ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

June 2019

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Board of Directors’ Report

For the year ended 31 December 2018

Board of Directors' Report

The Greek economy

2018 was a milestone for Greece as, in August of 2018, the country successfully completed its 3rd consecutive bailout program, emerging from a total of eight years of financial assistance programs. The reforms implemented under the stability support programs contributed to Greece's return to growth in a financially and socially sustainable way.

In 2018, Greece's economic recovery followed an upward trend for the second consecutive year, with GDP expanding by 1.9% compared to 2017 levels, presenting its fastest pace since the onset of the recession. Strong increase in exports of goods and services (+8.8% annual change) coupled with growth in private consumption numbers (1.0% annual change in 2018) led the recovery of the Greek economy. Growth in private consumption was supported by the decline in unemployment rate (based on active population in Greece), which continued its downward trend for the 5th consecutive year, reaching 19.3% in 2018.

Greece had been recording deflationary rates since 2013. In June 2016, the Greek economy showed the first signs of recovery by presenting an increase in consumer prices. In 2017, the annual consumer price inflation stood at 1.1% while, in 2018, prices continued to increase resulting to an inflation rate of 0.6%.

Greece has made significant progress in returning to a path of fiscal sustainability. The general government balance as a % of GDP has improved from a 5.6% deficit in 2015 to 1.1% surplus in 2018, while the primary balance has progressed from 2.1% deficit in 2015 to 4.4% surplus in 2018.

The prospects for the upcoming years remain positive. GDP growth is projected to strengthen through 2019 and 2020 and remain above 2% in both years (according to IMF forecast numbers). Despite the positive developments and turnaround of the climate in the Greek economy, Greece still faces significant challenges going ahead in order to achieve a sustainable growth. These challenges mainly relate to the following:

- The debt-to-GDP ratio remains high (181.1% in 2018). Debt relief measures including debt restructuring and reprofiling are necessary to ensure the sustainability of the Greek public debt;
- Privatizations and structural reforms should be continued in order to attract domestic and foreign investments;
- The adoption of a more growth friendly fiscal policy mix by scaling down the public sector that will facilitate the reduction of the high tax rates;
- Rationalization of primary surplus target in order to reduce the tax burden and increase social spending.

Banking Sector

In September 2018, Greek banks recorded positive results at pre-tax levels. However, post-tax results were negative during the same period, exceeding the respective losses of 2017.

The capital adequacy levels remained satisfactory during the same period, with the CET1 ratio standing at 15.6% on a consolidated basis.

The improvement of the Greek economy and the increased confidence in the Greek banking system led to improved liquidity levels in 2018. Total deposits in Greece stood at €152.4bn (December 2018), increased by 10.6% compared to 2017 levels. Deposits placed by private sector represented 88% of total deposits in 2018, while the remaining 12% was attributed to General Government deposits.

Improved liquidity of the Greek banks led to a decrease in Eurosystem funding reliance, from €33.7 bn in December 2017 to €11.1 bn in December 2018. Main source of funding was the €10.1 bn received directly from ECB, while the remaining €0.9 bn derived from the Emergency Liquidity Assistance (ELA) mechanism.

The outstanding amount of credit continued to decrease in 2018 for the 8th consecutive year, proving that Greece is still in a deleveraging mode. Credit to the private sector decreased from €183.6 bn in 2017 to €169.9 bn in 2018. Part of the outstanding credit decrease is attributed to the Banks' efforts to eliminate their Non-Performing Exposures (NPEs).

Reducing the large stock of Non-Performing Exposures (NPEs) represents the biggest challenge for the Greek banking sector. In an effort to reach acceptable NPE stock levels (NPE levels in Europe represent 4% of total loan balance), operational targets were set to the Greek banks by the Bank of Greece and the ECB. In September 2018, the operational targets were revised for the period 2018-2021. Aim was to reduce NPEs as a percentage of total outstanding credit, from 47.8% (June 2018) to 21.2% (December 2021). In December 2018, NPE stock reduction plan was on track, as NPEs stood at 37.5% of total gross loan balance.

Global outlook

In 2018, global growth decelerated marginally, with the real GDP growth reaching 3.7% compared to 3.8% in 2017 (IMF data and Report of the Governor of the Bank of Greece) and the slowdown being recorded both in the developing and the emerging markets, like China and Turkey.

With the main sectors of the global economy slowing down, like the car manufacturing sector in Germany, the uncertainty arising in the government financing and the financial system of the main markets such as Italy, with the natural disasters affecting the large economies such as Japan, and with the uncertainty caused by the geopolitical tensions, along with the trade competition between the US and China, global growth in 2019 is expected to further slowdown, and based on recent estimates will not exceed 3.5% (source IMF). This estimation has already been confirmed by the first two months of 2019 as the PMI index deteriorated, mostly in the processing and lesser in the services.

In the US, the growth rate continued to accelerate in 2018, reaching 2.9% compared to 2.2% in 2017. The Debt-to-GDP ratio stood at 106.1% compared to 105.2% in 2017 (source IMF). In 2017, the US Congress, adopted a major tax reform that included a substantial corporate tax rate cut from 35% to 21% and repatriation tax incentives for US corporations, while the Federal Reserve raised its benchmark interest rates four times in 2018, setting the target range between 2.25%-2.50% (Report of the Governor of the Bank of Greece). Furthermore, in 2018, with the aim to reduce the current

account deficit, the US imposed tariffs on the steel imports from China, while in compensation for the trade reactions from China, the possible extension of tariffs on imported products from China was threatened.

In the eurozone, the economy continued to grow, although at a slower rate compared to 2017, with the GDP growth rate reaching 1.9% in 2018, compared to 2.4% in 2017 (IMF source). Private consumption was the main driver of growth in 2018, while corporate investments retained their momentum of the last years. The improvement in the labor market continued in 2018, although at a slower pace compared to the previous year, with the unemployment rate dropping to 7.8% of the labor workforce (source Bank of Greece). Furthermore, the eurozone annual inflation increased reaching 1.7% compared to 1.5% in 2017 (source IMF). Finally, the fiscal deficit in the eurozone was improved reaching 85% of the GDP for 2018, compared to 86.8% during 2017 (source IMF).

In Asia, the emerging market of China continued to grow at a slower pace in 2018, reaching 6.6% as a percentage of GDP, compared to 6.9% in 2017 (source IMF). The economy of China is expected to grow at a lower rate in the following years as the credit expansion and the fiscal measures are expected to fade. In 2018, the debt to GDP ratio reached 50.1% compared to 47% in 2017, while in Japan the GDP growth declined significantly compared to 2017, reaching 0.9% from 1.9% (source IMF). However, the debt to GDP ratio reached 238.2% compared to 237.6% in 2017 (the highest debt rate in the world).

The main challenges that the global economy is facing include: tensions in the trade field, financial and fiscal threats, maintaining the growth in the economy and the increasing interest rates for the countries with a high debt.

2018 Financial information

For the year ended 2018, total assets amounted to €43.4 million compared to €41.1 million in 2017. Total gross loans amounted to €12.7 million, decreased by €6.5 million (-33.9%) mainly due to customer repayments and accounting write-offs. Accumulated allowance for impairment losses amounted to €11.7 million, decreased by €1.2 million due to accounting write-offs and reversals of impairment during the year. The coverage rate for total loans at the end of the year was 91.9%, whereas the NPL ratio stood at 95.6%. The overall decline in the loan portfolio is consistent with the Bank's decision in 2013 to operate in a rundown mode which is expected to be substantially completed within the next year.

Cash and cash equivalents amounted to €3.6 million compared to €9.6 million in 2017. Investment securities amounting to €12.5 million were redeemed during the year at their maturity date. The overall decrease in liquidity by €18.5 million, is mainly due to the higher operating costs incurred as part of the Bank's transformation process.

Deferred tax assets amounted to €11.6 million, similarly with 2017. The recognition of deferred taxes is based on the assumption that the Bank, being a going concern, will generate sufficient taxable profits over the course of the next twenty years to utilise losses relating solely to accumulated loan impairment losses and accounting write-offs of the loan portfolio.

Intangible assets amounted €5.0 million compared to €58 thousand in 2017. The increase relates mainly to the acquisition of the bank's core banking system.

Other assets amounted to €20.9 million compared to €0.4 million in 2017. The increase mainly relates to the share capital increase of €20 million that was fully covered by the Bank's sole shareholder Atlas Merchant Capital Fund LP following the decision of its shareholders meeting in October 2018. The amount was deposited to the Bank's intermediate parent account in favor of the share capital increase and was transferred to the Bank in January 2019.

The provision for the Bank's voluntary exit plan amounted to €0.4 million, decreased by €1.2 million mainly due to benefits paid during the year. The above plan was completed in 2018. Provisions for defined benefit obligations amounted to €0.2 million. The Bank did not recognise a provision for defined benefit obligations in 2017 given that a voluntary exit plan provision was calculated for all the personnel as part of the Bank's transformation process according to its business plan.

Total equity amounted to €34.9 million, decreased by €1.8 million, while the Bank's Common Equity Tier 1 ratio was 123.7%.

With respect to the financial performance of the year, interest income amounted to €0.4 million, lower by 68.7% compared to last year where it amounted to €1.4 million. The decrease in interest income is related to the continued decrease in the loan portfolio. Interest expense decreased from €29 thousand in 2017 to €8 thousand respectively, due to the lower interest rate related to the Bank's deposit with the Hellenic Deposit and Investment Guarantee Fund and the lower balance held with the Bank of Greece.

Net fee and commission income decreased from €160 thousand to €2 thousand approximately due to the outsourcing of the Bank's denounced and written-off portfolio to a legal firm.

Other operating income amounted to €19 thousand decreased by 75.1% compared to 2017.

As a result of the above, the Bank's total operating income amounted to €454 thousand decreased by 72%, fully reflecting the effect of the rundown mode of the bank's activities and especially its underlying loan book.

Total operating expenses amounted to €23.8 million compared to €11.5 million in 2017, increased by 107.4%. The above increase is mainly related to staff costs, various professional service fees and third-party expenses incurred as part of the Bank's transformation process to implement its new business plan to become a challenger bank.

Overall, the Bank's total losses before impairment and other provisions amounted to €23.4 million compared to €9.9 million in the last year.

On 1 January 2018, the Bank adopted IFRS 9. As a result, the allowance for expected credit losses of financial instruments including loans and advances to customers, was increased by €434 thousand compared to 2017. The effect was recognised as an opening adjustment in equity. Further information regarding the impact from the adoption of IFRS 9 is disclosed in note 2.4.

During the current year, the Bank recognised a reversal of provisions for impairment losses on loans and advances to customers amounting €618 thousand as a result of the overall decrease of the bank's lending exposure. Similarly, the Bank recognised a reversal for expected credit losses during the year in relation to cash and cash equivalents, and investment securities amounting to €174 thousand approximately.

Finally, losses before income tax was €21.2 million, while income tax expense amounted to €166 thousand resulting to an after-tax loss of €21.3 million compared to a €9.1 million after tax loss in 2017.

Future outlook

The Bank has traditionally been a specialist in consumer and car finance both directly by offering consumer finance and car loans and indirectly through its car leasing subsidiary E-Rent («Εμπορική Ρέντ Μακροχρόνιες Μισθώσεις Οχημάτων Α.Ε.») active in the long-term rental of new or used private cars[1]. Its current performing loan portfolio as at 31 December 2018, consists almost exclusively of car loans originated prior to 2013, when the Bank ceased to pursue new business and focused on the efficient management of its lending portfolio for the recovery of the outstanding balance at that time. Since 2013, in essence, the Bank has operated in a rundown mode which it anticipates being completed in 2019.

