the 2013 income statements, amounted to ca €17 million. The initially agreed consideration amounted to €125.7 million and was received in full by the Bank, while a settlement amount of ca €58.1 that arose mainly from the decrease, subsequent to March 26, of the deposits transferred to Piraeus Bank, remained receivable as of December 31, 2014 by Piraeus Bank and the Bank of Cyprus to which the majority of the Cyprus Popular Bank's assets and liabilities were transferred, under the Cypriot Law for the Resolution of Banks and Other Financial Institutions. The amount of €58.1 million has been received on 19.01.2015, thus significantly increasing the Bank's liquidity.

Estimates on the capability of the Bank to smoothly continue as a going concern

The financial statements have been prepared on the basis of the "going concern", since the Management estimates that the Bank is capable of smoothly continuing its operation in the foreseeable future. This estimate is corroborated by the foreseen completion of the transfer of the Bank's shares from CPB to IREON INVESTMENTS LTD, a subsidiary of MOTOR OIL HELLAS.

Macroeconomic Environment

In 2018, the GDP recorded a 1.9% increase, while the consumer Price Index a 0.6% increase and the unemployment rate passed to 18%. The recovery of the Greek economy is expected to continue over 2019, provided that the reforms will continue, investment will be boosted and the lifting of capital controls will be fully implemented while the geopolitical developments will not worsen. In the capital markets, favorable prospects are created due to the strong liquidity of the banking system and the estimates about a further monetary easing and the political stability in Greece.

Bank capital adequacy

As of December 31, 2018, the Bank's Core Tier I ratio was of 40.84% (2017: 39.71%), which was well above the minimum level required by the Bank of Greece ("BoG").

2. Basis of preparation

2.1. Compliance

The Bank's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as these have been adopted by the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements as of 31.12.2018 were approved by the Board of Directors on 21/06/2019 and are subject to final approval of the General Meeting of the Shareholders, while they are available to investors at the Bank's offices (32 Aigialeias & Paradeisou St., Maroussi), as well as on the Internet at the Bank's website (www.ibg.gr) and will be available for at least two years in accordance with article 2, para. 1 of Pres. Decree 360/1985, as in force following its amendment by Law 3301/2004.

2.2. Basis of presentation

The financial statements are presented in Euro which is the reporting currency and the amounts are rounded to the nearest thousand.
The financial statements have been prepared in accordance with the historical cost basis, which has been modified so as to include the valuation at fair value of the financial assets and liabilities (including the derivative financial instruments) through the income statement. The financial statements have been prepared under the going concern principle and after taking into account the macroeconomic and fiscal developments in Greece.
The preparation of the financial statements in accordance with the IFRS requires the use of estimates and assumptions that affect the valuation of the assets and liabilities, the recognition of possible liabilities on the date of the financial statements and the reporting of income and expenses incurred during the period under consideration. Consequently, the actual results may differ from these estimates, despite the fact that they are based on the best knowledge of the Management of the current conditions and actions. The areas involving a significant degree of judgment or complexity or where assumptions and estimates significantly affect the financial statements are mentioned in Note 4.

2.3. New standards, amendments to standards and interpretations

In particular, new standards, amendments to standards and interpretations have been issued that apply to financial years after 1.1.2018. The estimates of the Bank regarding the impact of the application of such new standards, amendments to standards and interpretations are presented here below.

<u>Standards and Interpretations compulsory to the current financial year</u>

IFRS 9 "Financial Instruments"

The IFRS 9 replaces the provisions of IAS 39 pertaining to the classification and measurement of financial assets and liabilities and also includes a model for the expected credit losses that replaces the model of the incurred

credit losses applied in accordance with the IAS 39. Moreover, IFRS 9 establishes a principle-based hedge accounting approach and deals with inconsistencies and weaknesses of the IAS 39 previous model.

IFRS 15 "Revenue from Contracts with Customers"

The IFRS 15 was issued in May 2014. The purpose of the standard is to provide a single, comprehensive income recognition model for all contracts with customers in order to improve comparability within industries, across industries, and across capital markets. It includes the principles that an entity shall apply to define the measurement of revenue and the timing of their recognition. The underlying principle is that an entity recognizes revenue in order to depict the transfer of goods or services to customers at the amount that the entity expects to be entitled to in exchange for these goods or services. The standard has no significant impact on the financial statements of the Bank.

IFRS 4 (Amendments) "Applying IFRS 9 *Financial instruments* with IFRS 4 *Insurance policies*"

The amendments introduce two approaches. The amended standard will: a) offer all entities that issue insurance policies the option to recognize in other comprehensive income rather than profit or loss, any discrepancies that could arise because of the implementation of the IFRS 9 before the new insurance policies standard is issued, and b) offer the entities whose activities are mainly connected with insurance, an optional temporary exemption from applying the IFRS 9 until 2021. The entities that chose to defer the application of the IFRS 9 continue to apply the financial instruments standard IAS 39. The standard has no significant impact on the financial statements of the Bank.

IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions"

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting handling of modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2, according to which an award shall be treated as if it was wholly equity-settled, where an employer is bound to withhold an amount to cover the employee's tax obligation associated with a share-based payment and remit that amount to the tax authorities. The standard has no significant impact on the financial statements of the Bank.

IAS 40 (Amendments) "Transfers of Investment Property"

The amendments clarify that to transfer to or from investment properties there must be a change in use. To consider whether a property has a changed use it should be evaluated whether such property meets the definition and whether the change may be documented. The standard has no significant impact on the financial statements of the Bank.

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The Interpretation provides guidance on how to define the date of a transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts.

Annual Improvements to 2014 IFRS Standards (cycle 2014-2016)

IAS 28 "Investments in Associates and Joint Ventures"

The amendments clarify that when venture capital organizations, mutual funds and similar entities make use of the choice to measure their investments in associates or joint ventures at fair value through profit or loss, this choice shall be made separately for each associate or joint venture at the initial recognition.

Standards and Interpretations compulsory to future financial years

IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (Applies to annual periods beginning on or after 1.1.2019)

The amendments offer to the companies the possibility, provided they fulfill a specific condition, to measure the prepayable financial assets with negative compensation at the amortized cost or fair value through the other total income instead of the fair value through results. The standard has no significant impact on the financial statements of the Bank.

IFRS 16 "Leases" (Applies to annual periods beginning on or after 1.1.2019)

The IFRS 16 was issued in January 2016 and replaces the IAS 17. The objective of the standard is to ensure the lessees and lessors provide useful information that fairly presents the essentials of the lease transactions. The IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all lease agreements of a term longer than 12 months, unless the underlying asset is of low value. As regards the accounting handling by the lessor, IFRS 16 substantially incorporates the requirements of IAS 17. Therefore, the lessor continues to classify the lease agreements as operating leases or finance leases, and to adopt a different accounting handling for each type of lease. The Bank is currently examining the impact of IFRS 16 on its consolidated financial statements and estimates that it will not have any significant impact on them.

IFRS 17 "Insurance policies" (Applies to annual periods beginning on or after 1.1.2021)

The IFRS 17 was issued in May 2017 and replaces the IFRS 4. IFRS 17 introduces the principles for the recognition, measurement and presentation of the insurance policies falling within the scope of the standard as well as the relevant disclosures. The purpose of the standard is to ensure that an entity provides relevant information which fairly present the said contracts. The new standard settles the comparability issues raised in IFRS 4, since it requires the insurance policies to be consistently recognized. The insurance liabilities will be measured in current values and not at their historic cost. The standard has not been adopted yet by the European Union.

IAS 28 (Amendments) "Investments in Associates and Joint Ventures" (Applies to annual periods beginning on or after 1.1.2019)

The amendments clarify that entities shall recognize their long-term participations in associates or joint ventures to which the equity method does not apply, in accordance with the IFRS 9.

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments" (Applies to annual periods beginning on or after 1.1.2019)

The Interpretation clarifies application of recognition and measurement requirements for current and deferred income tax when there is uncertainty over income tax treatments. IFRIC Interpretation 23 applies to all aspects of the recognition of the income tax when there is such uncertainty, including the taxable profit/loss, the tax base of the assets and liabilities, the tax profits and losses and the tax rates.

IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" (Applies to annual periods beginning on or after 1.1.2019)

The amendments define the way entities shall specify the pension costs when modifications to defined benefits plans do occur.

IFRS 3 (Amendments) "Definition of Business Combinations" (Applies to annual periods beginning on or after 1.1.2020)

The new definition focuses on the sense of outputs on goods and services provided to customers as opposed to the previous definition that focused on the provision of dividends or other economic benefits directly to investors and other parties or lowering costs. The amendments have not been adopted yet by the European Union.

IAS 1 and IAS 8 (Amendments) "Definition of Material" (Applies to annual periods beginning on or after 1.1.2020)

The amendments clarify the definition of material and how it shall be applied, thus supplementing the definition with guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments have not been adopted yet by the European Union.

Annual Improvements to IFRS Standards (cycle 2015-2017) (Applies to annual periods beginning on or after 1.1.2019)

The following amendments include changes in four IFRS. The amendments have not been adopted yet by the European Union.

IFRS 3 "Business Combinations"

The amendments clarify how an entity re-measures the stake it previously had in a jointly controlled activity when it acquires control of the said business.

IFRS 11 "Joint Arrangements"

The amendments clarify how an entity does not re-measure the stake it previously had in a jointly controlled activity when it jointly acquires control of the said business.

IAS 12 "Income Taxes"

The amendments clarify how an entity does recognize all impacts on income tax due to the distribution of dividends in the same manner.

IAS 23 "Borrowing Costs"

The amendments clarify how an entity does handle, as part of its general borrowing any loan contracted especially for the development of an asset when such asset is ready for its intended use or available for sale.

2.4 Transition to IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" issued in its final form in July 2014 by the International Accounting Standards Board (IASB) and the amendment "Prepayment Features with Negative Compensation" issued in October 2017, is implemented by the Bank since January 1, 2018.

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes the revised requirements regarding a) the classification and measurement of the financial assets of the assets and liabilities, b) the impairment of the financial assets and c) the risk hedge accounting.

Classification and measurement of financial assets

IFRS 9 establishes a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics

IFRS 9 requires financial assets to be classified into one of the following measurement categories: at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

The financial assets shall be measured at amortized cost, if they are held as part of a business model aiming at holding the financial assets to collect contractual cash flows and their contractual cash flows represent solely payments of principal and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest. In all other cases, the financial assets will be classified at fair value through profit and loss (FVTPL).

An entity may, at initial recognition, define a financial asset as measured at fair value through profit and loss (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis.

Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss, unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognized in profit or loss, unless this would create or enlarge an accounting mismatch.

The Bank has performed an initial analysis of its portfolios of financial assets in order to assess whether:

a. The cash flows resulting from each financial asset are solely payments of principal and interest (SPPI) on specified dates, according to the applicable contractual terms, and
b. The objective of the business model for each portfolio of financial assets is achieved by holding the financial assets to collect their contractual cash flows, by selling the financial assets, or by both.

The assessment is being performed based on the facts and circumstances that exist at the date of initial application, i.e. on January 1, 2018.

On the basis of the analysis performed, the Bank applied the following classification and respective measurement bases for its existing portfolio of financial assets within the scope of IFRS 9:

Portfolio (Classification under IAS 39)	**Classification under IFRS 9**	**Measurement under IFRS 9**
Cash and balances with Central Banks	Hold to collect cash flows	Amortized cost
Loans and advances to credit institutions	Hold to collect cash flows	Amortized cost
Trading portfolio - Government bonds (1)	Hold to sell	Fair value through profit and loss - FVTPL
Trading portfolio - Corporate bonds (1)	Hold to sell	Fair value through profit and loss - FVTPL
Trading portfolio - Equity securities (1)	Cash flows are not SPPI / Hold to sell	Fair value through profit and loss - FVTPL
Portfolio available for sale	Hold to collect cash flows	Fair value through other comprehensive income
Loans and advances to customers	Hold to collect cash flows	Amortized cost
Loans and advances to customers	Hold to collect cash flows	Fair value through profit and loss - FVTPL
Margin and Clearing accounts	Hold to collect cash flows	Amortized cost
Investment Services Guarantee Securities	Hold to collect cash flows	Amortized cost

(1) Trading portfolio according to the Balance Sheet

Impairment of financial assets

The Bank elaborated a new financial assets impairment policy in accordance with the IFRS 9 and developed the relevant impairment methodology. The main components of this impairment methodology are the following:
A. Impairment is assessed for financial assets measured at amortized cost, financial assets measured at FVOCI, undrawn loan commitments and letters of guarantee.