In 2017, following the approval by the European Competent Authorities, the Bank was fully acquired through a wholly owned subsidiary by Atlas Merchant Capital Fund LP ('AMC'), which is the ultimate purchaser and specialises on long-term investments in the financial services industry, with an emphasis on capital intensive sectors such as banks, insurers and broker-dealers.

Following the above, and together with the ongoing management of the old lending portfolio, a new business plan has been developed by the shareholder and the Bank's management which aims to the reactivation of its operations with the development of a new, strong and simple bank with a human touch, accessible and efficient with the aid of digital technology that will empower the businesses and will strengthen the Greek economy. With swift procedures, the new Bank plans to operate mainly in the small and medium sized businesses sector, offering a full range of banking services, but also to retail clients with an emphasis on automobile financing.

Building already an innovative technological infrastructure and having experienced staff, the Bank aims to offer gradually a pioneering and sophisticated banking experience and evolve into a challenger bank, attracting a meaningful share of the Greek market through any digital or traditional communication channel with its clients.

Furthermore, management has already emphasised in building a new banking culture with up-to-date standards and practices of strong compliance with the current supervisory framework, the adequacy of internal control environment and the risk undertaking model with lines of defense and with clear roles and responsibilities.

[1] Disposed on the 23rd of March 2017 to Atithasos Trading & Shipping S.A.

2019 prospects

2019 will be a determinant year for the Bank as it is expected that by the end of the year, the necessary operational and technological infrastructure will be gradually completed, and the Bank's restructuring program to adapt to its new business plan will have been applied, in order to gradually overhaul its current operating model entirely shifting from a traditional auto-loans financier to a modern, flexible and challenger Bank.

To this end, the management has developed a detailed plan where all steps are described (such as capital raising, recruitment, investments in technology, market penetration etc.) that are required to transform Praxia Bank into a full-service bank with a unique banking experience.

The new organisational structure and operational model of the Bank, have been designed, in parallel with the innovative IT architecture and required IT investments, for the core banking system and the peripheral applications as well, but mostly with respect to the electronic communication system with its clients and their transactions.

In order to fund the envisaged plan, the Bank's shareholder has already proceeded with two successive share capital increases of €20 million in 2018, and €50 million in the first quarter of 2019 respectively. In addition, in the second half of the year, management aims to initiate in parallel a capital raising process from other investors as well.

Financial risk management

Praxia Bank is a fully standalone Bank with all key risk management functions performed internally. The Bank operates under a lean organizational structure, enabling a solid risk oversight and a robust control framework, aligned with Bank's strategic objectives and risk appetite, with clear roles and responsibilities across key functions. The Bank has established a 4 Lines of Defense model to ensure a clear delineation of responsibilities between day-to-day operations, monitoring and oversight, as well as independent assurance to achieve effective governance. The main pillars of financial risk management are described below.

Credit risk

Credit risk is defined as the possibility that a borrower or counterparty will fail to meet his obligations in accordance with the agreed terms. A continuous analysis of credit risk is performed, through a reporting package structured to include the appropriate portfolio breakdown and performance per business segment, portfolio risk profile, KPIs etc. Regarding the legacy portfolio the Bank has developed an impairment loss provision model based on historical performance of the loan book and the actual data of recoveries. The booked impairment allowances cover the expected/estimated credit losses as calculated by the provisioning model. Furthermore, the development of dedicated Scorecards and Rating Models for new originations is in progress.

The Bank's credit policy describes the general principles, rules and procedures relating to credit extension of all kinds for individuals and legal entities. The purpose and content of the credit policy is consistent with the risk appetite framework and with the Bank's strategy for its development in the Greek market. Board Risk Committee and Credit Committees which are responsible for managing credit risk, have been established.

Market Risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates and credit spreads, equity prices and commodity prices, will reduce the income or the current value of the Bank's portfolios.

Interest rate risk is inherent in the Bank's maturity transformation and is monitored on a regular basis, with the use of appropriate measures/ratios and the results are communicated to the Asset Liability Committee (ALCO). The Bank has minimal interest rate risk which is limited to the repricing of interest-bearing instruments of the Bank such as interbank placements, customer deposits and loans.

Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due or the risk to meet its obligations at an excessive cost. In addition, funding risk is the risk that current funding considered to be stable, and therefore used to fund assets, becomes not sustainable over time. Liquidity risk arises from mismatches in the timing of cash flows, whereas funding risk arises when illiquid asset positions cannot be funded at the expected terms and when required. The Bank's liquidity is currently comfortably above the ECB liquidity thresholds, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk.

The Bank recognizes the need to identify, monitor, assess and mitigate the operational risk. For that purpose, the Bank has developed, implements, maintains and continuously enhances an operational risk management framework that aims to ensure the regular monitoring of the Bank's operational risk profile and material exposures to losses, the adequacy of internal controls and the effectiveness of mitigating actions, as well as that the appropriate reporting mechanisms are in place to support the efficient and timely management of the aforementioned risk.

Related parties

All transactions between the Bank and its related parties are performed in the ordinary course of business at arms-length. As at 31 December 2018, the Bank's related parties were: (a) members of Atlas Merchant Capital Fund LP group, its key management personnel and their close family members, (b) the Bank's board of directors and key management personnel and their close family members. Information on the balances and impact from transactions with the Bank's related parties are provided in note 23.

Environmental issues

Due to the nature of the Bank's activities, the actual and potential impact to the environment from the Bank's activities is not significant.

Labor issues

The Bank offers a working environment of equal opportunities to all staff, where rights deriving from the local regulation are respected. Furthermore, the Bank supports its personnel through trainings and other activities.

Disclosures of Law 4374/2016

For the year ending 31 December 2018, the Bank made the following payments to media companies and due to donations. The amounts presented below are before taxes and are disclosed under the provisions of article 6, Law 4374/2016 on the transparency of relations between credit institutions and media companies or sponsored individuals.

Media Companies	Amount
24MEDIA	800
DOCUMENTO MEDIA	2,700
KOUTIPANDORAS.GR	700
NEWSIT	900
ΕΘΝΟΣ	2,500
IEFIMERIDA	900
KATHIMERINI.GR	3,400
PROTOTHEMA.GR	3,700
ALTER EGO	6,700
DPG MEDIA	600
ΔΗΜΟΚΡΑΤΙΚΟΣ ΤΥΠΟΣ	2,800
TNC GROUP	800
Total	**26,500**

Donations, subsidies, grants to legal entities and individuals	Amount
ΜΑΖΙ ΓΙΑ ΤΟ ΠΑΙΔΙ	8,065
HOPEGENESIS	1,613
ΔΩΡΕΑ ΕΙΣ ΜΝΗΜΗ ΙΩΑΝΝΗ ΛΕΟΥ	161
Total	**9,839**

Anastasia Sakellariou

Chief Executive Officer

Maroussi, 26 June 2019

Independent Auditor's Report

[Translation from the original text in Greek]

Independent auditor's report

To the Shareholders of «Praxia Bank S.A.»

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Praxia Bank S.A. (the "Bank") which comprise the Balance Sheet as of 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects the financial position of the Bank as at 31 December 2018, its financial performance and its cash flows 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 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 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 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 Company and its subsidiaries 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 Company and its subsidiaries, in the period from 1 January 2018 during the year ended as at 31 December 2018, are disclosed in the note 26 to the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the statements of the current period. These matters were addressed in the context of our audit of the 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 they key audit matter
Recoverability of deferred tax asset ("DTA") The Bank has recognised a DTA of €11,638 thousand in its balance sheet as at 31 December 2018. Assessing its recoverability requires significant judgment and the use of estimates. The Bank has recognized the DTA for deductible temporary differences to the extent that it considers this to be recoverable. These temporary differences relate to loan impairment losses and write-offs according to current tax legislation. The recoverability of the DTA is dependent upon the Bank's ability to generate sufficient future taxable profits against which the deductible temporary differences can be utilised. Management's assessment of the Bank's ability to generate sufficient future taxable profits requires the use of significant judgment and estimates as described below: • The assumptions that underpin the approved business plan of the Bank relating to its future performance expectations relevant to the determination of future taxable profits; and • The projections required to cover the time horizon up to the legal expiration of the period within which the DTA can be recovered. The business plan may be impacted by the risk and uncertainties stemming from the macroeconomic environment in Greece as well as the outcome of the contemplated share capital increase necessary to fund the Bank's "Challenger Bank" business model. Management has provided further information about the DTA in Notes 5.3 and 12 of the financial statements.	We have, together with the support of our internal tax specialists and their knowledge of applicable tax legislation, assessed the extent to which future projected profits will be sufficient to support the recovery of the deferred tax asset as at 31 December 2018. In this respect, we have also reviewed the reasonableness of management's key assumptions underlying the business plan based on our industry knowledge and our understanding obtained during our audit. Furthermore, our procedures also included assessing management's interpretations of current tax legislation with respect to the accounting write-offs. In addition, we evaluated the adequacy of the financial statement's disclosures, including disclosures of key assumptions and judgements. Based on the evidence obtained, we concluded that management's assessment with respect to the recoverability of the DTA to be reasonable.

Key Audit Matter	How our audit addressed they key audit matter
Use of Information Technology ("IT") Systems The Bank's financial reporting processes are highly reliant on information produced by its IT systems and/or automated processes and controls (i.e. calculations, reconciliations etc) implemented in these systems. The nature and complexity of the Bank's IT systems increases the risk over the effective interconnectivity of its systems and data, and the risk around the degree of reliability of the financial reporting information.	We have assessed the design and operating effectiveness of the Bank's IT General Controls ("ITGC's") relevant to financial reporting. 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 and tested the operating effectiveness of the aforementioned processes and controls.

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 and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the 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, 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 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 and the Corporate Governance Statement required by article 43bb of Codified Law 2190/1920 has been prepared.

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,
- The Board of Directors' Report has been prepared in accordance with the legal requirements of articles 43a of the Codified Law 2190/1920,

In addition, in light of the knowledge and understanding of the Bank 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 that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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

The Board of Directors is responsible for the preparation and fair presentation of the 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 that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank'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 or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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.

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, 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 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 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 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 to cease to continue as a going concern.

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

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 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 is consistent with our Additional Report to the Audit Committee of the Bank.

2. Appointment

We were first appointed as auditors of the Company by the decision of the annual general meeting of shareholders on 20 July 2015. Our appointment has been renewed annually by the decision of the annual general meeting of shareholders for a total uninterrupted period of appointment of 14 years.

Athens, 2 July 2019

The Certified Auditor

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Fotis Smirnis
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Bank Financial Statements

For the year ended 31 December 2018

Income Statement

For the year ended 31 December

	Note	2018	2017
Interest income	6	441	1,409
Interest expense	6	(8)	(29)
Net interest income		**433**	**1,380**
Fee and commission income	7	2	160
Net banking income		**435**	**1,540**
Other operating income	8	19	77
Operating income		**454**	**1,617**
Personnel expenses	9	(11,538)	(4,156)
Depreciation and amortisation	16,17	(651)	(271)
Other operating expenses	10	(11,615)	(7,049)
Loss before impairment losses and provisions		**(23,351)**	**(9,860)**
ECL impairment losses on financial instruments	11	2,198	1,544
Other impairment losses and provisions		-	(411)
Loss before tax		**(21,153)**	**(8,727)**
Income tax	12	(166)	(329)
Loss after tax		**(21,320)**	**(9,055)**

The notes on pages 25-88 form an integral part of these financial statements

Statement of Comprehensive Income

For the year ended 31 December

	Note	2018	2017
Profit/(loss) after tax		(21,320)	(9,055)
Other comprehensive income recognised directly in equity		-	-
Total comprehensive income for the year		**(21,320)**	**(9,055)**

The notes on pages 25-88 form an integral part of these financial statements

Balance Sheet

As at 31 December

	Note	2018	2017
ASSETS			
Cash and cash equivalents	13	3,613	9,569
Loans and advances to customers	14	1,037	6,591
Investment securities	15	-	12,534
Property, plant and equipment	16	1,238	308
Intangible assets	17	5,039	58
Deferred tax assets	12	11,638	11,679
Other assets	18	20,897	391
Total assets		**43,464**	**41,131**
LIABILITIES			
Due to customers	19	609	604
Provisions for employee benefits	20	516	1,606
Other liabilities	21	7,449	2,184
Total liabilities		**8,574**	**4,393**
EQUITY			
Share capital	22	68,700	48,700
Share premium	22	133,053	133,053
Accumulated losses		(166,863)	(145,015)
Total equity		**34,890**	**36,738**
Total equity and liabilities		**43,464**	**41,131**

The notes on pages 25-88 form an integral part of these financial statements

Statement of Changes in Equity

For the year ended 31 December

	Note	Share capital	Share premium	Accumulated losses	Total equity
Balance at 1 January 2017		**48,700**	**133,053**	**(135,960)**	**45,793**
Loss after tax		-	-	(9,055)	(9,055)
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**(9,055)**	**(9,055)**
Transactions with owners of the Bank			-	-	-
Balance at 31 December 2017		**48,700**	**133,053**	**(145,015)**	**36,738**
Balance at 31 December 2017		**48,700**	**133,053**	**(145,015)**	**36,738**
IFRS 9 transition impact as at 1 January 2018, net of tax	2.3	-	-	(308)	(308)
Restated balance at 1 January 2018		**48,700**	**133,053**	**(145,323)**	**36,430**
Loss after tax		-	-	(21,320)	(21,320)
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**(21,320)**	**(21,320)**
Transactions with owners of the Bank		-	-	-	-
Issue of share capital	22	20,000	-	-	20,000
Costs relating to the issue of share capital		-	-	(220)	(220)
Balance at 31 December 2018		**68,700**	**133,053**	**(166,863)**	**34,890**

The notes on pages 25-88 form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December

	Note	2018	2017
Cash flows from operating activities			
Loss before income tax		(21,153)	(8,727)
Adjustments for:			
Depreciation and amortisation	16,17	651	271
Impairment losses/(reversals) and provisions for credit risk	11	(792)	(375)
Net loss on sale of tangible assets		(8)	-
Impairment losses on tangible assets		-	411
Provision for termination benefits	20	72	431
Provision for defined benefit obligations	20	152	-
Accrued interest on investment securities		-	(186)
		(21,078)	**(8,175)**
Net (increase)/decrease in operating assets			
Loans and advances to customers		5,912	13,667
Other assets		(506)	29
Net increase/(decrease) in operating liabilities			
Due to customers		6	13
Employee termination benefits paid	20	(1,314)	(1,515)
Other liabilities		5,265	621
		9,362	**12,815**
Net cash flows from operating activities before taxes		**(11,716)**	**4,640**
Income taxes paid		-	-
Net cash flows from operating activities		**(11,716)**	**4,640**
Cash flows from investing activities			
Purchases of tangible assets	16	(1,494)	(250)
Purchases of intangible assets	17	(5,060)	(12)
Purchases of investment securities		-	(26,785)
Redemptions of investment securities		11,971	15,000
Net cash flows from investing activities		**5,416**	**(12,047)**
Cash flows from financing activities			
Tax expense	**22**	(220)	-
Net cash flows from financing activities		**(220)**	**-**
Net increase/(decrease) in cash and cash equivalents		**(6,520)**	**(7,407)**
Cash and cash equivalents at the beginning of the year	13	10,133	17,540
Cash and cash equivalents at the end of the year	**13**	**3,613**	**10,133**

The notes on pages 25-88 form an integral part of these financial statements.

1. General information

Praxia Bank S.A. (the Bank), formerly known as Credicom Consumer Finance S.A., is a financial institution with a full banking license. The Bank's current activity for the time being primarily involves only the management of a run-off retail portfolio mainly of automotive loans. However, the Bank is in a transformation process to become a challenger bank (digital bank) that will provide a wide range of banking services and products.

The Bank was incorporated by Emporiki Bank and Credit Agricole Consumer Finance (a subsidiary of Credit Agricole SA) in 2003. As at 31 December 2016, the Bank's sole shareholder was Credit Agricole Consumer Finance. On 17 February 2017 and following the approval by the European Competent Authorities (ECB/SSM and the Bank of Greece), the Bank was fully acquired by Atlas Merchant Capital LLC through its affiliate, AMC Oak Sarl, a Luxembourg entity. The ultimate parent is Atlas Merchant Capital Fund LP ('AMC') which is an investor group specialised on long-term investments in the financial services industry, with an emphasis on capital intensive sectors such as banks, insurers and broker-dealers. Atlas Merchant Capital LLC was founded in 2013 and is based in New York.

The Bank is a societé anonyme with General Commercial Registry Number 5372901000. Its registered office is at 24B Kifissias, 15125 Maroussi-Athens. In June 2018, the change in the Bank's registered address from the municipality of Nea Smirni to the municipality of Amaroussion was registered in the General Electronic Commercial Registry with a registration code number 1401417 following the decision of the Bank's Extraordinary General Meeting of Shareholders on the 25th of May 2018.

These financial statements are the Bank's stand-alone financial statements. The Bank's financial statements are included in the consolidated financial statements of the parent company, AMC which holds 100% of the Bank's share capital, as at 31 December 2018.

As from 13 April 2018, the Bank was renamed to Praxia Bank S.A. The amendment in the Bank's name from 'CREDICOM CONSUMER FINANCE BANK SA' to 'PRAXIA BANK SOCIETE ANONYME' was registered in the General Electronic Commercial Registry with a registration code number 1367230, following the decision of the Bank's Extraordinary General Meeting of Shareholders on the 15th of March 2018.

The Board of Directors was elected by the Ordinary General Meeting of Shareholders on 5 December 2018 and its tenure expires in December 2022. On the approval date of these financial statements, the Board of Directors had the following composition:

Corrado Passera	Independent Non-Executive Member, Chairman
Anastasia Sakellariou	Executive Member, CEO
George Koutsos	Executive Member, Deputy CEO
Robert Edward Diamond Jr.	Non-executive Member
David Ira Schamis	Non-executive Member
Timothy James Kacani	Non-executive Member
Sara Thompson Bott	Non-executive Member
Michael Katounas	Independent Non-Executive Member
Robert Lloyd Willoughby	Independent Non-Executive Member

During 2018, the following changes took place in relation to the composition of the Board of Directors:

- On 30 January 2018, Mr. George Koutsos was appointed as a new Executive Member for the remaining tenure of the Board of Directors in replacement of Mr. Anastasios Karkazis who notified his resignation.
- On 5 December 2018, Mrs. Sara Thompson Bott was appointed as a new Non-Executive Member for the remaining tenure of the Board of Directors in replacement of Mr. John Sims Sawyer who notified his resignation.
- On 5 December 2018, Mr. Robert Lloyd Willoughby was appointed as a new Independent Non-Executive Member for the remaining tenure of the Board of Directors.

2. Accounting policies

2.1. Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC), as endorsed by the European Union (EU), issued and effective or issued and early adopted as at the time of preparing these financial statements.

The financial statements of the Bank are presented in thousands of euro rounded to the nearest thousand. Any differences between the amounts on the financial statements and the relevant amounts presented in the notes, are due to the roundings.

The main principle for the preparation of the financial statements is the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are the areas with the assessment of the recoverability of deferred tax assets ('DTA'), the provision for defined benefit obligations and the impairment loss provisioning of loans and advances to customers. These areas are further analysed in note 5 "Critical judgments and estimates".

Actual results in the future may differ from those reported.

2.2. Going concern assessment

The Bank has applied the going concern principle for the preparation of the financial statements as at 31 December 2018. For the application of this principle, Management considered the uncertainties created by the economic environment in Greece, liquidity and capital adequacy.

Economic environment in Greece

The economic environment in Greece during the recent years has been largely driven by the uncertainty and concerns on the sustainability of the Greek public debt. In June 2017, the Hellenic Republic returned to the capital markets after an absence of three years with the sale of a five-year bond.

In August 2018, Greece successfully completed its 3rd consecutive bailout program, worth of €61.9 bn. Greece's emergency loan programs totaled €289bn in loans and were first implemented in 2010, aiming to drive the Greek economy into a growth trajectory.

In 2018 the macroeconomic environment continued to improve, signaling that the Greek economy has made significant progress on its way to recover and achieve a sustainable growth. GDP growth rate was 1.9%, presenting its fastest pace since the onset of the recession, while the primary Government Balance of Payments surplus stood at 4.4%, well above the agreed target. Moreover, unemployment declined towards its lowest level since 2013. Economic climate improved significantly with the Economic Sentiment and other related indicators delivering satisfactory readings.

The positive developments in the Greek economy have led to successive credit rating upgrades from all the major rating agencies: S&P B+ (positive outlook, 20 July 2018), Fitch BB- (stable outlook, 10 August 2018), and Moody's B1 (stable outlook, 1 March 2019). The credit ratings upgrade paved the way for the Greek 10-year bond yields to fall significantly in 2019, below 3%, amid the reduced uncertainty and increased investors' confidence about the Greek economy.

Finally, with regards to the banking sector, capital controls have been further relaxed reflecting the improved liquidity conditions and confidence in the Greek financial system.

Liquidity

In August 2018, Greece successfully completed the ESM program. The disbursement of the final tranche under the economic adjustment programme will allow Greece to build a sizeable cash buffer to cover its financing needs until mid-2020. In addition, the Eurogroup agreed on a substantial package of measures in order to ensure the sustainability of the Greed debt.

For the year ended 31December 2018, the Bank's assets are funded solely by own funds and its current liquidity ratios are significantly above the levels prescribed by the banking regulation. Therefore, the Bank has limited liquidity and funding risks.

During the first half of 2019 apart from the regular capital enhancements from its key shareholder, the Bank has attracted term deposits from foreign retail customers, being the first Greek bank to offer deposit products through a cross-border deposit marketplace. More specifically, the Bank has established a partnership with Raisin, Europe's leading deposits marketplace, by capitalizing on technological innovation and globalized market opportunities.

The Bank's objective to be part of an international online deposit market place constitutes a core component of its business plan. Therefore, the Bank aims to take advantage of the operational flexibility offered by its cross-border digital model, and by launching a ground-breaking deposit acquisition strategy based on innovation it will manage to diversify its funding sources maintaining liquidity and funding risk at relatively low levels.

Capital adequacy

The EU-wide stress tests that were conducted in early 2018 by the ECB, revealed that the four systemic Greek banks are comparatively well capitalised and resilient to hypothetical economic and financial shock over the period 2018-2020.

The Bank maintains a low-level risk profile on its balance sheet, therefore, it has a sound capital base well above the minimum regulatory thresholds, mainly attributed to the run-down mode of the Bank with the continuous downsizing of the existing Credicom legacy portfolio.

In addition, in the first half of 2019, the Bank strengthened furthermore its capital base following the capital enhancement from its sole shareholder amounting to €50 million.

Based on the above, existing cash flow projections and the shareholder's intention to further enhance the Bank's capital to support the implementation of its business plan, management estimates that adequate liquidity will be available to fund the Bank's working capital and other requirements for the foreseeable future. Accordingly, these financial statements have been appropriately prepared on the going concern basis.

2.3. Adoption of International Financial Reporting Standards (IFRS)

Standards and Interpretations effective for the current financial year

- **IFRS 9, Financial Instruments** (effective 1.1.2018)

On 1 January 2018, the Bank adopted IFRS 9 *'Financial Instruments'* which replaced IAS 39 *'Financial Instruments: Recognition and Measurement'*. IFRS 9 includes revised requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

The main changes in the Bank's accounting policies are described below.