B. Impairment is defined under IFRS 9 as expected credit loss (ECL) and represents loss which could result from default events of (i) performing credit exposures without any significant increase in credit risk (Stage 1 exposures) over the next 12 months, (ii) performing credit exposures whose credit risk has increased significantly since initial recognition (Stage 2 exposures) over the entire remaining maturity of the instrument, and (iii) non-performing exposures (Stage 3 exposures) over the entire remaining maturity of the instrument.

C. The expected credit losses (ECL) are estimated for each individual instrument (facility) using the formula:
Expected credit losses (ECL) = Exposure at default (EAD) x Probability of default (PD) x loss given default (LGD)

D. The exposure at default (EAD) is calculated taking into account the outstanding balance and the unutilized credit limit of the financial instrument.

E. Probability of default (PD) is estimated using a predictive algorithm which takes into consideration both internal (facility specific) and external (macroeconomic) parameters.
F. Loss given default (LGD) is estimated based on the expected net realizable value of the collaterals pledged against the credit exposure, if any.

The new requirements of the IFRS 9 may be implemented retrospectively, by adapting the Bank balance sheet on the transition date of January 1, 2018. However, the Bank applied the exemption not to restate comparative figures for prior periods. Consequently, the Bank's 2017 comparatives will be presented on an IAS 39 basis.

Based on assessments undertaken to date under the new Impairment Methodology, the total estimated impact of adopting IFRS 9 on the opening balance of the Bank's impairment allowance as of January 1, 2018 is an increase of €660k. The corresponding estimated decrease in the opening balance of the Bank's net equity as of January 1, 2018, is €660k, representing the increase in the impairment allowance before tax effect.
The impact is detailed as follows (amounts in '000 euros):

Impairment	**IFRS 9 Impact**
Loans and advances to customers	660
Other financial assets	-
Total impairment	**660**

A further analysis of the IFRS 9 impacts is presented here below:

Hedge accounting

The Bank does not apply any hedge accounting under IAS 39 and does not intend to apply any hedge accounting under IFRS 9. Consequently, all derivatives held by the Bank are and will continue to be measured at Fair Value through profit or loss (FVTPL).

Impacts on the capital requirements

The implementation of the IFRS 9 as of January 1, 2018 does not materially (0.1%) affect the Common Equity Tier 1 (CET 1) capital ratio of the Bank, since the Bank implements the phase-in approach in accordance with the EU legislation (Regulation (EU) 2017/2395) for mitigating the impact of the introduction of IFRS 9 on regulatory capitals.

3. Major Accounting Principles

The major accounting principles adopted for the preparation of the financial statements were consistently applied to all financial years that are presented, unless otherwise stated; these principles are the following:

3.1. Subsidiaries

The Bank is not listed in the Athens Stock Exchange and is a subsidiary, with a stake of 97.08%, of Laiki Bank which is under a resolution scheme since 25.03.2013. In accordance with the instructions of the Bank of Greece, it is bound to draft solo and consolidated financial statements since both its solo statements and those of its subsidiaries are fully consolidated in the financial statements of the Investment Bank which drafts them in accordance with the IFRS and are available to the public.
Participations in subsidiaries are presented at the acquisition cost less any impairment, where necessary.

3.2. Foreign currency transactions

Transactions in foreign currencies are converted to the transaction currency, i.e. Euro, at the exchange rate valid on the dates these transactions were made. Monetary assets and liabilities denominated in foreign currencies, are converted to Euro in accordance with the exchange rate valid on the date the financial statements were drafted. The resulting foreign exchange differences are recorded on the income statement.

Exchange differences arising from the conversion of the non-monetary financial assets are part of the variation of their fair value. The arising exchange differences for non-monetary financial assets, such as assets classified as trading securities, are recognized in the income statement.

3.3. Investments in financial instruments

The following accounting policies have been applied to the reference period prior to January 1, 2018, to recognize the financial instruments under IAS 39.

(a) Classification

Instruments presented at fair value through profit or loss: This category is divided into two sub-categories: financial assets held for trading and assets that upon inception are designated at fair value through profit or loss. A financial asset is classified in this category if acquired in order to make gains from the short term values variation or if so designated by the Management. This category includes derivatives that are not designated as hedging instruments nor are they effective hedging instruments.

Loans and receivables: means the loans and any kind of receivables created by the Bank by granting money to a debtor other than those created with the intention of short-term profit taking.

Investments available for sale: means the investments that are not "loans and receivables" nor are they recorded on the "held to maturity investments" or "investments held for trading". They include bonds, mutual fund units and shares.

(b) Recognition

The Bank recognizes the financial assets held for trading and available-for-sale investments as of the date it is committed to purchase the assets. From this date on, any gains and losses arising from changes in the fair value of the assets are recognized. Loans and receivables are recognized when cash is advanced to the borrowers.

(c) Measurement

Financial instruments are initially measured at fair value, including the transaction costs.

After the initial valuation, all trading portfolio instruments and the available-for-sale assets are measured at fair value, except the financial instruments that have no market price in an active market and whose fair value cannot be reliably measured, which are valued at cost, including the transaction fees and less the impairment losses.

All non-trading financial liabilities, loans and receivables, as well as the held-to-maturity assets are presented at their amortized cost less impairment losses. The amortized cost is calculated according to the effective interest rate method. Premiums and discounts, including the transaction costs are included in the carrying amount of the related instrument and are amortized based on the effective interest rate of the instrument.

(d) Fair Value Measurement

The fair value of the financial instruments is based on their market price, on the reporting date, without deducting the transaction costs. If there is no market price, the fair value of the instrument is calculated using valuation models or the discounted cash flow technique.

Where discounted cash flow techniques are used, the estimated future cash flows are based on the Management's best estimate, while the discount rate is a market rate at the reporting date for an instrument

with similar terms and conditions. Where valuation models are used, inputs are based on the relevant market prices at the reporting date.

The fair value of derivatives that are not exchange-traded equals the amount that the Bank will receive or pay to terminate the contract on the reporting date, after taking into account the current market conditions and the current creditworthiness (credit rating) of the counterparties.

(e) Gains and losses on subsequent measurement

The gains and losses arising from a change in the fair value of the available-for-sale assets are recognized in the other comprehensive income. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in equity through the total other comprehensive income is transferred to the income statement.

Gains and losses arising from a change in the fair value of the trading portfolio instruments are recognized in the income statement.

(f) Derecognition

A financial instrument is derecognized from the financial statements of the Bank when the Bank loses control on the contractual rights that arise from the financial instrument. This occurs when the instrument is sold, expired or the cash inflows relevant to it are transferred to an independent third party. A financial liability is derecognized when it is extinguished.

3.4. Repurchase agreements

The Bank enters into agreements to purchase (sell) securities and resell (repurchase) substantially the same securities on a certain date in the future, and at a fixed price. The purchased securities subject to a commitment to resell them in future dates (reverse repos) are not recognized as investments. The amounts paid for such purchase are recognized in loans and advances to banks or customers. The receivables are presented in the statement of financial position as collateralized by the underlying security. Investments sold under repurchase agreements (repos) continue to be recognized in the statement of financial position and are measured depending on their classification. The proceeds from the sale of these investments are reported as liabilities to banks or customers.

The difference between the sale and repurchase price is recognized on an accrual basis throughout the transaction period and is included in the interests.

3.5. Owner-occupied property and equipment

Tangible assets are presented at acquisition cost or at deemed cost less the accumulated depreciation and any impairments.

Depreciation is calculated under the straight line method throughout the useful life of the tangible assets. Plots are not depreciated. The useful life has been defined as follows:

- Buildings and plants: 30-50 years
- Machinery and equipment: 4-7 years
- Vehicles: 9-10 years

Leasehold improvements are depreciated over the useful life of the improvement or the duration of the lease whichever is the shorter.

The fixed assets' useful life is reviewed and adjusted, if appropriate, at each reporting date. Tangible assets are reviewed for possible impairment whenever events occur or in case that the acquisition cost is not considered recoverable. An asset's carrying amount is immediately reduced to its recoverable amount if the asset's acquisition cost is greater than its recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and the "value in use".

Gains and losses on disposals are the difference between the proceeds and the value presented in the statement of financial position. Such a difference is recorded in the income statement.

3.6. Intangible assets

Intangible assets include the Bank's software and are presented at acquisition cost less any accumulated amortizations and impairments. Amortization is performed using the straight-line method throughout the useful life of the software ranging from 1 to 5 years.

3.7. Cash and cash equivalents

Cash and cash equivalents include monetary assets with a maturity shorter than three months from the acquisition date, such as cash balances, unrestricted balances held at the Central Bank and amounts due from financial institutions. Cash and cash equivalents are recognized at amortized cost.

3.8. Impairment of Financial Assets

The following accounting policies have been applied to the reference period prior to January 1, 2018, to recognize the financial instruments under IAS 39.

(a) Assets presented at amortized cost

The Bank evaluates at each reporting date whether there is substantial evidence that a financial asset, or group of financial assets, is impaired. A financial asset or group of financial assets is impaired, and impairment losses are incurred, only when there is substantial evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and such a loss event (or events) does have an impact on the estimated future cash flows of the financial asset if it can be relevantly estimated. Objective

evidence that a financial asset or group of assets is impaired includes information that come to the attention of the Bank about the following loss events:

i. Significant financial difficulty of the debtor/borrower;

ii. Breach of the terms of a contract resulting in the delay or default of payment of the principal or interests.

iii. Granting to the borrower forbearance measures due to the borrower's financial difficulty with more adverse terms for the Bank compared to the initial agreement.

iv. Strong probability that the borrower will go bankrupt or enter another financial reorganization regime.

v. Lack of active market for this specific financial asset due to financial difficulty.

vi. Indications of a significant decrease in the expected future cash flows from a group of financial assets, compared to the initial acquisition cost, although it is impossible to determine the possible impairment loss. These indications may, by way of example, refer to the following:

- Unexpected changes in the payment status of the borrowers or a group of borrowers;

- National or local economic conditions that contribute to the decrease of the value of the assets that are part of a larger group.

The Bank first assesses whether objective evidence of impairment exists for loans and significant receivables individually or collectively for assets the receivables for which are not considered individually significant. If for an individually assessed financial asset no objective evidence of loss exist, then these assets are included in groups with similar credit risk features and are collectively assessed. Assets that are individually assessed for impairment and for which an impairment loss arises, are not included in the assessment at portfolio level.

If during the impairment check it arises that there is substantial evidence that an impairment loss on loans and receivables or on held-to-maturity investments carried at amortized cost has been incurred, the impairment loss is the difference between the booked value of the receivables and the expected cash flows (less the future credit losses that have already incurred) discounted at the present value according to the effective interest rate. The carrying amount of the asset is reduced with the use of an allowance account and the amount of the loss is recognized in the income statement. In the event that a loan or receivables or a held-to-maturity investment has a floating interest rate, the discount rate corresponds to the current effective interest rate as arises from the contract. Practically, the Bank may measure the impairment loss on the basis of an asset’s fair value using the market current interest rate considered noticeable.

The calculation of the present value of the expected future cash flows of a collateralized financial asset reflects the cash flows that may arise from the foreclosure less costs for acquiring and selling the collateral in the event that the foreclosure is impossible.

In the event of a collective evaluation of impairment, the financial assets are grouped on the basis of similar credit risk features (e.g. on the basis of the Bank's credit rating which takes into account the collateral, the asset, the historic behavior, geographical factors, the industry and other factors). These features are relevant to the calculation of the future cash flows for groups of assets since they indicate the borrowers' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and the historical loss experience for assets with credit risk characteristics similar to those in the portfolio.

Historical loss experience is adjusted on the basis of current actual data in order to reflect the effects of the current conditions that did not affect the period to which the historical loss experience refer in order to eliminate the impacts of the conditions that affected the historical data and do not apply any longer.

The methodology and the assumptions used to define the future cash flows are regularly reviewed by the Bank to readjust any differences between the loss estimates and the actual loss. When a loan is uncollectable, it is written off against the related provision. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been defined. Any subsequent recovery of amounts previously written off are recognized in the income statement.

If, at a subsequent time, the amount of the impairment loss decreases and such decrease can be associated to an event that occurred after the impairment calculation, then the previously recognized impairment loss is reversed by adjusting the allowance. The reversal is recognized in the income statement.

(b) Assets presented at fair value

The Bank examines at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. An important and continuous decrease of the fair value of the security compared to its acquisition cost is considered to be an indication of impairment for securities classified as assets available for sale. If any such evidence exists for available-for-sale financial assets, the cumulative loss of the said assets that equal the difference between the acquisition cost and the current fair value, less any prior impairment loss are transferred from equity to profit or loss. Impairment losses recognized in the income statement are not reversed. If, at a subsequent time, the fair value of a debt instrument classified as available-for-sale increases and the increase can be associated with an event that occurred after the impairment loss was recognized in profit or loss, then the impairment loss is reversed through the profit or loss.

3.9. Financial Liabilities

Financial liabilities are presented at the amortized cost as this arises from the effective interest method. Due to banks and customers are classified in this category.

3.10. Financial guarantees

Financial guarantees (letters of guarantee) are contracts under which the Bank undertakes to compensate the holder for a loss that he may suffer because the principal debtor will fail to timely fulfill his obligations.

Commission from the financial guarantee contracts is initially recognized as liability (is considered to be the fair value of the liability) and then is gradually transferred to the income statement throughout the guarantee term.

On each reporting date, the Bank examines whether there is evidence that the letters of guarantee will be forfeited and in such a case, the recognized liability is the higher amount between the present value of the amount that is expected to be paid and the amortized amount of the collected commissions.

The liabilities arising from financial guarantee contracts are presented in the item "Other liabilities".

3.11. Staff benefits

Short-term staff benefits The short-term staff benefits in cash and in kind (except benefits for the termination of the employment relationship) are recognized as expense when accrued. Benefits to employees based on their performance and on the profitability of the Bank are recognized to the extent that the Bank has undertaken on the reporting date the deemed obligation to make such payments.

Staff retirement indemnities Benefits given after the termination of the employment include lump-sum severance grants, pensions and other benefits paid to the employees after the employment termination in exchange for their service. The Bank's liabilities for retirement benefits pertain to both defined contribution plans and defined benefit plans.

i) Defined contribution plan

The defined contribution plans pertain to payments of contributions made to Insurance Bodies (e.g. the Social Security Fund - IKA), and therefore there is no legal obligation of the Group in the event that the State Fund fails to pay the pension to the insured persons. The obligation of the employer is limited to the payment of the employer's contribution to the Funds. The contribution payable by the Bank for a defined contribution plan is recognized as liability after deducting the contribution paid, while the accrued contributions are recognized as expense in the income statement.

ii) Defined benefit plan

Defined benefit plan means a benefit plan receivable by employees upon their exit from the service (pursuant to the Greek legislation), in which the benefits are defined based on financial and demographic assumptions. The most important assumptions are, inter alia, age, years of service, salary, life expectancy ratios, discount

rate and the salaries and pensions growth rate. In defined benefit plans, the liability value equals the present value of the payable defined benefits on the reporting date, decreased by the fair value of the plan's assets.

The liability of the defined benefits and the relevant expense are calculated on an annual basis by an independent actuary using the projected unit credit method. The present value of the liability is defined by discounting the estimated future cash outflows using interest rates of high ranking corporate or sovereign bonds in the same currency and with the same term to maturity as those of the liability, or an interest rate taking into account the risk and the term of the liability, where there is an insufficient deep market for such bonds. The service and net financial costs of the defined benefits' net liability (asset) are recognized in the statement of profit or loss and are included in the staff costs. The defined benefits' net liability (after deducting the assets) is recognized in the statement of financial position, while the variations that arise from the re-measurement are recognized in the Other comprehensive income and cannot be a posteriori reclassified to the income statement.

Employment termination benefits The employment termination benefits are paid when employees terminate their employment before retirement. The Bank records these benefits when it undertakes to terminate the employment of existing employees in accordance with a detailed plan from which it is impossible to withdraw.

3.12. Provisions

The Bank recognizes provisions if as a result of a past event, has a present or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions take into account also the time value of money.

3.13. Offsetting financial instruments

Financial assets and liabilities are set off and the net amount is reported in the statement of financial position only when there is a legal right to set off the recognized amounts and there is an intention to either settle the net amount arising from the offset or to simultaneously settle the total amount of both the financial asset and the liability. Offsetting revenue and expense is allowed only if they are part of a total entry.

3.14. Leases

The Bank as Lessee: Leases where the lessor transfers the right to use an asset over an agreed period, without transferring the risks and rewards of the ownership of the asset, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized to the income statement proportionally over the lease term.

The Bank as Lessor: Fixed assets leased out under operating leases are included in tangible assets of the statement of financial position. They are depreciated over their anticipated useful lives on a basis consistent

with similar privately-owned tangible assets. The rental income (net of any incentives offered to lessees) is recognized using the straight-line method over the lease term.

3.15. Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accruals basis, using effective interest rate method or the relevant floating interest rate. The effective interest method is a method to calculate the amortized cost of a financial asset or liability and to allocate the interest income or expense over the reference period. Effective interest rate is the rate that discounts just the estimated future payments or receipts throughout the expected life of the financial instrument. Interest income and expense include coupon payments from the securities of the investment and trading portfolios, the interests on loans and placements, the interests on derivatives used to hedge the loans and the depreciation of the premium/discount amounts of the securities.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the interest rate used to discount the future cash flows for measuring the impairment loss.

3.16. Fee and commission income

Fee and commission income is recognized in the income statement throughout the period in which the relevant services were provided, unless they influence the effective interest rate.

3.17. Net trading income

The net trading income on financial transactions includes the gains and losses that arise from liquidations and changes in the fair value of the trading financial assets and liabilities.

3.18. Dividend income

Dividend income is recognized in the income statement on the date the dividend is approved.

3.19. Income tax and deferred tax

The income tax charge consists of the current taxes, the deferred taxes and the differences from previous financial years' tax audits.

Income tax is recognized in the year's income statement, except the tax on transactions directly recognized in equity, in which case it is directly, mutatis mutandis, recognized in equity. To assess the annual tax charge, all required adjustments on the accounting result are taken into account in order to define the final taxable income.

Current income taxes include short-term liabilities or claims vis-à-vis fiscal authorities pertaining to payable taxes on the year's taxable income and any additional income taxes pertaining to previous financial years.

Current taxes are measured on the basis of tax rates and fiscal laws that apply to the corresponding financial years, based on the annual taxable profit.

Deferred taxes are taxes or tax relieves relevant to the financial encumbrances or benefits that arise during the financial year in question, but have already been or will be allocated to different financial years by the tax authorities. The deferred income tax is defined using the liability method; such liability is defined by the temporary differences between the carrying amount and the tax base of the assets and liabilities. The deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction did not affect either the accounting or the taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates expected to apply on the financial year when the asset will be realized or the liability will be settled, considering the tax rates (and tax laws) that have been enacted or are substantively in force until the reporting date. In the event that it is impossible to clearly define the reversal time of the temporary differences, the tax rate to be applied is the one that applies to the financial year after the reporting date.
Deferred income tax assets are recognized to the extent that there will be a future taxable profit in order to utilize the temporary difference generated by the deferred income tax asset.

Tax audit differences pertain to additional income taxes and additional charges attributed by the tax authorities due to the redefinition of the Bank's taxable income within the framework of an ordinary or extraordinary tax audit.

3.20. Share capital

(a) Share capital increase expenses
The direct incremental costs pertaining to the issuance of new shares are presented net of taxes and proceeds, and as a reduction of equity.

(b) Dividends
Dividends are recognized as liability in the year when dividends are approved by the Bank's shareholders.

4. Critical accounting estimates and assumptions for the implementation of the accounting principles

To apply the accounting principles of the Bank, the Management makes estimates and assumptions that may affect the amounts of the assets and liabilities reported on the financial statements. The estimates and assumptions are reviewed on every financial statements reporting date and are based on historic data and other factors, including estimates about future events, which assumptions are considered reasonable under the

current circumstances. The estimates and assumptions for the implementation of the accounting principles pertain mainly to the following fields:

A. Impairment provision for credit risks from loans and advances to customers

The Bank, on every financial statements reporting date examines whether there are objective evidence that loans and advances to customers have been impaired. In the event of such evidence, the recoverable amount of the receivables is calculated and relevant impairment provisions are formed (estimated as non-recoverable amount).

The impairment provision is based on the assumptions of the Management regarding the recoverability of the exposure and the guarantees received. The Management makes assumptions on the financial position of the counterparty, the credit risk, the recoverability of any collaterals and guarantees, as well as to define the timing when the impairment will be recognized.

Additional information on the impairment provisions for credit risks from loans and advances to customers is included in Notes 5.1 and 19.

B. Recoverability of deferred tax assets

The Bank recognizes deferred tax assets to the extent that it assumes that it will have sufficient future tax profits available.

The recognition of the above deferred tax assets requires estimates on the future financial performance of the Bank. In particular, the definition of the deferred tax assets that may be recognized requires critical estimates about the time the future taxable profits will be achieved and their amount.

Further information about the deferred tax assets of the Bank can be found in Note 24.

C. Subsidiaries impairment

The Bank examines for impairment the value of its investments in subsidiaries by comparing the recoverable amount of each investment (the higher value between the value for use and the fair value less the disposal cost) with its carrying amount.

The Management proceeds with estimates to define the recoverable amount of the investments in subsidiaries the fair value of which is set by the fair value of the investments made by these companies in closed-end venture capital mutual funds.

The fair value of the closed-end venture capital mutual funds for which no observable prices on an active market (Level 3) exist is defined by using evaluation models (discounted cash flows), and depends on basic assumptions including the future income, the operating expenses and the discount rates. The closed-end venture capital mutual funds (AKES) invest in renewable energy sources (wind farms and solar parks).

Further information about the investments of the Bank into subsidiaries can be found in Note 22.

5. Financial Risk Management

The Bank, as any other credit institution is exposed to risks. Such risks are constantly monitored in different ways to avoid the accumulation of excessive risks. The nature of these risks as well as their management are explained here below. Moreover, further financial information is given to describe the extent and the nature of the financial risks faced by the Bank, with relevant comparative information on the previous financial year.

5.1. Credit risk

Credit risk is the risk of loss due to possible failure or unwillingness of the counterparty to fulfill its contractual obligations, thus resulting in the loss of funds and profit. Credit risk management focuses on ensuring a certain disciplined mentality, transparency, and calculated risk undertaking based on internationally recognized practices.

Credit Risk Management

Credit risk management methodologies are adjusted to reflect the each time economic environment. Various methods are used which are annually reviewed, or whenever necessary, and are adjusted depending on the Bank's strategy and its short- and long-term goals.

The various analyses of sectors and sub-sectors of the economy, in association with the financial forecasts offer guidance to define the credit policy.