Classification and measurement

IFRS 9 introduces 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 categories:

- Debt instruments measured at amortised cost;
- Debt instruments measured at fair value through other comprehensive income (FVOCI);
- Equity instruments measured at FVOCI; and
- Financial assets measured at fair value through profit or loss (FVTPL).

The Bank may at initial recognition, designate a financial asset at FVTPL in order to eliminate or significantly reduce an accounting mismatch.

The existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale (AFS) are eliminated.

IFSR 9 defines the following business models:

- Hold to collect contractual cash flows
- Hold to collect and sell
- Other business models.

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principle 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 principle and interest. All other financial assets will be classified at FVTPL.

Equity instruments will be measured at FVTPL. However, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent fair value changes in OCI. This election will be made on an instrument by instrument basis.

The requirements for applying the fair value option on financial liabilities are consistent with those in IAS 39. However, for financial liabilities designated at FVTPL, gains or losses that are attributable to changes in own credit risk should be presented in OCI. These changes should not be subsequently transferred to profit or loss unless such a presentation creates an accounting mismatch.

Under IFRS 9, embedded derivatives will no longer be separated from a host contract. Instead, financial assets will be assessed in their entirety based on the business model and their contractual cash flow characteristics. The requirements for embedded derivatives in financial liabilities have not changed.

The impact from the initial adoption of IFRS 9 on the Bank's financial statements is disclosed in note 2.4.

Impairment of financial assets

IFRS 9 introduces an expected credit loss (ECL) model that replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognized and will apply to a broader population of financial instruments compared to IAS 39. The measurement of ECL will require the use of complex models and significant judgment about future economic conditions and credit behavior.

The new impairment model will apply to financial assets that are measured at amortised cost and debt securities measured at FVOCI, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. No impairment loss will be recognized on equity investments.

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month ECL will be recognized for debt investment securities that are determined to have a low credit risk at the reporting date, and for all other financial assets for which there is no significant increase in credit risk since initial recognition. 12-month ECL are the portion of ECL that result from default events that are possible within the next 12 months after the reporting date. For financial assets that have experienced a significant increase in credit risk since initial recognition where no specific loss event has been identified, a loss allowance equal to lifetime expected credit losses will be recognized. The loss allowance for purchased or originated credit impaired financial assets will always be measured at an amount equal to lifetime ECL. Financial assets for which 12-month ECL are recognized will be considered to be in 'stage 1'; financial assets which have experienced a significant increase in credit risk will move to 'stage 2' and financial assets that are credit impaired will be transferred to 'stage 3'.

Hedge accounting

IFRS 9 includes a new general hedge accounting model which aligns hedge accounting more closely with risk management. Under the new model, more hedging strategies may qualify for hedge

accounting, new hedge effectiveness requirements apply, and discontinuation of hedge accounting will be allowed only under specific circumstances. Entities have an accounting policy choice to continue applying the hedge accounting requirements in IAS 39 until the IASB's project on macro hedging is completed.

The Bank currently has limited risk management activities and therefore the hedging requirements had no impact on its financial statements.

- **IFRS 15, Revenue from Contracts with Customers** (effective 1.1.2018)

IFRS 15 establishes a single, comprehensive revenue recognition model to determine the amount and timing of revenue that should be recognised from contracts with customers. According to the new standard, an entity recognises revenue to depict the transfer of promised goods or services to the customer at an amount that reflects the consideration to which the entity is entitled in exchange for those goods or services.

Under IFRS 15, revenue is recognised by applying the following five steps:

- Step 1: Identify the contract(s) with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the performance obligation is satisfied by the entity

The performance obligation is a new concept and represents a promise in a contract with a customer to transfer either (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The new standard replaces the following existing guidance on revenue recognition:

- IAS 11 'Construction Contracts';
- IAS 18 'Revenue recognition';
- IFRIC 13 'Customer Loyalty Programmes';
- IFRIC 15 'Agreement for the Construction of Real Estate';
- IFRIC 18 'Transfers of Assets to Customers';
- SIC-31 'Revenue-Barter Transactions Involving Advertising Services'.

IFRS 15 applies to all contracts with customers, except those in the scope of other standards such as lease contracts, insurance contracts and financial instruments.

The Bank's revenue primarily arises from financial instruments which fall outside the scope of IFRS 15, therefore, the adoption of the IFRS 15 did not have a material impact on the Bank's financial statements.

- **IFRS 15, Amendments, Revenue from Contracts with Customers** (effective 1.1.2018)

IFRS 15 was amended in April 2016 to clarify how entities:

- identify a performance obligation in a contract;

- determine whether a company is a principal or an agent responsible for arranging for the good or service to be provided; and
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

The abovementioned amendments did not have a material impact on the Bank's financial statements.

- **IFRS 4, Amendment-Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** (effective 1.1.2018)

The amendments introduce two approaches. The amended standard will: a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39. The amendment is not relevant to the Bank's activities; therefore, its adoption had no impact in the Bank's financial statements.

- **IFRS 2, Amendments-Classification and measurement of Shared-based Payment transactions** (effective 1.1.2018)

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The Bank does not have any program with cash-settled share-based payments, therefore, the adoption of the amendment had no impact in the Bank's financial statements.

- **IAS 40, Amendment-Transfers of Investment Property** (effective 1.1.2018)

The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. The adoption of the amendment had no impact in the Bank's financial statements.

- **IFRIC 22, Foreign Currency Transactions and Advance Consideration** (effective 1.1.2018)

The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. In this case, the interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the entity initially recognized the non-monetary asset (prepayment asset) or non-monetary liability (deferred income liability) arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine a date of transaction for each payment or receipt.

The adoption of the interpretation had no impact in the Bank's financial statements.

- **Annual Improvements to IFRSs 2014-2016 Cycle** (effective 1.1.2018)

IAS 28 'Investments in Associates and Joint Ventures': The amendments clarify that when venture capital organisations, mutual funds, unit trusts and similar entities elect to measure their investments in associates or joint ventures at fair value through profit or loss, that election should be made separately for each associate or joint venture at initial recognition.

The adoption of the amendment had no impact in the Bank's financial statements.

Standards and Interpretations effective for subsequent periods

Several new standards, amendments to existing standards and interpretations are effective after 2018, as they have not yet been endorsed by the European Union or have not been early applied by the Bank. Those that may be relevant to the Bank are set out below.

- **IAS 1 and IAS 8 (Amendments) - Definition of a material** (effective 1.1.2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance which until now was featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS. The amendments have not yet been endorsed by the EU.

- **IAS 19, Amendment - Plan Amendment, Curtailment or Settlement** (effective 1.1.2019)

The amendment clarifies that when a change to a defined benefit plan (i.e. an amendment, curtailment or settlement) takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The adoption of the amendment is not expected to impact the Bank's financial statements.

- **IFRS 9, Amendments - Prepayment Features with Negative Compensation** (effective 1.1.2019)

The amendments allow companies to measure certain prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met instead of at fair value through profit or loss. The adoption of the amendment is not expected to impact the Bank's financial statements.

- **IFRS 16, Leases** (effective 1.1.2019)

IFRS 16 was issued in January 2016 and supersedes IAS 17. The new standard will result in almost all leases being recognised on the balance sheet. The objective of the standard is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those

two types of leases differently. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Transition to IFRS 16

The Bank has chosen to apply the 'modified retrospective' approach, therefore, comparative information will not be restated. On the commencement date of the lease where the Bank is a lessee, the Bank will recognise a 'right-of-use' asset and a lease liability based on the discounted payments required under the lease.

In addition, the Bank will apply the following practical expedients:

- Exclude short-term leases with a lease term of 12 months or less, and leases of low value assets;
- Exclude initial direct costs from the measurement of the right-of-use asset;
- Apply a single discount rate to all leases with reasonably similar characteristics; and
- Use hindsight to determine the lease term if the contract contains an option to extend or terminate the lease.

Based on the Bank's preliminary estimate, on 1 January 2019 it will recognise right-of-use assets of approximately €5,5 million from leases relating to its new offices at Chalandri and vehicles, and a corresponding lease liability with no impact on equity.

- **IFRS 3 (Amendments) - Definition of a business** (effective 1.1.2019)

The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amendments have not yet been endorsed by the EU. The adoption of the amendments is not expected to impact the Bank's financial statements.

- **Annual Improvements to IFRSs 2015-2017 Cycle** (effective 1.1.2019)

The amendments introduce changes to four IFRSs following the publication of the results of the IASB's 2015-17 cycle of the annual improvements project. These changes are described below:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements': The amendment clarifies that when an entity obtains control of a business that is a joint operation, it remeasures any previously held interest in that business. The amendment also clarifies that any previously held interest in obtaining joint control over a joint operation should not be remeasured.
- IAS 12 'Income Taxes': The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.
- IAS 23 'Borrowing costs': The amendment clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the entity's general borrowings.

The amendments have not yet been endorsed by the EU. The adoption of the amendments is not expected to impact the Bank's financial statements.

- **IFRIC 23, Uncertainty over Income Tax Treatments** (effective 1.1.2019)

The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. The interpretation clarifies the following:

- An entity should consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity should use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.
- The entity should reassess its judgments and estimates if facts and circumstances change.

The adoption of the interpretation is not expected to impact the Bank's financial statements.

2.4. Impact from transition to IFRS 9 'Financial Instruments'

On 1 January 2018, the Bank applied IFRS 9 retrospectively. The impact from the adoption of IFRS 9 was recognised directly in equity by adjusting the Bank's retained losses as an opening balance adjustment at 1 January 2018. The following table presents the impact from the adoption of IFRS 9 to the Bank's equity:

	IFRS 9 impact
Attributable to:	
Classification & Measurement	-
Impairment	
Cash & cash equivalents	(47)
Loans and advances to customers	(260)
Investment securities	(127)
Hedging	-
Total impact (before tax)	**(434)**
Deferred tax	126
Total impact (after tax)	**(308)**

The main drivers of the change in the impairment allowance relate to:

- the incorporation of forward-looking information in the impairment calculations at 1 January 2018; and
- the incorporation of backstop criteria to loans in 'stage 2' and 'stage 3' respectively.