The credit limits per borrower are defined by having in view the minimization of the credit risk and considering the credit rating of the borrower, the offered collaterals and guarantees that reduce the Bank's exposure to credit risk, the type and the term of the facility. The creditworthiness analysis for each borrower is conducted by taking into account the country risk as well as the business sector in which such borrower is active, as well as his qualitative and quantitative characteristics.

At the same time, credit approval limits have been established, while tasks during the financing procedure have been set to ensure the objectivity, independence and control of the new and existing credit facilities.

During the approval procedure, the overall credit risk for each counterparty or group of counterparties is examined, and all risks are then related to each another, while the credit limits approved by various companies of the Group are added up.

The creditworthiness of the counterparties as well as their credit exposure are systematically monitored, in association with the relevant approved limits. At the same time, any concentration is continuously analyzed and monitored in view of limiting any possible large exposures and risky concentrations. Credit risk concentration may be generated per economy sector, counterparty or group of counterparties, country, currency and type of collaterals.

Balancing the profit-risk relation is vital to the ongoing Bank's profitability. This relation is analyzed at customer and product levels through profitability measurement analysis and pricing definition, in order to combine the undertaken risk with the expected profits.

In addition, within the framework of the credit risk management policy, the effect of extreme but feasible scenarios on the quality of the loan portfolio and on the available funds is evaluated by conducting stress tests.

Credit rating systems

The methods to evaluate the creditworthiness are classified in the following categories, depending on the type of the counterparty: central governments (for purchase and holding of bonds), financial institutions, large and small & medium-sized entities (SMEs) and natural persons.

As regards the governments' and financial institutions rating, it is detailed in the following sections "Counterparty Bank risk" and "Country risk".

Natural persons are rated following a research conducted in the TIRESSIAS bank information system presenting the background of the transaction activity of the customer and their income. In particular, for issuing a credit card, customers are evaluated with the scoring system based both on demographic factors and objective financial information (e.g. income, assets).

To rate large and SME businesses, a risk classification system is used. The first aspect concerns the classification of the borrower's creditworthiness to a ten-scaled rating system based on qualitative and quantitative criteria, thus defining the probability failing to meet its obligations. The weighting coefficients for the different criteria varies depending on the nature and the size of the borrower's activity.
The second aspect of the transaction risk rating is the evaluation of the quality and sufficiency of the collaterals, thus defining the expected loss in case of default.

The customer's degree of creditworthiness is used in association with the degree of the collaterals' sufficiency (i.e. the unsecured risk) during the credit approval stage and the definition of the relevant limits. In particular, the creditworthiness rating of the business portfolio is systematically monitored in order to internally calculate the probability of default and to timely diagnose any adverse drifting to the various portfolio quality/risk stages, in view of elaborating the appropriate strategies to hedge the risks undertaken.

Maximum exposure to credit risk prior to offered collaterals and other credit upgradings

The following table presents the maximum exposure to credit risk arising from financial instruments presented in the statement of financial position, without taking into consideration any received collaterals or other credit upgradings. As far as the financial instruments presented in the statement of financial position are concerned, the exposure to credit risk equals their book value.

Amounts in Euro '000	Maximum exposure 2018	Maximum exposure 2017
Exposure to credit risk from items on the SOFP:		
Loans and advances to credit institutions	11.699	22.769
Financial assets at fair value through profit or loss	43.900	44.840
Derivative financial instruments	24	49
Loans and advances to customers (net of provisions)		
Retail	8.022	12.913
Wholesale:		
Large Corporate	8.707	5.385
Small and medium business	24.588	22.729
Loans and advances to customers measured at fair value through profit and loss:	3.741	0
Investment portfolio securities:		
Financial assets at fair value through other comprehensive income	1.382	1.302
Other assets	29.534	19.037
Total balance sheet items	**131.599**	**129.024**
Exposure to credit risk from off balance sheet items:		
Letters of guarantee	3.040	2.936
Total	**134.639**	**131.959**

Loans and advances

The following table presents the quality of the loans and advances of the Bank.

Amounts in Eur '000

Loans and advances to customers and impairment provisions per IFRS 9 Stage

31/12/2018	**Stage 1** Loans and advances to customers without significant increase in credit risk after initial recognition		**Stage 2** Loans and advances to customers with significant increase in credit risk after initial recognition		**Stage 3** Credit-impaired loans and advances to customers		**Total** Loans and advances to customers		Loans and advances to customers net value
	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	
Individuals									
Consumer	1.101	44	0	0	19	19	1.120	63	1.057
Margin/Brokerage	6.967	0	0	0	306	306	7.272	306	6.967
Corporate									
Small Business	15.567	136	0	0	1.256	788	16.823	924	15.899
SMEs	8.834	105	0	0	0	0	8.834	105	8.729
Corporate	8.036	63	0	0	0	0	8.036	63	7.973
Margin Corporate/SMEs	734	0	0	0	0	0	734	0	734
Total	**41.239**	**348**	**0**	**0**	**1.580**	**1.112**	**42.819**	**1.460**	**41.359**
Commitments relevant to credit risk									
Loan commitments	2.140	9	900	32	0	0	3.040	40	3.000
Total	**2.140**	**9**	**900**	**32**	**0**	**0**	**3.040**	**40**	**3.000**

Amounts in Eur '000

Loans and advances to customers and impairment provisions per IFRS 9 Stage

1/1/2018	Stage 1: Loans and advances to customers without significant increase in credit risk after initial recognition		Stage 2: Loans and advances to customers with significant increase in credit risk after initial recognition		Stage 3: Credit-impaired loans and advances to customers		Total: Loans and advances to customers		Loans and advances to customers net value
	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	Loans and advances to customers	Impairments	
Individuals									
Consumer	993	35	0	0	0	0	993	35	959
Margin/Brokerage	11.920	0	0	0	298	296	12.217	296	11.921
Corporate									
Small Business	8.297	104	862	228	2.547	2.079	11.706	2.411	9.296
SMEs	13.101	164	0	0	0	0	13.101	164	12.937
Corporate	3.140	71	0	0	0	0	3.140	71	3.069
Margin Corporate/SMEs	2.245	0	0	0	0	0	2.245	0	2.245
Total	**39.696**	**374**	**862**	**228**	**2.845**	**2.376**	**43.403**	**2.977**	**40.426**
Commitments relevant to credit risk									
Loan commitments	1.636	13	1.300	46	0	0	2.936	58	2.877
Total	**1.636**	**13**	**1.300**	**46**	**0**	**0**	**2.936**	**58**	**2.877**

Amounts in Eur '000

Loans and advances to customers on 31.12.2018 based on their quality (impairments under IFRS 9)

31/12/2018	Loans and advances to customers				Total value before impairment	Accumulated impairment provisions		Total net value after impairment	Value of collaterals
	Not past due	Past due	Individual assessment	Collective assessment		Individual assessment	Collective assessment		
Individuals									
Consumer	1.107	12	19	1.101	1.120	19	44	1.057	591
Margin/Brokerage	6.967	306	306	6.967	7.272	306	0	6.967	19.954
Corporate									
Small Business	15.567	1.256	1.256	15.567	16.823	788	136	15.899	9.339
SMEs	8.020	815	0	8.834	8.834	0	105	8.729	515
Corporate	8.036	0	0	8.036	8.036	0	63	7.973	0
Margin Corporate/SMEs	734	0	0	734	734	0	0	734	688
Total	**40.431**	**2.388**	**1.580**	**41.239**	**42.819**	**1.112**	**348**	**41.359**	**31.088**
Commitments relevant to credit risk									
Loan commitments	2.140	900	0	3.040	3.040	0	40	3.000	518
Total	**2.140**	**900**	**0**	**3.040**	**3.040**	**0**	**40**	**3.000**	**518**

Amounts in Eur '000

Loans and advances to customers on 31.12.2017 based on their quality (impairments under IAS 39)

31/12/2017	Loans and advances to customers				Total value before impairment	Accumulated impairment provisions		Total net value after impairment	Value of collaterals
	Not past due	Past due	Individual assessment	Collective assessment		Individual assessment	Collective assessment		
Individuals									
Consumer	993	0	993	0	993	0	0	993	669
Margin/Brokerage	11.920	298	12.217	0	12.217	297	0	11.921	30.888
Corporate									
Small Business	8.679	3.028	11.706	0	11.706	2.079	0	9.627	2.381
SMEs	12.869	232	13.101	0	13.101	0	0	13.101	6.409
Corporate	2.000	1.140	3.140	0	3.140	0	0	3.140	0
Margin Corporate/SMEs	2.245	0	2.245	0	2.245	0	0	2.245	6.763
Total	**38.705**	**4.698**	**43.403**	**0**	**43.403**	**2.376**	**0**	**41.027**	**47.111**
Commitments relevant to credit risk									
Loan commitments	1.636	1.300	2.936	0	2.936	0	0	2.936	266
Total	**1.636**	**1.300**	**2.936**	**0**	**2.936**	**0**	**0**	**2.936**	**266**

** The balances do not include the amount of €1.550.719,95 for Capo di Corfu S.A.

Amounts in Eur '000

Loans and advances to customers on 31.12.2018 and impairment provisions per IFRS 9 Stage

	Consumer loans			Margin/ Brokerage Retail		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Performing	1.099	0	0	6.967	0	0
From 1 to 30 days	2	0	0	0	0	0
From 31 to 60 days	0	0	0	0	0	0
From 61 to 90 days	0	0	0	0	0	0
Unlikely to pay	0	0	0	0	0	0
From 91 to 180 days	0	0	10	0	0	0
From 181 to 360 days	0	0	0	0	0	0
From 361 to 720 days	0	0	0	0	0	0
More than 720 days	0	0	9	0	0	306
Denounced	0	0	0	0	0	0
Total	**1.101**	**0**	**19**	**6.967**	**0**	**306**
Impairments	44	0	19	0	0	306
Net value	1.057	0	0	6.967	0	0
Collaterals	591	0	0	19.954	0	0

Amounts in Eur '000

Loans and advances to customers on 31.12.2018 and impairment provisions per IFRS 9 Stage

	Corporate loans			Margin Corporate/SMEs		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Performing	31.623	0	0	734	0	0
From 1 to 30 days	815	0	0	0	0	0
From 31 to 60 days	0	0	0	0	0	0
From 61 to 90 days	0	0	0	0	0	0
Unlikely to pay	0	0	0	0	0	0
From 91 to 180 days	0	0	0	0	0	0
From 181 to 360 days	0	0	0	0	0	0
From 361 to 720 days	0	0	0	0	0	0
More than 720 days	0	0	0	0	0	0
Denounced	0	0	1.256	0	0	0
Total	**32.437**	**0**	**1.256**	**734**	0	0
Impairments	304	0	788	0	0	0
Net value	32.133	0	468	734	0	0
Collaterals	8.518	0	1.336	688	0	0

Amounts in Eur '000

Loans and advances to customers on 31.12.2017 and impairment provisions per IAS

	Consumer loans	**Margin/ Brokerage Retail**	**Corporate loans**	**Margin Corporate/SMEs**
Performing	993	11.920	23.547	2.245
From 1 to 30 days	0	0	1.853	0
From 31 to 60 days	0	0	0	0
From 61 to 90 days	0	0	0	0
Unlikely to pay	0	0	0	0
From 91 to 180 days	0	0	0	0
From 181 to 360 days	0	0	0	0
From 361 to 720 days	0	0	0	0
More than 720 days	0	298	1.291	0
Denounced	0	0	1.256	0
Total	**993**	**12.217**	**27.948**	**2.245**
Impairments	0	297	2.079	0
Net value	993	11.921	25.868	2.245
Collaterals	669	30.888	8.790	6.763

Amounts in Eur '000

Analysis of collaterals and guarantees received

31/12/2018	Real estate collaterals	Financial collaterals	Government guarantees	Other collaterals	Total collaterals
Individuals	0	591	0	19.954	**20.546**
Corporate	5.040	300	0	5.202	**10.542**
Total	**5.040**	**891**	**0**	**25.157**	**31.088**
31/12/2017					
Individuals	0	569	0	30.888	**31.457**
Corporate	0	6.000	0	9.653	**15.653**
Total	**0**	**6.569**	**0**	**40.542**	**47.111**

Total credit risk: Exposures and weighting under Regulation 575/2013

Amounts in Eur '000

Exposures	31/12/2018 Total amount	Impairment	Amount after impairment	Weighted amount	31/12/2017 Total amount	Impairment	Amount after impairment	Weighted amount
Central governments or central banks	59.370	0	59.370	6.464	33.822	0	33.822	9.005
Regional governments or local authorities	0	0	0	0	0	0	0	0
Public sector entities	4.792	0	4.792	4.792	4.775	0	4.775	4.775
Multilateral development banks	0	0	0	0	0	0	0	0
International organizations	0	0	0	0	0	0	0	0
Financial institutions	13.414	0	13.414	4.012	23.030	0	23.030	21.952
Corporate entities	43.971	17	43.954	34.140	45.346	0	45.346	27.850
Retail banking	18.615	2	18.613	976	24.230	0	24.230	5.634
Secured on property collateral	4.219	0	4.219	2.004	0	0	0	0
In default	1.580	1.103	477	711	2.845	2.376	469	703
High risk	0	0	0	0	0	0	0	0
Covered bonds	0	0	0	0	0	0	0	0
Short term credit assessment	0	0	0	0	0	0	0	0
Collective investment undertakings CIU	0	0	0	0	0	0	0	0
Shares	7.521	0	7.521	18.219	9.254	0	9.254	22.661
Other	14.530	0	14.530	7.881	14.290	0	14.290	7.527
Total	**168.012**	**1.122**	**166.890**	**79.199**	**157.592**	**2.376**	**155.216**	**100.107**

Total credit risk: Exposure-based classification

Amounts in Eur '000

Exposures	31/12/2018 Total amount	Impairment	Amount after impairment	Weighted amount	31/12/2017 Total amount	Impairment	Amount after impairment	Weighted amount
On balance sheet	144.472	1.120	143.352	76.000	128.314	2.376	125.938	98.359
Off-balance sheet	20.867	2	20.865	1.735	29.083		29.083	1.585
Counterparty risk	2.673	0	2.673	1.464	195	0	195	163
Total	**168.012**	**1.122**	**166.890**	**79.199**	**157.592**	**2.376**	**155.216**	**100.107**

Total credit risk: Off-balance sheet items classification

Amounts in Eur '000

Exposures	31/12/2018 Total amount	Impairment	Amount after impairment	Weighted amount	31/12/2017 Total amount	Impairment	Amount after impairment	Weighted amount
Risk-free letters of guarantee	0	0	0		0	0	0	
Medium-risk letters of guarantee	1.948	2	1.946		2.163	0	2.163	
High-risk letters of guarantee	1.092	0	1.092		773	0	773	
Approved loan agreements and credit lines*	17.827	0	17.827		26.147	0	26.147	
Total	**20.867**	**2**	**20.865**	**1.735**	**29.083**	**0**	**29.083**	**1.585**

* The approved loan agreements and credit lines refers to lines that may be canceled unconditionally at any time without notice, except the amount of €270k (31 Dec. 2018)

Counterparty banks risk

The Bank is exposed to the risk of capital losses due to contingent delayed payments of outstanding and contingent liabilities of counterparty banks. Thanks to its daily activities, the Bank transacts with other banks

and financial institutions. By conducting such activities, the Bank runs the risk of capital losses due to contingent delayed payments to the Bank of outstanding and contingent liabilities of counterparty banks.
The limits of counterparty banks reflect the admissible risk level and are further divided into Foreign Exchange and Cash Services or other services that run such a risk depending on the needs and the volume of the operations of each service. In general, the maximum limits are set by bank evaluation models and the instructions given by the regulatory authorities.

The credit limit granted to each counterparty is divided into sub limits, thus covering placements, investments, foreign currency acquisitions, as well as the daily settlement limit. The actual positions are compared to the limits on a daily basis.

Country risk

The Bank is exposed to the risk of capital loss due to possible political, economic and other events that occur in a specific country where the capitals or cash of the Bank have been placed or invested through various local banks and financial institutions.

All countries are assessed with reference to size, economic data and prospects of the country, as well as its credit rating by international credit rating agencies (Moody's, Standard & Poor's). The actual positions per country are compared to their limits on a daily basis. The limits are reviewed at least once a year, while countries with the smaller size and lower solvency ratio are subject to a more thorough and frequent analysis and evaluation, where necessary.

5.2. Market risk

Market risk is the risk of losses to the various transaction portfolios due to the adverse course of the prices of the goods included in the said portfolios. Such portfolios are the shares and stock exchange indexes portfolios, as well as interest rates, commodities, currencies etc.

The Bank operates mainly in the stock exchange transactions sector and therefore its major portfolio running a market risk is the Equities/Equity and Index Derivatives Book, listed mainly on the Hellenic Exchanges.
The Risk Management Committee (RMC) approves the market risk management procedures and has set the relevant limits for undertaking such a risk per product and portfolio. The limits in question are systematically monitored and checked, while they are reviewed at least once a year; they are modified, if necessary, depending on the Bank's strategy and current market conditions. According to the Institutional Counterparties Credit Risk Policy and Management responsible for approving the relevant limits for the counterparty, issuer and country risk is the Executive Committee or the Board of Directors of the Bank (depending on the value of the limit) upon relevant recommendation of the competent unit handling the relation, based on internal and/or external financial analyses.

The RMD measures, checks and monitors the Market Risk and conducts measurements to estimate the said risks for the different portfolios.

Measurements are conducted using various methodologies and measurement techniques such as Value At Risk – VAR. The measurement of the Value At Risk defines the maximum possible portfolio loss with a confidence level of 99% and a one day of hold period, using the variance - covariance method. The measurements cover all trading and available for sale portfolios of the Bank's companies.
The market risk, in terms of VaR, for the aforementioned positions as of December 31, 2018, amounted to €170.76K as broken down in the following table.

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Foreign exchange risk	2,25	2,57
Bond portfolio interest rate risk	170,74	135,65
Stock market portfolio market risk	11,58	14,37
Decrease due to correlation	-13,81	-21,64
Net Market Risk	**170,76**	**130,95**

Apart from the above measurements, the portfolios market risk is monitored by a series of additional limits such as the maximum open position limit for every product, and stop-loss limits for every portfolio.

Finally, at regular intervals and in any case by the end of each semester, measurements of various stress test scenarios are conducted regarding the market risk in order to more efficiently manage the said risk and to inform the Management and the supervisory authorities.

5.3. Interest Rate Risk

Interest rate risk means the risk run by the Bank to impair the value of the financial instruments and the net interest income due to adverse fluctuations of the market interest rates. Interest rate risk arises due to deferred readjustment of the interest rates or the expiry of the assets and liabilities on and off the statement of financial position.
The method of Static Repricing Gap is mainly used to estimate the exposure to the interest rate risk of transactions' portfolio and the bank's portfolio. The Static Repricing Gap method is used to estimate the sensitivity level of all current assets and liabilities of the Bank (on and off Statement of Financial Position items).

The method in question separates the interest rate-sensitive assets and the liabilities into maturity time zones for every currency depending on the remaining period until their maturity, for the fixed interest rate items or the next repricing period for the floating interest rate items, and calculates the interest rate exposure, the balance between the assets and liabilities for every period.

The following tables present the Bank's exposure to the interest rate risk. The tables present the assets and liabilities of the Bank at their carrying amounts, classified according to the interest rate revaluation date, for floating interest rates or maturity date, for fixed interest rates.

Interest Rate Risk

Amounts in Euro '000	Up to 1 month	1-3 months	3-12 months	Non-interest bearing	Total
At 31st December 2018					
Assets					
Cash and balances with Central Banks	0	0	0	57.213	57.213
Advances to credit institutions	3.202	7.003	0	1.494	11.699
Financial assets at fair value through profit or loss	0	0	41.095	2.805	43.900
Loans and advances to customers (net of provisions)	38.753	2.011	2.917	1.378	45.059
Financial assets at fair value through other comprehensive income	0	0	0	1.382	1.382
Other assets	16.005	0	0	28.199	44.204
Total assets	**57.960**	**9.014**	**44.012**	**92.472**	**203.457**
Liabilities					
Due to credit institutions	41.932	0	0	0	41.932
Due to customers	53.717	3.593	690	0	58.000
Other liabilities	0	0	0	30.357	30.357
Provisions	0	0	0	880	880
Total liabilities	**95.649**	**3.593**	**690**	**31.238**	**131.169**
Total interest rate gap	**(37.689)**	**5.421**	**43.322**	**61.234**	**72.288**
At 31st December 2017					
Total assets	60.376	17.436	34.959	64.261	**177.033**
Total liabilities	64.344	6.032	45	28.091	**98.512**
Total interest rate gap	**(3.968)**	**11.405**	**34.914**	**36.170**	**78.520**

Moreover, the Bank, for measuring the interest rate risk, calculates the negative impact on the annual interest rate results from a simultaneous fluctuation of the interest rate curve by 200 bps.

This change, in the event of an interest rate increase by 200 bps, will have a negative impact on the Bank's equity by €2.048k, while it will reduce income by €895k. Therefore, it will entail a total risk of €2.943k.

5.4. Foreign exchange risk

Foreign exchange risk is the risk of fluctuation of the value of the financial instruments and assets and liabilities due to changes in exchange rates. Foreign currency transactions risk arises from an open position, positive or negative, which exposes the Bank to exchange rates changes. Such a risk could arise in the event of assets being carried in one currency while financed by liabilities in another, or from forwards and swaps, as well as derivatives, including options.

The following tables present the Bank's exposure to the foreign currency risk. The following tables the carrying amount of the assets and liabilities of the Bank, classified per currency.

Foreign exchange risk

Amounts in Euro '000	EUR	USD	GBP	CHF	JPY	Other currencies	Total
As at 31st December 2018							
Foreign exchange risk for assets							
Cash and balances with central banks	57.118	67	19	1	1	7	**57.213**
Loans and advances to credit institutions	8.881	781	302	133	205	1.398	**11.699**
Financial assets at fair value through profit or loss	43.308	592	0	0	0	0	**43.900**
Derivative financial instruments	24	0	0	0	0	0	**24**
Loans and advances to customers (net of provisions)	44.537	503	0	19	0	0	**45.059**
Financial assets at fair value through other comprehensive income	1.382	0	0	0	0	0	**1.382**
Investments in subsidiaries and associates	6.868	0	0	0	0	0	**6.868**
Property, plant and equipment and intangible assets	1.329	0	0	0	0	0	**1.329**
Other assets	35.716	262	4	0	0	0	**35.983**
Total assets	**199.163**	**2.206**	**324**	**153**	**207**	**1.405**	**203.457**
Foreign exchange risk of liabilities							
Due to credit institutions	41.146	786	0	0	0	0	**41.932**
Due to customers	51.472	6.042	5	12	0	469	**58.000**
Derivative financial instruments	5.384	0	0	0	0	0	**5.384**
Other liabilities	21.025	1.710	261	98	124	1.455	**24.672**
Provisions	880	0	0	0	0	0	**880**
Retirment benefit obligations	301	0	0	0	0	0	**301**
Total liabilities	**120.209**	**8.538**	**265**	**109**	**124**	**1.924**	**131.169**
Net Position	**78.953**	**(6.332)**	**59**	**43**	**83**	**(519)**	**72.288**
As at 31st December 2017							
Total assets	166.292	8.317	463	269	192	1.500	**177.033**
Total liabilities	84.828	11.735	381	241	125	1.203	**98.512**
Net position	**81.464**	**(3.418)**	**83**	**28**	**66**	**297**	**78.520**

Furthermore, the Bank, in the process of measuring foreign exchange risk, conducts a crisis simulation, thus examining the negative effect on the Bank's annual profit or loss using possible scenarios of the fluctuation of the international exchange rates. The examined scenarios include the following fluctuations: Eur/Usd -5.4%, Eur/Gbp +9.6%, Eur/Chf -8.2%, Eur/Jpy +11.4%, Eur/Aud +9.7%, Eur/Nok +15.3%,Eur/Cad +11.9%, Eur/Sek +15.1%, Eur/Try +15.7%, Eur/Rub +19.3%, Eur/Dkk +5%, Eur/Ron +7.4%, Eur/Hkd +0.6%.
With closing balances as of 31.12.2018, the simulation entails losses of €46.53k.