Classification of financial assets

In 2017, the Bank performed a business model assessment across various portfolios and a detailed review of the contractual terms for its debt securities and lending portfolio to determine any potential

changes to the classification and measurement of its portfolios. The Bank's lending and debt securities portfolio satisfied the SPPI criterion. Accordingly, based on the above assessment:

- cash and cash equivalents that are measured at amortised cost under IAS 39, would also be measured at amortised cost under IFRS 9;
- investment securities that are measured at amortised cost under IAS 39, would also be measured at amortised cost under IFRS 9;
- loans and advances to customers that are measured at amortised cost under IAS 39, would also be measured at amortised cost under IFRS 9;

The above classification was based on the composition of the Bank's portfolios as at 1 January 2018 and the Bank's expectations of its business strategy on the transition date. The Bank is in a transformation process with the aim to become a 'challenger' bank. During this process the Bank will reassess any changes to its business model strategies if necessary. The following table provides a reconciliation between the IAS 39 and IFRS 9 carrying amounts on the transition date:

	IAS 39			IFRS 9
	Balance 31.12.2017	**Reclassifications**	**Valuation**	**Balance 1.1.2018**
Financial assets				
Cash and cash equivalents	9,569	-	(47)	9,522
Loans and advances to customers	6,591	-	(260)	6,331
Investment securities at amortised cost	-	12,534	(127)	12,407
Investment securities - Held to maturity	12,534	(12,534)	-	-
Total	**28,694**	**-**	**(434)**	**28,260**

The following table presents changes in the measurement category and the carrying amount of financial assets on the date of transition to IFRS 9:

	IAS 39			IFRS 9
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets				
Cash and cash equivalents	Loans and receivables	9,569	Amortised cost	9,522
Loans and advances to customers	Loans and receivables	6,591	Amortised cost	6,331
Investment securities	Held-to-maturity	12,534	Amortised cost	12,407
Total		**28,694**		**28,260**
Financial Liabilities				
Due to customers	Amortised cost	604	Amortised cost	604
Total		**604**		**604**

Impairment of financial assets

The following table provides a reconciliation of the impairment allowance between IAS 39 and IFRS 9 on the date of transition to IFRS 9:

	IAS 39 31.12.2017	Reclassifications	Remeasurement	IFRS 9 1.1.2018
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)				
Cash and cash equivalents	-	-	47	47
Loans and advances to customers	12,665	-	260	12,925
	12,665	**-**	**307**	**12,972**
Held to maturity (IAS 39)/ Financial assets at amortised cost (IFRS 9)				
Investment securities	-	-	127	127
	-	**-**	**127**	**127**
Total	**12,665**	**-**	**434**	**13,099**

The following table presents financial assets subject to the IFRS 9 impairment requirements by IFRS 9 stage as reported after the impact of IFRS 9:

	Stage-1 12-month ECL	Stage-2 Lifetime ECL	Stage-3 Credit-impaired	Total
Cash and cash equivalents				
Gross carrying amount	9,569	-	-	9,569
ECL allowance	(47)	-	-	(47)
Net carrying amount	**9,522**	**-**	**-**	**9,522**
Loans and advances to customers				
Gross carrying amount	3,656	1,852	13,747	19,256
ECL allowance	(39)	(150)	(12,736)	(12,925)
Net carrying amount	**3,618**	**1,702**	**1,011**	**6,331**
Investment securities at amortised cost				
Gross carrying amount	12,534	-	-	12,534
ECL allowance	(127)	-	-	(127)
Net carrying amount	**12,407**	**-**	**-**	**12,407**

2.5. Consolidation

The Bank consolidates the financial statements of an entity that is controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Where an entity is governed by voting rights, the Bank consolidates when it holds, directly or indirectly, the necessary voting rights to pass resolutions by the governing body. In all other cases, the assessment of control is more complex and requires judgement of other factors, including having exposure to variability of returns, power to direct relevant activities and whether power is held as agent or principal. The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

For the year ended 31 December 2018, the Bank does not have any investments in subsidiaries.

2.6. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are accounted at cost less any impairment losses. Cost is the fair value of the consideration given being the amount of cash or shares issued, or if that cannot be determined reliably, the consideration received together with any directly attributable costs.

Dividend income is recognised when the right to receive income is established.

2.7. Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted deposits with central banks, due from credit institutions and other short-term highly liquid investments with original maturities of three months or less.

2.8. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method

are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Computer software assets are amortised using the straight-line method over five years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.9. Property, Plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes are stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the bank and the cost of the asset can be measured reliably. Ongoing repairs and maintenance are expensed as incurred. Freehold land is not depreciated and is stated at cost less any impairment losses.

Depreciation is recognised using the straight-line method to write down the cost of the assets to their residual values over their estimated useful lives. Depreciation of property and equipment begins when it is available for use and ceases when the asset is derecognised. In case when the asset is idle or retired from active use, the asset continues to be depreciated until the asset is fully depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

- Leasehold improvements : over the shorter of the useful life or lease term
- Computer hardware : up to 5 years
- Furniture and other equipment : up to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised within other income in profit or loss.

2.10. Impairment of non-financial assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet

available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount attributable to the reversal of an impairment loss should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.11. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as lessor

Finance leases

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their useful lives consistently with other property, plant and equipment. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Bank as lessee

Finance leases

Leases of property, plant and equipment where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised, at the inception of the lease term, at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Operating lease payments are recognised as an expense within other operating expenses in the income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.12. Financial assets

All financial assets, except for loans and advances to customers are initially recognised in the Bank's statement of financial position on the trade date which is the date that the Bank becomes a party to the contractual provisions of the instrument. At initial recognition, all financial assets are measured at fair value plus or minus (in the case of a financial asset not measured at FVTPL) transaction costs that are directly attributable to the acquisition of the financial asset.

Regular way purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the settlement date, with the exception of equity shares and derivatives that are recognised at the trade date.

Loans and advances to customers originated by the Bank are recognised when funds are transferred to the borrowers' accounts.

2.12.1. Classification of financial assets

The Bank classifies financial assets based on its business model for managing those assets and their contractual cash flow characteristics. Accordingly, financial assets are classified into one of the following measurement categories:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

Financial assets measured at amortised cost

A financial asset is classified in this category only if both of the following conditions are met, unless it is designated as at FVTPL on initial recognition:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets that are classified in this category are subsequently measured at amortised cost using the effective interest rate method and are periodically assessed for impairment using the expected credit loss model. Interest income, foreign exchange gains and losses, and expected credit losses are recognised in the income statement.

Financial assets measured at FVOCI

A financial asset is classified and measured at FVOCI only if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, and expected credit losses are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

Equity instrument designated at FVOCI

On initial recognition, the Bank may irrevocably elect to classify an equity instrument that is not held for trading at FVOCI. The above election is made on an instrument-by-instrument basis. Except for dividends, gains and losses on these equity instruments are never recycled to profit. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets measured at FVTPL

The Bank classifies all other financial assets in this category. In particular, this category includes:

(a) Financial assets that are primarily held for trading purposes;

(b) Financial assets that are mandatory required to be measured at FVTPL because they fail the SPPI assessment;

(c) Equity instruments that are not classified at FVOCI; and

(d) Financial assets that are irrevocably designated on initial recognition at FVTPL using the fair value option, if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise from measuring financial assets or financial liabilities on a different basis.

All fair value changes on these financial assets are recognised in the income statement.

Business model assessment

The Bank's business model refers to how the Bank manages its financial assets in order to generate cash flows and determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The business model is determined by management at a higher level of aggregation of groups that are managed similarly, therefore, does not depend on management's intentions for an individual instrument.

The business model assessment is performed on the basis of scenarios that the Bank reasonably expects to occur, and not on the basis of 'worst case' or 'stress case' scenarios. When the Bank

assesses the business model for newly originated or purchased financial assets, it considers information about how cash flows were realised in the past, along with all other relevant information.

In making the above assessment, the Bank considers the following factors:

- how the performance is evaluated and reported to the Bank's key management personnel;
- the risks that affect the performance of the business model and how those risks are managed;
- how the managers are compensated; and
- the frequency, volume and reasons of past sales, as well as expectations about future sales activity.

Accordingly, financial assets are classified in one of the following business models:

- 'Hold-to-collect' business model;
- 'Hold-to-collect and sell' business model; or
- Other business models.

The Bank reassesses its business model assessment at least annually or earlier, to confirm that there are no changes in the business models compared to the previous period. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of contractual cash flows (SPPI test)

For the purposes of applying the SPPI test, principal is the fair value of the financial asset at initial recognition, and that amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest includes consideration for the time value of money and credit risk associated with the principle amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Contractual terms that introduce exposure to risks and volatility in the contractual cash flows that are not consistent with a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

On the initial recognition of a financial asset, the Bank assesses whether the asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with a basic lending arrangement. In making the above assessment, the Bank considers various terms and arrangements including:

- leveraged payments;
- prepayment and extension options;
- equity conversion terms;
- the currency;
- terms that limit the Bank's claim to specified assets or cash flows from specified assets of the borrower (non-recourse loans);
- terms that modify the time value of money;
- interest rates indexed to non-interest variables;
- profit-sharing terms;
- deferred payments that do not accrue interest; and

- contractually linked instruments.

For non-recourse arrangements, including the financing of special purpose entities (SPE), in order to assess whether the loan passes the SPPI test, the Bank considers the following factors:

- the nature of the borrower and its business;
- the pricing of loans;
- the adequacy of loss absorbing capital;
- performance figures such as loan to value ratio (LTV), debt service coverage ratio (DSCR);
- the existence of corporate or personal guarantees;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank participates in the performance of the underlying asset or the borrower's business.

In certain cases, the time value of money element may be modified in such a way that the financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate or if a financial asset's interest rate is periodically reset to an average of particular short and long-term interest rates. In those cases, the Bank assesses the modification to determine whether the contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

2.12.2. Reclassification of financial assets

The Bank reclassifies a financial asset only when it changes its business model for managing those financial assets. Changes to the business model are expected to be rare and will occur when the Bank begins or ceases to perform an activity that is significant to its operations and evident to external parties, for example when the Bank acquires, disposes of, or terminates a business line.

Changes to the existing business models are determined by the Bank's senior management and are applied prospectively from the reclassification date, which is the first date of the Bank's next reporting period.

2.12.3. Impairment of financial assets

At each reporting date the Bank recognises a loss allowance for expected credit losses (ECL) on loans and receivables, and debt securities that are measured at amortised cost or FVOCI, including financial guarantees and loan commitments. No impairment loss is recognised on equity investments.

The Bank assesses whether a financial asset's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial asset.

For all financial assets that have not experienced a significant increase in credit risk since their initial recognition, and for debt securities that are determined to have a low credit risk at the reporting date, the Bank recognises a loss allowance equal to 12-month ECL. For all other financial assets, the Bank measures the loss allowance at an amount equant to lifetime ECL.

The Bank considers a debt security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial asset.

12-month ECL are the portion of ECL that result from default events on a financial asset that are possible within the next 12 months after the reporting date. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial asset.

Stage allocation

For ECL calculation purposes, the Bank uses the three-stage approach and allocates financial assets into stages that reflects their credit deterioration since initial recognition as follows:

Stage-1	At initial recognition all financial assets are classified in stage-1, unless they are considered purchased or originated credit impaired (POCI). Stage-1 includes performing assets that have not experienced a significant increase in credit risk since their initial recognition. This stage also includes financial assets where credit risk has improved and have been transferred from stage-2 or stage-3. A loss allowance equal to 12-month ECL is recognised for these assets.
Stage-2	When a financial asset has experienced a significant increase in credit risk since initial recognition it is transferred in stage-2. This stage also includes financial assets where credit risk has improved and have been transferred from stage-3. A loss allowance equal to lifetime ECL is recognised for these assets.
Stage-3	Non-performing or credit-impaired financial assets are included in stage-3. A loss allowance equal to lifetime ECL is recognised for these assets.
POCI	Purchased or originated credit impaired assets are financial assets that are credit-impaired on initial recognition. No ECL allowance is recognised on initial recognition. Only cumulative changes in lifetime ECL since initial recognition are recognised. Favorable changes in lifetime ECL are recognised as an impairment gain, even if the lifetime ECL are less than amount of ECL that were included in the estimated cash flows on initial recognition.

Legacy portfolio

For the year ended 31 December 2018, the allowance for expected credit losses that has been recognised by the Bank relates to the Credicom legacy portfolio which includes mainly retail automotive loans. The particular portfolio is near the end of the run-off period and has been almost fully provided for impairment losses, with a coverage ratio standing at 92% approximately.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk since the initial recognition. In making this assessment for the above portfolio, the Bank considers every reasonable and supportable information including quantitative indicators, qualitative indicators such as forborne status, and backstop indicators when payments are due more than 30 days.

Impairment losses are estimated on a collective basis using mainly historical loss information. Impairment loss calculations are adjusted for any differences between loss estimates and actual loss experience.

New lending portfolio

As mentioned in note 2.4, on 1 January 2018, the Bank adopted IFRS 9. The new standard has introduced significant changes in the assessment and measurement of credit losses for loans and

other debt instruments. The Bank has updated its accounting policies and processes to reflect the above changes. In this context, the Bank has acquired the award-winning Moody's Analytics RiskConfidence platform for the integrated application of IFRS 9, ALM and liquidity management, and is calibrating its risk models to support the credit risk assessment and expected credit loss estimates for its new lending portfolio according to the IFRS 9 requirements.