5.5. Risk arising from share and other securities price changes

The risk pertaining to shares and other securities held by the Bank arises from possible adverse fluctuations of the current prices of shares and other securities. The Bank invests mainly in shares in the Athens Stock Exchange (ASE) and Cyprus Stock Exchange (CSE), and depending on the investment goal, they are allocated to the appropriate portfolio (assessment at the fair value through profit or loss or available for sale). Investments are also made aiming at taking advantage of short-term fluctuations in share/ratio prices or at hedging open positions with the use of derivatives on shares or ratios. The Bank is not exposed to risks as far as commodities prices are concerned.

The risk of share prices has to do with the adverse fluctuations of the share prices and derivatives on shares and stock exchange indices held by the Bank that are recorded on the transaction portfolios and available for sale.

The said risk is monitored through limits set for each share and/or share category while, in addition, techniques for mitigating it are applied through derivatives on the relevant shares and ratios. Consequently, no particular exposure to the said risk has been observed in 2018 beyond the risk undertaking levels set by the net of levels dully approved on the basis of the Bank's strategy.

The following table presents the results of the crisis simulation regarding the share price risks conducted on the transaction portfolios and available for sale using balances as of 31.12.2018.

The examined scenarios are the following:

- As regards the shares risk (since the exposure of the portfolios focuses on the Greek market), the FTSE/ASE Large Cap. +/-31% fluctuation scenario was examined.
- As regards the risk arising from changes in the volatility of the options, the impact of a possible 30% volatility increase/decrease has been examined.

Risk factors *(Amounts in '000 Euro)*	**Markets**	**Scenario**	**Loss due to the drifting of risk factors**	**Profit due to the drifting of risk factors**
Share prices	Hellenic Exchanges, fluctuation of FTSE/ASE Large Cap.	-31%	121.03	-
		31%	(111.61)	-
Volatility	Increase/decrease of the volatility of options	30%	(6.02)	-
		-30%		(3.67)

5.6. Liquidity risk

Liquidity risk means the risk of failing to raise sufficient cash to cover the direct obligations of the Bank or to do so the Bank shall suffer significant financial cost.

The said risk is controlled through a developed liquidity management structure comprising various types of controls, procedures and limits. This ensures compliance with the regulations on liquidity ratios set by the competent supervisory authorities, as well as with internal limits.

Control and management of the liquidity risk are achieved by using and controlling the following ratios:

(a) Liquidity coverage ratio (LCR): defined as the quotient of the high quality liquid assets to the net 30-day cash outflows as these are defined in the Regulation EU 575/2013;

(b) Net stable funding ratio (NSFR): defined as the quotient of the available stable funding to the required stable funding, as these are defined in the Regulation EU 575/2013.

An important part of the assets is financed by customer deposits. Short-term cash requirements are financed mainly through current and savings deposits. Long-term investments are mainly covered by bonds and time deposits.
Although these deposits can be withdrawn on demand without prior notice, their highly diversified nature both in number and in type of deposits, ensures the absence of major fluctuations and, therefore, in their majority, constitute a stable deposit basis.

The Bank regularly conducts liquidity stress tests.

The following liquidity risk tables analyze liabilities to other banks, customer deposits and other liabilities to the Bank's customers for the corresponding periods depending on the period from the reporting date to maturity. The referred amounts correspond to the contractual non-discounted cash flows.

Liquidity risk

Amounts in Euro '000	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Over 5 years	Total
As at 31st December 2018							
Liabilities							
Due to credit institutions	62	7.102	34.767	0	0	0	**41.932**
Due to customers	42.244	0	15.756	0	0	0	**58.000**
Other liabilities	25.481	4.395	180	1.182	0	0	**31.238**
Total liabilities	**67.788**	**11.497**	**50.703**	**1.182**	**0**	**0**	**131.169**
Total assets	**146.195**	**1.953**	**18.838**	**16.861**	**15.442**	**4.168**	**203.457**
As at 31st December 2017							
Liabilities							
Due to credit institutions	516	17.170	382	0	0	0	**18.068**
Due to customers	36.503	0	15.850	0	0	0	**52.353**
Other liabilities	22.277	3.571	769	1.474	0	0	**28.091**
Total liabilities	**59.296**	**20.741**	**17.001**	**1.474**	**0**	**0**	**98.512**
Total assets	**137.167**	**1.274**	**24.179**	**7.578**	**6.367**	**468**	**177.033**

5.7. Capital adequacy

The Bank is subject to supervision of the Bank of Greece that sets and monitors the capital adequacy requirements of the Banks.

To calculate the capital adequacy starting from 01.01.2014 the new supervisory framework (Basel III) that was transposed into the Greek Law pursuant to Law 4261/2014 base, is applied; it substantially modifies the credit risk calculation and introduces capital requirements for the operational risk. No significant changes occurred to the calculation of the market risk. In particular, the credit risk of the investment portfolio is calculated using the standard method, while the operational risk is calculated using the Basic Indicator Approach.

The capital adequacy of the Bank is monitored at regular intervals by the Financial Department of the Bank and the results are submitted on a quarterly basis to the Bank of Greece.

The regulatory capitals of the Bank are exclusively derived from the Core Equity (Tier I). They mainly include the share capital, the reserves and results carried forward.

Furthermore, they are adjusted in accordance with the provisions of the Decision ref. ΕΠΑΘ 114-1/04.08.2014. The Bank has no Tier II additional regulatory capital.

The Capital Adequacy ratio of the Bank as of 31.12.2018 and 31.12.2017 was the following:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Share Capital	110.427	110.427
Other Reserves	18.193	18.225
Retained Earnings	(56.332)	(50.132)
Goodwill and other intangible assets	(326)	(370)
Other adjustments	(2.985)	(3.304)
Total Tier I	**68.977**	**74.846**
Total supervisory capitals	**68.977**	**74.846**
Weighted assets		
- on-SFP items	77.465	98.359
- off-SFP items	3.199	1.749
- transaction portfolio items	72.221	70.371
- operatinal risk	16.013	18.025
Total	**168.898**	**188.503**
Capital Adequacy Ratio	**40,84%**	**39,71%**

In 2018, the Capital Adequacy ratio of the Bank amounted to 40.84%, recording a 113 bps increase, compared to 2017, mainly due to the decrease of the weighted assets.

Moreover, the Bank within the framework of the "Procedure to Evaluate the Internal Capital Adequacy" takes into account a range of risks as well as is capacity regarding their management. The said Procedure intends to ensure that the Bank will have sufficient capital to cover all important risks to which it is exposed, over the next three years.

6. Fair value of financial assets and liabilities

6.1. Financial assets and liabilities not carried at fair value

The fair value represents the amount for which an asset could be replaced or a liability settled through an arm's length transaction. Differences may arise between the carrying amount and the fair value of financial assets of the statement of financial position and liabilities. The items of the transaction portfolio, the derivatives and the securities available-for-sale are presented in the financial statements at their fair value. Loans and other

advances, securities held to maturity and financial liabilities are presented at the amortized cost. The carrying amount of these items, as presented in the financial statements, does not significantly differ from their fair value. In particular:

(a) Loans and advances to credit institutions

Due from other banks include mainly short-term interbank placements and other collectibles. The vast majority of the placements have a one-month maturity and therefore their fair value is quite similar to their carrying amount.

(b) Loans and advances to customers

Loans to customers are presented after deduction of the corresponding provision for impairment. The vast majority of the above refer to floating interest loans and therefore their carrying amount is quite similar to their fair value.

(c) Deposits

The fair value of deposits without fixed maturity (saving and current accounts) is the amount that the Bank should pay upon customer demand, which value is equal to their carrying amount. The customer deposits and placements from other banks have an average maturity shorter than three months. Therefore, their estimated fair value does not materially differ from their carrying amount.

6.2. Fair Value Hierarchy

IFRS 7 defines the valuation models hierarchy regarding the objectivity of the data used by these models. The observable data are based on active markets and derive from independent sources, while non-observable information refers to the Management assumptions. These two methods for retrieving information generate the following hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities
This level includes listed shares and borrowed funds on stock exchanges (such as London, Frankfurt and New York) and derivatives such as Futures (Nasdaq, S&P 500).

Level 2 - includes inputs other than the quoted prices included in Level 1 and considered to be directly or indirectly observable. This level includes the majority of OTC derivatives and various issued debts. The sources of such data are the LIBOR curve, Bloomberg and Reuters.

Level 3 - Inputs that are not based on observable market data (unobservable inputs). This level includes capital investments and borrowed funds that are not traded on an active market, and there are no similar traded products.

Hierarchy as of December 31, 2018:

Amounts in Euro '000	31st December 2018			
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	43.900	0	0	**43.900**
Derivative financial instruments	24	0	0	**24**
Loans and advances to customers	0	0	3.741	**3.741**
Financial assets at fair value through other comprehensive income	389	993	0	**1.382**
Total	**44.314**	**993**	**3.741**	**49.047**

Financial liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	5.384	0	0	**5.384**
Total	**5.384**	**0**	**0**	**5.384**

Hierarchy as of December 31, 2017:

Amounts in Euro '000	31st December 2017			
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	42.017	2.823	0	**44.840**
Derivative financial instruments	49	0	0	**49**
Available for sale portfolio	50	986	266	**1.302**
Total	**42.116**	**3.809**	**266**	**46.191**

Financial liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	406	0	0	**406**
Total	**406**	**0**	**0**	**406**

7. Net interest income

The net interest income is analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Interest and similar income		
Interest from fixed yield securities	1.333	1.391
Interest from loans	2.157	1.889
Interest from interbank transactions	444	835
Other interest income	20	58
Total	**3.954**	**4.174**
Interest and similar expenses		
Interest on deposits	(210)	(221)
Interbank transactions	(87)	(47)
Other interest expense	(32)	(43)
Total	**(328)**	**(311)**
Net interest income	**3.626**	**3.863**

8. Net fee and commission income

The net fee and commission income is analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Net income from commissions on commercial transactions	(3)	141
Net income from investment banking	172	434
Net income from stock market transactions	2.507	2.526
Other commission income	330	324
Net fee and commission income	**3.006**	**3.426**

The decrease to fees and commission income is due to reduced investment banking fees and to the redefinition of the real effective rate.

9. Net trading income

The net trading income is analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Profit/(loss) from foreign exchange and foreign exchange risk hedging	(174)	98
Profit/(loss) from derivatives held for trading	5.034	(1.944)
Profit/(loss) from investments in shares, mutual funds and price risk hedging	(4.130)	1.750
Profit/(loss) from bonds and bond risk hedging	(365)	1.781
Total net trading income	**365**	**1.684**

The decreased trading income is mainly due to the bond portfolio valuation results.

10. Other operating income

The Bank's other assets are analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Rental income	16	16
Unused provisions reversed	18	0
Other income	307	221
Total	**341**	**237**

The other income mainly pertain to income from IT support to the companies of Laiki Bank Group.

11. Staff costs

The total charge to the profit and loss of the financial year for staff costs is analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Salaries and wages	6.453	5.747
Social security cost	1.622	1.434
Pension costs - defined benefit plans	100	76
Other employee benefit expenses	460	383
Total Staff Costs	**8.636**	**7.640**

The total staff of the bank on 31.12.2018 amounted to 189 persons (31.12.2017: 186).

12. Other operating expenses

The "Other management expenses" item is analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Fees to lawyers, advisors, auditors etc.	638	612
IT applications	613	547
Subscriptions	300	347
Building expenses	819	677
Advertisement and promotion expenses, sponsorships, etc.	124	53
Taxes and duties	616	671
Office supplies	49	14
Other operating expenses	686	504
Total Other operating expenses	**3.845**	**3.425**

13. Other provisions

The "Other provisions" item is analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Impairment and reversal of impairment of participations (Note 22)	(292)	(2.507)
Reversal of impairmentof property plant and equipment	(84)	0
Provision for legal cases and letters of guarantee (Note 33)	(310)	240
Performance fees provision	911	1.712
Total	**224**	**(556)**

The fee provision of €911k and €1,712k refers to a contractual right to pay the administrators of the AKES in which the companies IBG CAPITAL S.A and IBG INVESTMENT S.A. participate in, because of the increase in value for the shareholders, part of which is presented in the readjustment of the value of the relevant participations.

14. Income Tax

The charge to the profit and loss of the financial year for income tax is analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Deferred tax	(751)	(1.220)
Total	**(751)**	**(1.220)**

According to Law 4110/2013, as in force, the Greek tax rate is 29%. Moreover, the distributed dividends are subject to 15% tax withholding. For the unaudited years refer to Note 37.

For the financial year 2018, the audit is in progress and the relevant tax certificate is expected to be issued after the publication of the financial statements for the year 2018. Upon completion of the tax audit the Company's Management does not expect any significant tax liabilities beyond those already reported and presented in the financial statements.

15. Cash and balances with Central Banks

The cash and balances with Central Banks are analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Cash	429	498
Deposits with central bank	56.784	30.221
Total	**57.213**	**30.718**

The average amount of cash to be placed by the Bank with the Bank of Greece in December 2018 amounted to € 403k.

16. Loans and advances to credit institutions

The loans and advances of the Bank to credit institutions are analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Interbank deposits	7.003	0
Placements from foreign banks	1.135	1.740
Placements from domestic banks and other receivables	3.562	3.888
Time deposits	0	6.023
Blocked deposits in foreign banks	0	11.117
Total	**11.699**	**22.769**
Current	***11.699***	***22.769***
Non current	***0***	***0***

17. Financial assets at fair value through profit or loss

The trading securities pertain to shares listed in the Athens Stock Exchange and other bonds.

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Shares and other securities with variable yield		
Equity securities listed on ASE	2.805	8.933
Other bonds	26.133	25.262
Other government bonds	3.456	2.896
Bank bonds	11.505	7.750
Total Financial assets at fair value through profit or loss	**43.900**	**44.840**
Current	***43.900***	***44.840***
Non current	***0***	***0***

18. Derivative Financial Instruments

	31st December 2018			**31st December 2017**		
		Estimated fair value			**Estimated fair value**	
Amounts in Euro '000	**Nominal value**	**Assets**	**Liabilities**	**Nominal value**	**Assets**	**Liabilities**
Index / equity derivatives:						
Futures	2.535	0	0	4.178	0	0
Options	93	24	5.359	220	49	330
Futures on indices	1.246	0	0	7.543	0	0
Foreign exchange swaps	0	0	25	0	0	77
		24	**5.384**		**49**	**406**
Total		**24**	**5.384**		**49**	**406**
Current		***24***	***5.384***		***49***	***406***
Non - current		***0***	***0***		***0***	***0***

The valuation of the futures contracts on December 31, 2018 and 2017, due to the daily clearing of these derivatives is included in the exchange-traded derivatives margin account which has been included in Other Assets.

19. Loans and advances to customers

The Bank's loans portfolio is analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Loans and advances to customers measured at amortzed cost		
Consumer loans	1.119	992
Loans to individuals (stock exchnage sector)	7.272	12.218
Intercompany Loans	18.823	22.346
Bond loans	9.255	0
Corporate loans (stock exchnage sector)	734	2.245
Corporate loans	5.615	5.602
	42.819	**43.403**
Less: Provisions for impairment of loans and advances to customers	(1.500)	(2.376)
Book value of loans and advances to customers measured at amortzed cost after provision	**41.319**	**41.027**
Loans and advances to customers measured at fair value through profit and loss	3.741	0
Total loans and advances to customers	**45.059**	**41.027**
Current	***24.640***	***32.536***
Non-current	***20.419***	***8.491***

The provisions for impairment losses are analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Balance at the beginning of the year	(2.376)	(2.085)
Provisions for the year	471	(291)
Change to Net Equity - Due to application IFRS 9 at 01/01/2018	(660)	0
Loans written-off	1.064	0
Balance at the end of year	**(1.500)**	**(2.376)**

In 2018, the Bank granted a syndicated bond loan of €3.7 million to the company Business Energy, which did not fulfill the SPPI valuation criteria and therefore it has been compulsorily measured at fair value through profit and loss (Note 6.2).

20. Financial assets at fair value through other comprehensive income

The investment portfolio of the Bank includes financial instruments consisting of corporate bonds and shares.

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Financial assets at fair value through other comprehensive income		
Corporate bonds	993	986
Total fixed yield securities	*993*	*986*
Equity securities listed on ASE	377	49
Non-listed securities	12	268
Total equity securities with variable yield	*389*	*316*
Total	**1.382**	**1.302**
Current	***0***	***0***
Non-current	***1.382***	***1.302***

21. Assets held for sale

On 31.12.2018, the non-current assets held for sale include the companies **IBG Global Funds SICAV-SIF**, a Luxembourg-based Specialized Investment Fund, and **IBG Capital Management S.ar.l**, the managing company of the above Fund domiciled in Luxembourg.

The Management of the Bank, after having investigated various alternatives for exploiting the above assets, considered that they do not generate the estimated contributions in the general business plan of the Bank.

Consequently, it initiated a procedure to sell them while since the expected outcome could not be reached it decided to liquidate the **IBG Global Funds SICAV-SIF** Investment Fund and to close the business in accordance with the voluntary liquidation procedure, as provided for in the relevant legal framework of Luxembourg, and also to launch the liquidation of the managing company **IBG Capital Management S.ar.l.** The Bank expects that all the above would be completed during the current year 2019.

22. Investments in subsidiaries and associates

Name	% interest held at 31/12/2018	Country	Business activity
IBG CAPITAL S.A.	100,00%	Greece	Venture capital firm
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Investment services
IBG CAPITAL MANAGEMENT S.AR.L.	100,00%	Louxembourg	Mutual fund management firm
IBG GLOBAL FUNDS SICAV-SIF	100,00%	Louxembourg	Mutual fund
IBG INVESTMENT SERVICES LTD	100,00%	Cyprus	Investment services
HELLENIC CAPITAL PARTNERS S.A.	20,00%	Greece	Venture capital mutual fund management firm
IBG A.E.P.E.Y.	79,31%	Greece	Provision of investment services
CPB ASSET MANAGEMENT S.A.	4,40%	Greece	Mutual fund management firm

Name	% interest held at 31/12/2017	Country	Business activity
IBG CAPITAL S.A.	100,00%	Greece	Venture capital firm
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Investment services
IBG CAPITAL MANAGEMENT S.AR.L.	100,00%	Louxembourg	Mutual fund management firm
IBG GLOBAL FUNDS SICAV-SIF	100,00%	Louxembourg	Mutual fund
IBG INVESTMENT SERVICES LTD	100,00%	Cyprus	Investment services
HELLENIC CAPITAL PARTNERS S.A.	20,00%	Greece	Venture capital mutual fund management firm
IBG A.E.P.E.Y.	79,31%	Greece	Provision of investment services
CPB ASSET MANAGEMENT S.A.	4,40%	Greece	Mutual fund management firm

Company	31st December 2018			
Amount in Euro '000	**Assets**	**Liabilities**	**Revenue**	**Profit/(loss) before tax**
IBG CAPITAL S.A.	7.353	2.887	0	380
IBG INVESTMENTS S.A.	17.093	8.235	3.030	2.696
IBG CAPITAL MANAGEMENT S.AR.L.	116	58	45	4
IBG GLOBAL FUNDS SICAV-SIF	2.566	18	4	(133)
IBG INVESTMENT SERVICES LTD	0	0	0	0
HELLENIC CAPITAL PARTNERS S.A.	1.593	350	771	16
IBG A.E.P.E.Y.	320	833	0	(7)
CPB ASSET MANAGEMENT S.A.	1.384	832	687	(8)

Company		**31st December 2017**		
Amount in Euro '000	**Assets**	**Liabilities**	**Revenue**	**Profit/(loss) before tax**
IBG CAPITAL S.A.	5.030	857	0	25
IBG INVESTMENTS S.A.	14.053	7.891	0	(217)
IBG CAPITAL MANAGEMENT S.AR.L.	90	37	59	27
IBG GLOBAL FUNDS SICAV-SIF	5.300	27	389	220
IBG INVESTMENT SERVICES LTD	0	0	0	(1)
HELLENIC CAPITAL PARTNERS S.A.	1.670	316	829	15
IBG A.E.P.E.Y.	327	833	0	(6)
CPB ASSET MANAGEMENT S.A.	1.447	883	744	5

The financial statements of the above subsidiaries of the Bank, except "IBG A.E.P.E.Y." which is under liquidation, are consolidated under the full consolidation method in the consolidated financial statements of the "Investment Bank of Greece S.A".

The "Investments in subsidiaries and associates" item is analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Balance at the beginning of the year	**11.589**	**9.081**
- Subsidiaries for Sales	(2.513)	0
- Reversal of impairment of investments in subsidiary	293	2.583
- Impairment of investments in subsidiaries	0	(76)
- Decrease of interests held in investments	(2.501)	0
Balance at end of the year	**6.868**	**11.589**

The reversal of impairment of investments in subsidiaries concerns the reversal of impairment of the subsidiaries IBG CAPITAL S.A. and IBG INVESTMENTS S.A. made in the past years. The impairment reversal arose because of the increased fair value of the closed-end venture capital mutual funds (AKES) in which the subsidiaries had invested. The major assumptions for the valuation of the closed-end venture capital mutual funds (AKES) are presented in Note 4.

23. Property, plant & equipment and intangible assets

The variations of the tangible assets item during the financial year 2018 are the following:

Amounts in Euro '000	Property, plant and equipment			
	Land and buildings	**Vehicles & machinery**	**Furniture and other equipment**	**Total**
Acquisition cost on 1st January 2018	5.360	43	3.279	8.682
Less: Accumulated depreciation	(4.670)	(15)	(3.127)	(7.811)
Net book value at 1 January 2018	**691**	**28**	**152**	**870**
Additions	121	0	130	251
Disposals/write-offs	0	(32)	(101)	(133)
Depreciation for the year	(46)	(4)	(54)	(104)
Depreciation of assets sold/written off	0	17	101	117
Acquisition cost at 31 December 2018	5.481	11	3.308	8.800
less: Accumulated depreciation	(4.716)	(2)	(3.080)	(7.798)
Net book value at 31 December 2018	**765**	**9**	**228**	**1.002**

The variations of the tangible assets item during the financial year 2017 are the following:

Amounts in Euro '000	Property, plant and equipment			
	Land and buildings	**Vehicles & machinery**	**Furniture and other equipment**	**Total**
Acquisition cost on 1st January 2017	5.360	34	3.235	8.630
Less: Accumulated depreciation	(4.602)	(11)	(3.057)	(7.670)
Net book value at 1 January 2017	**759**	**23**	**178**	**960**
Additions	0	9	49	57
Disposals/write-offs	0	0	(5)	(5)
Depreciation for the year	(68)	(4)	(75)	(147)
Depreciation of assets sold/written off	0	0	5	5
Acquisition cost at 31 December 2017	5.360	43	3.279	8.682
less: Accumulated depreciation	(4.670)	(15)	(3.127)	(7.811)
Net book value at 31 December 2017	**691**	**28**	**152**	**870**

The variation of the other intangible assets during the financial year 2018 is the following:

Amounts in Euro '000	**Software**
Acquisition cost at 1 January 2018	1.536
Less: Accumulated depreciation	(1.166)
Net book value at 1 January 2018	**370**
Additions	136
Amortisation for the year	(179)
Acquisition cost at 31 December 2018	1.671
Less: Accumulated amortisation	(1.345)
Net book value at 31 December 2018	**326**

The variation of the other intangible assets during the financial year 2017 is the following:

Amounts in Euro '000	**Software**
Acquisition cost at 1 January 2017	1.506
Less: Accumulated depreciation	(1.004)
Net book value at 1 January 2017	**502**
Additions	30
Amortisation for the year	(162)
Acquisition cost at 31 December 2017	1.536
Less: Accumulated amortisation	(1.166)
Net book value at 31 December 2017	**370**

24. Deferred tax assets

The variation of the temporary differences within the financial year 2018 is analyzed as follows:

Amounts in Euro '000	**Balance as at 1st January 2018**	**Recognised in profit or loss**	**Recognised in equity**	**Balance as at 31st December 2018**
PPE and investment property	164	(7)	0	157
Other provisions	3.303	(1.244)	191	2.251
Retirement benefit obligations	77	11	0	87
Financial assets at fair value through other comprehensive income	(14)	0	7	(7)
Financial assets at fair value through profit or loss	(92)	189	0	97
Tax losses	817	301	0	1.118
Total	**4.256**	***(751)***	***198***	**3.703**

The other provisions include the deferred tax assets against participations impairment losses amounting to €0.96 million.