Default definition

The Bank has adopted the regulatory definition of default for non-performing exposures as defined in the EBA guidelines (EBA/GL/2016/07) in order to apply the requirements of Article 178 of Regulation (EU) No 575/2013 on the definition of default.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets that are subject to the ECL impairment requirements are credit-impaired. The Bank considers that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the Bank, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession(s) that the Bank would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Presentation of ECL allowance

Loss allowances for ECL are presented in the balance sheet as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financial assets measured at FVOCI: no loss allowance is presented separately in the statement of financial position. The loss allowance is recognised in other comprehensive income within "Special reserves".
- Off-balance sheet items: any loss allowance is recognised as a provision within "Other liabilities". The respective ECL charge is recognised within 'Impairment losses and provisions for credit risk'.

Write-offs

Financial assets are written off either partially or in their entirety, when there is no reasonable expectation of recovering any further cash flows from the asset. Any subsequent recoveries of amounts that were previously written-off are recognised in the income statement within 'Impairment losses and provisions for credit risk' as a reduction of the credit loss expense.

2.12.4. Derecognition of financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. In certain cases, the Bank may modify the contractual terms

of a financial asset that has been renegotiated, to the extent that the modification is substantial, and the modified asset becomes a new loan.

On derecognition of a financial asset due to a substantial modification, the difference between the carrying amount of the original asset and the fair value of the newly recognised asset is recognised in the income statement. The newly recognised asset is classified as stage-1 for ECL measurement purposes, unless the new asset is deemed to be POCI.

The Bank considers that the following modifications are substantial:

- change in the denomination currency of the loan;
- change in the borrower;
- introduction or removal of an equity conversion feature;
- consolidation of different types of contracts; or
- introduction of a feature that does not satisfy the SPPI test.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. In that case, the gross carrying amount of the modified asset is adjusted to reflect the revised contractual cash flows. The new gross carrying amount is determined at the present value of the estimated future modified cash flows discounted using the asset's original effective interest rate. The resulting gain or loss is recognised as a modification gain or loss within 'Impairment losses and provisions for credit risk'.

Fees related to the modification adjust the carrying amount of the asset and are amortised over the remaining term of the modified financial asset through the effective interest rate method.

2.13. Financial liabilities

The Bank recognises balances due to customers when funds are transferred to the Bank. All other financial liabilities are recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument.

At initial recognition, all financial liabilities are measured at fair value plus or minus (in the case of a financial liability not measured at FVTPL) transaction costs that are directly attributable to the issue of the financial liability.

2.13.1. Classification of financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Trading financial liabilities

Trading liabilities are liabilities that the Bank incurs principally for the purpose of selling or repurchasing in the near term; or holds as part of a portfolio that is managed together for short-term profit or position taking. Any gains or losses arising on remeasurement are recognised in the income statement within 'net trading income'.

Financial liabilities designated at FVTPL

The Bank designates a financial liability at FVTPL when any of the following apply:

- it eliminates or significantly reduces measurement or recognition inconsistencies;

- financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or
- structured products contain embedded derivatives that could significantly modify the cash flows of the host contract.

Any gains or losses arising on remeasurement are recognised in the income statement within 'gains less losses from financial instruments at FVTPL'. Gains or losses that are attributable to changes in own credit risk are presented in OCI. These changes are not subsequently transferred to profit or loss unless such a presentation creates an accounting mismatch.

2.13.2. Derecognition of financial liabilities

The Bank derecognises a financial liability when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the liability and the consideration paid including any non-cash assets transferred and any new liabilities assumed is recognised in the income statement.

When a financial liability is exchanged for another liability with substantially different terms, the exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new one. Similarly, when the terms of an existing financial liability are renegotiated, and the new terms are substantially different, the modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The Bank considers that the terms are substantially different if the net present value of the cash flows under the new liability, including any fees paid and received, is at least 10% different from the net present value of the remaining cash flows of the existing liability, both discounted at the original effective interest rate of the original liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.13.3. Debt or equity classification

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option

that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments is an equity instrument.

2.13.4. Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make a payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured by the Bank at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Liabilities arising from financial guarantees and loan commitments are included within "Other liabilities".

For the year ended 31 December 2018, the Bank had not issued any financial guarantees or loan commitments.

2.14. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.15. Foreign currency

Foreign currency transactions

The functional and business currency of the economic environment in which the Bank operates, is the euro (€). Transactions in currencies other than the euro are recognized at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at each reporting date. Foreign currency differences arising on translation are generally recognised in profit or loss, except when deferred in equity as qualifying cash flow or net investment hedges.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the rate of exchange at the date the fair value is determined. The exchange differences relating to these items are treated as part of the change in fair value and are recognized in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the spot exchange rates at the reporting date. The income

and expenses of foreign operations are translated into euro at the spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Bank disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

2.16. Interest income and expense

Interest income and interest expense for all interest-bearing financial instruments are recognised in profit or loss on an accrual basis using the effective interest rate method. Especially for POCI assets, interest income is calculated using the credit-adjusted effective interest rate.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. For purchased or originated credit-impaired financial assets (POCI), a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The amortised cost of a financial asset or liability is the amount at which it is measured upon initial recognition minus principal repayments, plus or minus cumulative amortisation using the effective interest rate and for financial assets it is adjusted for the expected credit loss allowance. The gross carrying amount of a financial asset is its amortised cost before adjusting for the expected credit loss allowance.

Interest income for financial assets is recognised as follows:

- For financial assets classified within Stage 1 or Stage 2 for impairment purposes, interest income is calculated by applying the effective interest rate to the gross carrying amount of the asset.
- For financial assets classified within Stage 3 for impairment purposes, interest income is calculated by applying the effective interest rate to the amortised cost of the asset.
- For POCI assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset.

Interest income and expense are presented separately in profit or loss within net interest income.

2.17. Net fee and commission income

Fee and commission income received or paid that are integral to the effective interest rate on a financial asset or financial liability are amortised in the profit or loss using the effective interest method over the life of the financial instrument.

Other fees and commissions on services provided over time, such as account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are provided to the customer.

Transaction-based fees and commissions relating to foreign exchange transactions, remittances, bank charges, brokerage activities and negotiation activities for the completion of a transaction with a third party are recognised on the completion of the underlying transaction.

When a contract with a customer results in the recognition of a financial instrument that may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15, the Bank initially applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual part.

2.18. Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities including non-trading derivatives held for risk management purposes, and includes all fair value changes, dividends and foreign exchange differences.

Dividend income is recognised in profit or loss when the Bank's right to receive the dividends is established. This is the ex-dividend date for listed equity securities, and the date when shareholders approve the dividend for unlisted equity securities.

2.19. Employee benefits

Short-term benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related services and are expensed as these services are provided.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligation to pay further contributions, if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Bank makes contributions to defined contribution plans on a contractual and voluntary basis.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan, other than a defined contribution plan, which normally defines an amount of benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. Other than employee retirement benefits payable under labour law 2112/1920, the Bank currently has no other defined benefit plans (see note 20).

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

(a) the Bank's decision to terminate an employee's employment before the normal retirement date; or
(b) an employee's decision to accept an offer of benefits in exchange for termination of employment.

For further information on the Bank's termination benefits, see note 20.

2.20. Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be pair or received that reflects uncertainty related to income taxes, if any. Current also includes any tax arising from dividends.

The Bank's current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.21. Provisions and contingent liabilities

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Contingent liabilities

Contingent liabilities are recognised when the Bank has a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or has a present obligation that arises from past events but is not recognised because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, and contingent liabilities related to legal proceedings or regulatory matters, are not recognised in the financial statements but are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

2.22. Related parties

A related party is a person or entity that is related to the entity preparing its financial statements. Related parties include the following:

a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
b) members of key management personnel of the Bank, their close family members and entities controlled or jointly controlled by the abovementioned persons;
c) associates and joint ventures of the Bank; and
d) fellow subsidiaries.

Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered with related parties are in the normal course of business and are conducted on an arm's length basis.

2.23. Share capital and share premium

Financial instruments issued by the Bank are classified as equity when according to the substance of the contractual arrangement, the instrument includes no contractual obligation to deliver cash or another financial asset; or to exchange financial instruments under conditions that are potentially unfavorable.

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Dividend distribution on shares is recognised as a deduction in the Bank's equity when approved by the General Meeting of shareholders. Interim dividends are recognized as a deduction in the Bank's equity when approved by the Board of Directors.

Where the Bank purchases own shares (treasury shares), the consideration paid including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Share premium includes the difference between the nominal value of the shares and the consideration received in the case of a share capital increase.

2.24. Comparative figures

Where the presentation or classification of items in the financial statements is amended, comparative figures have been adjusted to conform with the current year's presentation.

The adoption of IFRS 9 resulted in significant changes in the accounting policies for financial instruments. The Bank chose to apply the exemption in IFRS 9 not to restate comparative figures for prior periods, therefore, comparative information has been presented on an IAS 39 basis. The main accounting policies for financial instruments that were applied by the Bank until 31 December 2017 are presented in the next paragraph.

2.25. Accounting policies applicable before 1 January 2018

2.25.1. Classification and measurement of financial assets

The Bank classifies financial assets into the following specified categories:

- Loans and receivables;
- Held-to-maturity investments;
- Financial assets at fair value through profit or loss (FVTPL); and
- Available-for-sale (AFS) financial assets.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial

assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) a contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Bank designates a financial asset at FVTPL when any of the following apply:

- it eliminates or significantly reduces measurement or recognition inconsistencies;
- financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or
- structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses' line item.

Available-for-sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Bank that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Bank's investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets are stated at fair value at the end of each reporting period (because the Bank considers that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Reclassifications

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than those that meet the definition of loans and receivables may be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables, out of the held-for-trading or available-for-sale categories, if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable. Any fair value gains or losses that were recognised before the reclassification date are no subsequently reversed. The effective interest rate for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

2.25.2. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Losses which may arise from future events are not recognised.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing

whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The factors considered in determining whether a loan is individually significant for the purposes of assessing impairment include the size of the loan, the number of loans in the portfolio, the importance of the individual loan relationship and how this is managed. Loans that are determined to be individually significant will be individually assessed for impairment, except when volumes of defaults and losses are sufficient to justify treatment under a collective methodology.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Impairment is assessed collectively to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment or for homogeneous groups of loans that are not considered individually significant, generally retail lending portfolios.

Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss are not reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Loans subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due but are treated as up-to-date loans for measurement purposes once a minimum number of payments required has been received. Where collectively assessed, loan

portfolios include significant levels of renegotiated loans, these loans are segregated from other parts of the loan portfolio for the purposes of collective impairment assessment to reflect their risk profile.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2.25.3. Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the Bank's financial statements using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.25.4. Net fee and commission income

Fees and commission are generally recognised on an accrual basis over the period the service is provided. Income fee earned on the execution of a significant act is recognised as revenue when the transaction is completed. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

2.25.5. Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less, where appropriate, cumulative amortisation of the commission income received recognised in accordance with the revenue recognition policies in IAS 18 'Revenue'.