The variation of the temporary differences within the financial year 2017 is analyzed as follows:

Amounts in Euro '000	**Balance as at 1st January 2017**	**Recognised in profit or loss**	**Recognised in equity**	**Balance as at 31st December 2017**
PPE and investment property	16	148	0	164
Other provisions	3.410	(106)	0	3.303
Retirement benefit obligations	69	8	0	77
Available for sale portfolio	(5)	0	(9)	(14)
Bonds at fair value through profit or loss	306	(397)	0	(92)
Tax losses	1.689	(872)	0	817
Total	**5.485**	***(1.220)***	***(9)***	**4.256**

The other provisions include the deferred tax assets against participations impairment losses amounting to €1.92 million.

The recognition of the tax assets is based on the Management estimate that the Bank will have sufficient future taxable profits to be utilized against temporary differences and tax losses (Note 4).

25. Other stock exchange transactions

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Margin derivative trading account	5.350	5.200
Clearing accounts for securities transactions of ASE, Greek derivatives market of the ASE and foreign stock markets	78	66
Clearing accounts for securities transactions of Bonds	183	853
Customers' demands for securities transactions of ASE, ADEX and foreign stock exchanges	564	257
Total	**6.175**	**6.376**
Current	***0***	***0***
Non-current	***6.175***	***6.376***

26. Guarantee Securities for Investment Services

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Hellenic Deposit and Investment Guarantee Fund	4.792	4.775
Guarantee fund	3.794	3.693
Auxiliary fund	1.994	1.941
Total	**10.580**	**10.409**
Current	***0***	***0***
Non-current	***10.580***	***10.409***

27. Current tax assets and Other assets

The current tax assets are analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Other receivables from the Greek State	232	205
Total	**232**	**205**

The other assets are analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Interest and other accrued income	501	221
Guarantees	209	219
Advances and other receivables accounts	59	73
Carbon emission reserve	11.876	1.547
Other receivables	537	614
	13.183	**2.673**
Less: Provisions	(403)	(421)
Total	**12.780**	**2.252**
Current	***12.570***	***2.033***
Non-current	***209***	***219***

28. Due to financial institutions

The dues to other credit institutions are analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Due to credit institutions - current accounts	62	516
Due to credit institutions - time deposits	34.767	382
Interbank deposits	7.102	17.170
Total	**41.932**	**18.068**
Current	***41.932***	***18.068***
Non-current	***0***	***0***

29. Due to customers

The deposits and other customers' accounts are analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Sight deposits	13.708	8.745
Savings accounts	745	785
Time deposits	39.464	33.706
Blocked deposits	3.980	8.732
Cheques payable	103	386
Total	**58.000**	**52.353**
Current	***58.000***	***52.353***
Non-current	***0***	***0***

In the time deposits the amount of €25,432k refers to balances of stock exchange customers. The relevant amount in 2017 was of €26,434k.

30. Customer balances to stock exchange accounts

The customer balances in stock exchange accounts are analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Settlement accounts from securities transactions of ASE, Greek derivatives market and foreign stock exchanges	876	584
Settlement accounts for securities transactions of Bonds	73	532
Due to customers from transactions in the ASE, the Greek derivatives market of the ASE and other foreign stock markets	18.743	20.368
	19.692	**21.484**
Current	***19.692***	***21.484***
Non-current	***0***	***0***

31. Retirement benefit obligations

The amounts recorded on the statement of financial position are the following:

Amounts in Euro '000	31st December 2018	31st December 2017
Balance sheet obligations for:		
Lump-sum payments upon retirement – Unfunded	301	264
	301	**264**

The amounts recorded on the income statement are the following:

Amounts in Euro '000	31st December 2018	31st December 2017
Current service cost	26	23
Finance cost	4	4
Cost of settlement	70	49
Total included in employee benefits	**100**	**76**

Changes in liabilities in the Statement of Financial Position are as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Net liability in opening balance sheet	**264**	**236**
Employer contributions paid	(77)	(53)
Expenditure to be recorded in the income statement	100	76
Amount recorded in Other comprehensive income	15	4
Net liability in closing balance sheet	**301**	**264**

32. Other liabilities

The other liabilities are analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Liabilities arising from taxes	395	368
Obligations to Associated banks	178	767
Accrued interest and other expenses	8	7
Other payables	4.000	3.203
Social insurance cost	399	382
Total	**4.979**	**4.727**
Current	***4.979***	***4.727***
Non-current	***0***	***0***

33. Provisions

The provisions are analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Provision for legal cases	560	890
Other provisions	321	321
Total	**880**	**1.211**

34. Share capital

The share capital remained unchanged and is analyzed as follows:

	Number of Shares	Nominal Value	Total no. of ordinary shares
31st December 2017	**3.762.420**	€ 29,35	**110.427.027**
31st December 2018	**3.762.420**	€ 29,35	**110.427.027**

35. Other reserves

The other reserves are analyzed as follows:

Amounts in Euro '000	31st December 2018	31st December 2017
Statutory reserve	11.719	11.719
Special reserves	4.924	4.924
Other reserves	(11)	4
Share premium	1.545	1.545
Other reserves	**18.177**	**18.192**

Statutory Reserve: According to the Greek Trade Law, the Bank is required to withhold from its net accounting profits a minimum of 5% per year as statutory reserve. Such withholding ceases to be compulsory when the total statutory reserve exceeds 1/3 of the paid up share capital. This taxed reserve is non-distributable throughout the Bank's lifetime and is intended to cover any debit balances of the profit or loss carried forward item.

Extraordinary Reserves: The extraordinary reserves have been formed from taxed profits, and therefore no additional tax liability will be imposed in case of their distribution.

36. Cash and cash equivalents

For the preparation of the cash flow statement of the Bank, cash and cash equivalents include short-term placements with other banks which are immediately available or have a 90-day maturity.

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Cash and balances with central banks (Note 15)	57.213	30.718
Loans and advances to credit institutions (Note 16)	11.699	22.769
Total	**68.912**	**53.487**

Cash flows from operating activities of the Bank include trading portfolio transactions. Investment portfolio transactions are included in the cash flows from investing activities.

37. Commitments, contingent liabilities and assets

a) Contingent liabilities from guarantees

The nominal values of the contingent and undertaken liabilities are analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Contingent liabilities		
Letters of Guarantee (Bid and Performance books)	1.948	2.163
Letters of Guarantee (Advance Payment, Prompt Payment)	1.092	773
Total	**3.040**	**2.936**

b) Contingent tax liabilities

According to Law 4174/2013 (Article 65A as in force and according to article 82 of Law 2238/1994), Greek companies the financial statements of which are compulsorily audited are bound to get an "Annual Tax Certificate" up to the financial year 2015, the issuance of which requires the conduct of a tax audit by the auditors who audit their annual financial statements. For the years starting on 01.01.2016 and henceforth, the Annual Tax Certificate will be optional, but the Bank continues to get it.

The Bank has been audited by the tax authorities up to the financial year 2009. It has not been audited by the tax authorities for the year 2010 to which the Annual Tax Certificate did not apply and therefore the Bank may be possibly liable to pay additional taxes, if they are established.
The Bank has obtained a tax certificate by the Auditors without qualifications for the years 2011, 2012, 2015, 2016 and 2017. For the years 2013 and 2014, it has obtained a tax certificate from its Auditors without qualifications, but with an emphasis of matter based on the inquiry submitted by the Bank to the Ministry of Finance regarding the tax handling of the loss from the transfer of assets and liabilities to Piraeus Bank. For the financial year 2018, the Bank is currently audited by its Auditors. This audit is in progress and the relevant tax certificate is expected to be issued after the publication of the financial statements for the year 2018. We consider that until the completion of the tax audit, no additional tax liabilities will arise that will have a significant impact on the financial statements.

According to the Greek tax legislation and the relevant ministerial decisions, the companies for which a tax certificate without remarks about infringements of the tax legislation is issued are not exempted from the infliction of additional taxes and fines by the tax authorities within the framework of the legal restrictions (five years from the end of the financial year in which the relevant tax return shall be submitted). In the light of the above, generally it is considered that the right of the Greek State to inflict taxes up to the financial year 2012 is exhausted as regards the Bank.

c) Contingent legal obligations

There are no pending legal liabilities or obligations that could materially affect the financial position of the Bank on December 31, 2018, except the cases for which a relevant provision has been formed (Note 33).

38. Related party transactions

All transactions are objective, are conducted at arm’s length and fall within the scope of the normal activities of the Group. The volume of transactions per category is shown here below.

38.1. Transactions of the bank with companies in the CYPRUS POPULAR BANK Group

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
a) Receivables		
Loans and advances to credit institutions	0	11.230
Loans net of provisions	17.863	20.267
Other receivables	1.132	207
Total	**18.995**	**31.704**

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
b) Payables		
Due to credit institutions	120	516
Deposits	1.481	6.925
Other liabilities	181	767
Total	**1.782**	**8.208**

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
c) Income		
Interest and similar income	833	514
Commission income	1.094	363
Other income	246	188
Total	**2.173**	**1.065**

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
d) Expenses		
Interest and similar expenses	80	59
Commission expenses	88	93
Total	**168**	**153**

38.2. Transactions with Management and members of the Board of Directors

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
a) Receivables		
Loans	35	26
Total	**35**	**26**

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
b) Payables		
Deposits	1	15
Total	**1**	**15**

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
c) Income		
Interest and similar income	2	0
Total	**2**	**0**

38.3. Remuneration of Management and members of the Board of Directors

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Board of Directors compensation	85	56
Salaries	395	408
Total	**480**	**463**

39. External auditors

The total fees paid by the Bank to the independent auditor "PricewaterhouseCoopers Auditors" for their audit and other services provided to the Bank are analyzed as follows:

Amounts in Euro '000	**31st December 2018**	**31st December 2017**
Statutory Audit	49	48
Tax Audit Certificate	39	40
Other Audit Services	11	3
Non Audit Services	8	0
Total	**107**	**91**

40. Events after the financial statements date

The Bank, as already mentioned, is about to change its majority shareholder who would then implement its business plan which has already been submitted to the Bank of Greece and is subject to its approval.

No further important events occurred after the balance sheet date that could affect the present financial statements.

Maroussi, June 21, 2019

The Managing Director and Vice Chairman of the Board of Directors	**The Deputy Chief Executive Officer**	**The Financial Services Management**
Michael Andreadis	**Angelos Sapranidis**	**Konstantinos Kalliris**