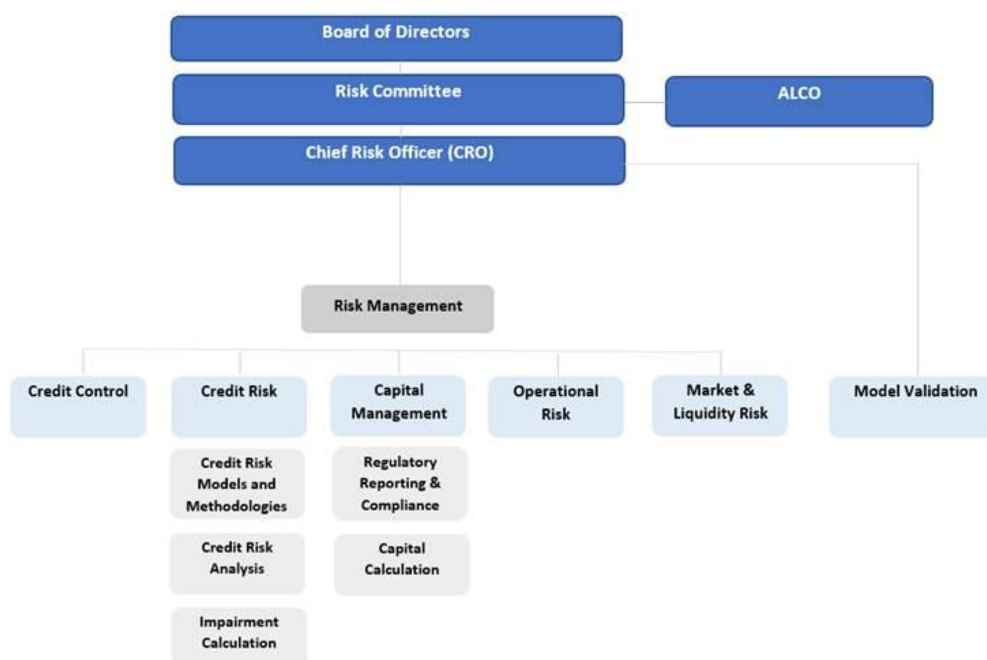
3. Financial Risk Management

3.1. Risk management framework

The risk management framework enables the Bank to make fully informed decisions on risk-taking and encompasses on and off-balance sheet risks, as well as actual risks and future risks that the Bank may be exposed to. Risks are evaluated both from a bottom-up and a top-down approach, within and across business lines, using consistent terminology and compatible methodologies throughout the Bank. All relevant risks are encompassed in the risk management framework with appropriate consideration of both financial and non-financial risks, including credit, market, liquidity, concentration, operational, IT, reputational, legal, conduct, compliance and strategic risks.

The Bank's risk management framework includes policies, procedures, methodologies, governance structure, risk limits and risk controls ensuring adequate, timely and continuous identification, measurement or assessment, monitoring, management, mitigation and reporting of the risks at the business line, Bank and consolidated or sub-consolidated levels.

In order to achieve the abovementioned goals, the Bank has established a sound risk governance structure, ensuring that responsibilities and reporting lines are clearly defined, and the segregation of duties is proper to prevent conflict of interest. The Bank's organizational structure is presented below:



Board of Directors (BoD)

The BoD is responsible to establish an organization wide risk culture through defining the Bank's purpose, values and strategy. It ratifies the Bank's risk appetite and monitors the proper implementation of the risk management functions through its respective delegated committees: Risk and ALCO committees.

Risk Committee

The Risk Committee is the body delegated by the BoD to support its oversight role around risk management activities, by proposing the Bank's risk tolerance and capacity and ensuring that the Bank adheres to the appropriate risk management standards and guidelines, as applicable. Specifically, the Risk Committee:

- Ensures that the Bank has a well-defined risk strategy, including clear risk appetite and risk capacity levels.
- Oversees the implementation of the risk management strategies in order to assess their adequacy against the approved risk appetite and strategy.
- Interacts with the BoD, the Chief Risk Officer (CRO) and other committees of the Bank, as applicable, to discuss and decide upon major risk issues.
- Approves the Risk Management Policy, at least annually, as well as any material changes, as proposed by the CRO.
- Approves any material changes to risk measurement models and methodologies.
- Reviews a number of possible scenarios, including stressed scenarios, to assess how the Bank's risk profile reacts to external events.
- Approves the relevant risk limits.
- Receives and reviews risk reports from the CRO.

Asset Lability Committee (ALCO)

ALCO is responsible to establish and implement the Bank's strategy and policy with regards to the structuring and management of assets and liabilities, taking into account the regulatory framework and market conditions, as well as the Bank's risk limits. Within this context, ALCO has an active role in liquidity risk management, as it:

- Monitors the evolution of the balance sheet and the impact on the liquidity position of the Bank, ensuring that the level of liquidity risk (among other risks) is consistent with the Bank's risk appetite.
- Monitors the interest rate risk in the banking book (IRRBB), reports and decides on strategic hedging of IRRBB exposures.
- Monitors the evolution of cost of funding and makes pricing decisions, on the basis of proposals by the Chief Financial Officer (CFO) and the Treasurer, in line with the Bank's funding needs and other market considerations.
- Assesses and approves proposals in relation to asset and liability management including investment or liquidation of marketable assets, the introduction of new products or the issuance of debt.
- Reviews and approves the key components of the Bank's liquidity risk management framework (e.g. funding plan, contingency funding plan, stress-testing) before their submission to the risk committee.
- Supports risk committee in decision making for liquidity risk related issues.

Chief Risk Officer (CRO)

The CRO is responsible for all risk management activities carried out by the Bank. Specifically, the CRO:

- Performs duties and powers, prescribed by the BoD and/or the Risk Committee, including overseeing certain risk management functions across the Bank and monitoring the ongoing efficiency of the Risk Management Division.
- Assesses and reports major risk exposures of the Bank and recommends specific actions to control and/or mitigate these exposures to the Risk Committee.
- Recommends to the Risk Committee the detailed duties that are carried out by the Risk Management function.
- Reviews the Bank's risk management Policy (at least annually).
- Oversees compliance with the Bank's risk limits.
- Escalates risk limit breaches to the Risk Committee and recommends remedial actions to restore exposure to tolerable levels, or, at exceptional cases, to request the Committee's approval for the excess exposure.
- Escalates any material risk issues or data/reporting limitations, to the Risk Committee.
- Holds responsibility for the risk assessment/quantification approaches employed by the Bank.
- Reviews and participates in the Bank's interaction with supervisory authorities and external reviewers (as applicable), regarding issues related to risk management.
- Holds the right to veto on decisions with significant risk identified (e.g. a credit or investment decision or the setting of a limit).

Risk Management Division

The Division carries out the day-to-day operations on identifying and monitoring risks, following the observed market practices and adhering to the regulatory instructions and guidelines. It is organized in six distinct units:

Capital Management Department

The department is responsible for the following activities:

- Monitoring and assessment of changes in the supervisory framework affecting risk management, ensuring that the Bank is always fully aligned with risk regulatory requirements.
- Delivery of advisory support services to business units on risk regulatory issues.
- Development and implementation of the appropriate processes and methodologies for the regulatory capital calculations under Pillar I, as well as the overview of liquidity coverage ratio (LCR) and non-stable funding ratio (NSFR) calculations for liquidity risk.
- Preparation and timely submission of risk regulatory reporting.
- Implementation of Pillar II requirements:
  - project lead of ICAAP performance on a yearly basis
  - development/proposal of alternative risk measurement methodologies under Pillar II calculations
  - coordinates the development and execution of ICAAP Stress Testing scenarios
- Development, periodic review and update of the risk appetite framework in line with the Bank's business strategic objectives, the SREP and the ICAAP process.
- Full compliance with Pillar III disclosures requirements in coordination with all involved units
- Development of methodologies and execution of stress testing scenarios either internally requested or externally imposed by the supervisory authorities.
- Implementation of BRRD framework, including the minimum requirements for own funds and eligible liabilities (MREL) and the development, periodic review and update of the recovery plan as requested by the Resolution Authority.

Credit Control Department

The department's key responsibility is to ensure the accurate implementation of the Bank's credit policy, through the periodic review and assessment of the loan granting process, based on a representative sample of applicants. Findings are properly communicated to the CRO and Senior Management and a follow up procedure is established to ensure their timely resolution. The Department participates in the decision-making process for significant risks or risks associated to non-pre-defined processes. Credit Control is involved in the development, regular assessment and continuous enhancement of the risk appetite framework.

Credit Risk Department

The department is responsible for:

- The development, implementation, performance monitoring and reporting of internal credit risk models.
- Perform credit risk analysis at various dimensions and portfolio levels.
- Development and maintenance of credit policy.
- Development, periodic review and update of the Bank's impairment policy.
- Calculation of loan loss provisions.

Operational Risk Department

The Operational Risk Department (OR) is responsible for:

- Development of the Bank's operational risk management framework.
- Set up and maintenance of an operational risk loss data collection process and a related data base.
- Development of a risk and controls self-assessment (RCSA) process within the Bank for the identification, assessment and mitigation of operational risks throughout the processes of the Bank.
- Development of early warning indicators and controls per identified risk area.
- Regular reporting of operational losses.
- Assessment of new products from an operational risk perspective.
- Coordination with compliance, legal and information security departments for the efficient management of the respective risks.

Market and Liquidity Risk

The department is responsible for the:

- Identification, assessment, monitoring and management of market, IRRBB and liquidity risk.
- Development of internal model methodologies for market risk.
- Execution of Market Risk stress test scenarios.
- Calculation of LCR and NSFR.
- Provision of advisory services on relevant risk business issues.

Model Validation

The department is responsible for forming an independent opinion on risk models' performance and calibration. Model Validation is expected to perform certain validation activities across the lifecycle of the risk models and submit the findings through comprehensive validation reports to Senior Management and the Risk Committee.

3.2. Credit risk

Credit risk is defined as the possibility that a borrower or counterparty will fail to meet his obligations in accordance with the agreed terms. Credit Risk includes, among others, the below risk sub-types that are relevant to the Bank's activities:

- **Lending risk**: This is the loss resulting from the inability of the counterparty to meet the terms of the contract that it has signed with the Bank in relation to on and off-balance sheet exposures. This loss may affect both the amount of profits and the amount of capital. The Bank is mainly exposed to lending risk.
- **Concentration risk**: The current or future risk due to excessive exposure to the credit risk of a counterparty or group of counterparties with common risk characteristics (type of transaction, geographical location of exposure, economic activity, currency).
- **Country risk:** The risk of incurring financial losses resulting from one or more of the following reasons:
    - Deterioration in the economic, political and social conditions prevailing in countries where the Bank operates.

- The possibility of expropriation and nationalization of assets by the government.
- The default of external or internal government debt.
- The implementation of restrictive measures in both conversion and exchange of currency
- The possibility of significant currency depreciation.

- **Issuer risk**: The risk of financial loss arising from the risk of default and/or change in the creditworthiness of the issuer of debt securities and shares.
- **Residual risk:** The risk arising from the inefficiency of measurement methods, any vulnerabilities identified in credit mitigation techniques (collateral, guarantees, and netting agreements, or any other gaps identified in risk related process).
- **Counterparty credit risk**: The current or potential future risk arising from the counterparty default on derivative or repo/reverse repo transactions before the settlement of the transaction's cash flows and when the transaction has a positive value at the time of default.
- **Settlement risk:** The current or future risk arising from unsettled transactions or counterparty's failure to deliver (asset, collateral or cash) at the delivery date.
- **Price risk:** The current or future risk of loss due to adverse movements in values of purchased receivables.

Credit Policy

The Bank has developed a sound credit policy, aiming to support the recovery and growth of Greek economy through providing funding to corporates and individuals based on clearly defined assessment criteria.

The Bank's Credit Policy is approved by the BoD and it is renewed annually by the Risk Committee. The Credit Policy Manual describes the general principles of credit policy, rules and procedures relating to credit extension of all kinds for individuals and legal entities.

Internal credit risk ratings

For IFRS 9 calculation purposes, probability of default (PD) models will be used for both the SME and retail lending. Credit ratings constitute the main input to determine the probability of default. In terms of credit underwriting the use of rating models is described below.

Corporate

Through the Bank's credit risk measurement system, the credit rating of business entities is captured on a rating scale in which their ranking is derived based on the Probability of Default (PD) within a one-year time horizon. The implementation of the model will be performed in the loan origination system, already under development and will be one of the main drivers of the credit decision.

Retail

Retail lending requests are evaluated using credit scoring statistical models. In particular, the application scorecards, evaluating application data and including behavioral characteristics, are used to score the probability of default. In general, for each credit product and customer category, the Bank determines the most appropriate cut-off score. Additionally, applications are classified into risk categories, based on the estimated risk. The implementation of the model will be performed in the loan origination system.

Credit risk mitigation

The smooth service of credit is directly related to the viability and prospects of the borrower and the industry in which he operates, the consistency and solvency of the entities, as well as imponderables that may affect its operation. Collaterals aim at limiting credit risk, as well as safeguarding the interests of the Bank in the event of a default on the contractual obligations of the borrower.

The Bank's credit policy describes the collaterals that are commonly accepted by the bank to mitigate credit risk that may arise from the borrower's inability to meet his contractual obligations which are as follows:

- Personal guarantee
- Corporate guarantee
- Greek State guarantee
- Bank guarantee (domestic or foreign)
- Pledge on bank deposit
- Pledge on securities (government bonds or treasury bills)
- Pledge on receivables
- Assignment of receivables from invoices
- Pledge on checks or bills of exchange
- Pledge on bills of lading
- Pledge on company shares
- Pledge on movable assets and equipment (floating charge)
- Real estate burden registration (mortgage or prenotation)

All valuations, revaluations and technical monitoring of projects funded by the Bank are carried out by external evaluators of recognized standing and solvency included in the list of independent and acceptable evaluators of the Bank.

Credit approval process

Corporate

The credit approval and review process ensure independence among executives responsible for the approval and the loan disbursement process of wholesale banking credit facilities. The approval bodies of the Bank are the following:

- Board of Directors (BoD)
- Senior Credit Committee (General Management)
- Committees A and B (Division managers)

For the determination of the appropriate approval authority the total risk of the customer is considered as the sum of the total credit risk and the book value of any participation (direct or indirect) of the Bank. The appropriate approval body approves:

- The appropriate credit limits of exposure to an obligor or to a group of associated obligors.
- The usage of credit mitigation techniques.
- The risk-adjusted pricing of the credit facilities.

Retail

The credit policy for individuals will be applied through the Bank's digital loan origination system. The approval bodies for retail exposures are the following:

- Credit Officer
- Retail Credit Director
- Retail Credit Committee (CRO, CCO, Retail Credit Director)

Credit risk monitoring

The Bank currently uses a reporting package to monitor key risk indicators and for management reporting purposes to provide the relevant information to senior management and the Risk Committee.

The form as well as the frequency of internal reporting corresponds to the significance and type of the information and to the level of recipients, based on the Bank's organizational structure. Reports to the Risk Committee include adequate information to allow appropriate decision making.

Credit risk concentration management

The Bank, in line with its risk appetite framework, has established limits for managing the risks related to its credit exposures (both corporate and retail). The limits aim to minimize credit risk concentration in terms of facility characteristics, obligor characteristics or credit risk mitigation characteristics.

Credit limits are defined according to the Bank's credit policy. These limits may be set follows:

- as a % total credit limit portfolio or sub portfolio
- as a % of common equity
- as an absolute value

The Bank regularly assesses the need to set specific credit limits against portfolio risk parameters taking into account its strategy, credit portfolio evolvement and market trends. The assessment is based on the use of specific key performance indicators (i.e. concentration index, loss given default, expected credit loss, credit limit, credit limit ranges) monitored per portfolio and sub segments.

For the year ended 31 December 2018, the geographical concentration of the Bank's loan exposures is in Greece.

3.2.1. Maximum credit risk exposure

The maximum exposure to credit risk is the carrying amount reported on the balance sheet, since there are no undrawn facilities and commitments.

3.2.2. Credit quality of loans and advances to customers – Disclosures 2018 (IFRS 9)

(a) Ageing analysis of loans by IFRS 9 stage and product line

	Stage-1 12-month ECL	Stage-2 Lifetime ECL	Stage-3 Lifetime ECL	Total
Retail				
As at 31 December 2018				
Current	25	209	-	234
1-29 days	128	77	-	205
30-59 days	-	71	-	71
60-89 days	-	50	-	50
90-179 days	-	-	51	51
>180 days	-	-	12,120	12,120
Gross carrying amount	**153**	**407**	**12,171**	**12,731**
Allowance for impairment	(9)	(45)	(11,640)	(11,694)
Net carrying amount	**144**	**362**	**532**	**1,037**

(b) Reconciliation of loans by IFRS 9 stage

The following table presents the movement of the gross amount of loans and advances to customers by IFRS 9 stage and product line.

	Stage-1 12-month ECL	Stage-2 Lifetime ECL	Stage-3 Lifetime ECL	Total
Retail				
Gross carrying amount at 1.1.2018	**3,657**	**1,852**	**13,747**	**19,256**
New loans originated or purchased	-	-	-	-
Repayments	(3,430)	(1,323)	(1,159)	(5,912)
Transfers:				
- Transfer to Stage-1	18	(17)	(1)	-
- Transfer to Stage-2	(42)	43	(2)	-
- Transfer to Stage-3	(22)	(86)	108	-
Write-offs	(28)	(63)	(522)	(613)
Gross carrying amount at 31.12.2018	**153**	**407**	**12,171**	**12,731**
ECL allowance	(9)	(45)	(11,640)	(11,694)
Net carrying amount at 31.12.2018	**144**	**362**	**532**	**1,037**

(c) Reconciliation of the ECL allowance

The following table presents the movement of the impairment loss allowance IFRS 9 stage and product line.

	Stage-1 12-month ECL	Stage-2 Lifetime ECL	Stage-3 Lifetime ECL	Total
Retail				
ECL allowance at 1 January 2018	**39**	**150**	**12,736**	**12,925**
Transfers:				
- Transfer to Stage-1	13	(9)	(4)	-
- Transfer to Stage-2	(1)	13	(12)	-
- Transfer to Stage-3	-	(13)	13	-
Net remeasurement of ECL allowance	(41)	(83)	(163)	(288)
Unwind of discount	-	-	22	22
Write-offs	(1)	(13)	(952)	(966)
ECL allowance at 31 December 2018	**9**	**45**	**11,640**	**11,694**

3.2.3. Credit quality of loans and advances to customers – Disclosures 2017 (IAS 39)

(a) Credit quality of loans by product line

Impaired loans include exposures which are in arrears for more than 90 days or earlier in case there is an objective evidence of impairment and carry a collective impairment allowance. Furthermore, impaired retail loans under forbearance measures may include loans in arrears less than 90 days. Accrued interest is included in the balance of each exposure category.

	Non-impaired loans		Impaired loans		Impairment allowance	
	Neither past due nor impaired	Past due but not impaired	Collectively assessed	Gross value	Collective assessment	Carrying amount
As at 31.12.2017						
Retail						
Consumer financing	3,696	1,819	10,186	15,701	(9,110)	6,591
SME	12	7	3,536	3,555	(3,555)	-
Total	**3,708**	**1,826**	**13,722**	**19,256**	**(12,665)**	**6,591**

(b) Analysis of neither past due nor impaired loans and advances to customers

	Satisfactory	Total
As at 31.12.2017		
Retail		
Consumer financing	3,696	3,696
SME	12	12
Total	**3,708**	**3,708**

(c) Ageing analysis of past due but not impaired loans by product line

As at 31.12.2017	Consumer Financing	SME	Total
Retail			
1-29 days	1,234	7	1,241
30-59 days	355	-	355
60-89 days	230	-	230
>90 days	-	-	-
Total	**1,819**	**7**	**1,826**

(d) Reconciliation of impairment allowance by product line

Retail	Total
Impairment allowance at 1.1.2017	**13,838**
Reversal of impairment loss	(375)
Write-offs	(798)
Impairment allowance at 31.12.2017	**12,665**

(e) Reconciliation of impaired loans by product line

As at 31.12.2017	Consumer Financing	SME	Total
Retail			
Opening balance	11,431	3,534	14,965
New impaired loans during the year	595	45	640
Transfers to non-impaired	(82)	-	(82)
Repayments from impaired loans	(1,163)	(34)	(1,197)
Write-offs	(596)	(9)	(604)
Gross amount	**10,186**	**3,536**	**13,722**
Impairment allowance	(6,699)	(3,536)	(10,235)
Carrying amount	**3,486**	**-**	**3,486**

(f) Ageing Analysis of impaired loans and advances to customers by product line

As at 31.12.2017	Total
Retail	
1-89 days	-
90-179 days	57
180-360 days	61
>360 days	3,369
Total	**3,486**

(g) Interest income recognized by quality of loans and advances to customers by product line

Interest income includes the ‘unwinding’ of loan loss allowances of €3 thousand (i.e. the time effect related to the discounting of the expected recovered values).

3.2.4. Repossessed collaterals

During the year the Bank repossessed 44 cars (2017: 102) while 58 cars have been sold during the year (2017: 137).

3.2.5. Forbearance

Responding to the challenges of the current economic environment, the Bank has several forbearance measures in place aligned with the Banking Code of Conduct to manage its exposure to credit risk.

Such measures include:

- interest-only payments;
- grace period;
- capitalization of arrears whereby arrears are added to the principal balance;
- reduced payment plans;
- arrears repayment plan;
- loan term extensions;
- interest rate reduction;
- collateral’s voluntary surrender;
- partial debt forgiveness; and
- combination of several of the above measures.

Since December 2015, the Bank has initiated a ‘Proactive Discount Policy’ which is applicable to loan exposures with payment delay of more than 90 days. This policy has significantly increased the amount of loan write-offs but has also improved recovery rates. The Bank also monitors the historical evolution of acceptance of this policy by clients and per portfolio category (i.e. buckets 3, 4, litigated and write-off). In parallel, the Bank is actively implementing the framework created by the Bank of Greece and has stratified its portfolio into cooperative and non-cooperative clients.

(a) Forborne loans and advances to customers by type of forbearance measure

	2018	2017
Forbearance measures		
Loan term extension	-	5
Capitalisation of arrears	-	29
Partial debt forgiveness	-	9
Total	**-**	**43**

(b) Credit quality of forborne loans

	Loans to customers	Out of which forborne	% of forborne
As at 31.12.2017			
Neither past due nor impaired	3,708	24	0.6%
Past due but not impaired	1,826	81	4.4%

Impaired loans	13,722	21	0.2%
Gross amount	**19,256**	**126**	5.2%
Impairment loss	(12,665)	(83)	0.7%
Carrying amount	**6,591**	**43**	5.2%

(c) Reconciliation of forborne loans

	2018	2017
Balance at 1 January	**43**	**222**
Forbearance during the year	-	126
Accrued interest	7	24
Repayments	(76)	(156)
Transfers out of forbearance status during the year	(47)	(175)
Impairment losses	72	2
Balance at 31 December	-	**43**

(d) Forborne loans and advances to customers by product line

	2018	2017
Retail		
Consumer Loans	-	37
Other	-	6
SME	-	-
Total	**-**	**43**

3.3. Troubled Assets Management

The Bank is near the end of the run-off period for the Credicom Legacy Portfolio. Specific processes are in place in order to effectively manage borrowers and service the collection actions. A centralized NPL unit coordinates the collection efforts across all products and delinquency levels.

Credit Risk function in cooperation with NPL unit, monitors on a regular basis the performance of loans in collection and in litigation status. The MIS reporting of legacy portfolio contains indicatively:

- Portfolio delinquency analysis
- Litigations and recoveries analysis (per production vintage and product)
- Collections Performance monitoring

3.4. Market Risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce the income or the value of the Bank's portfolios.

The Bank has in place a risk framework for the sound management of market risk that adheres to the regulatory requirements comprising indicatively:

- The approved markets and trading venues in which the Bank's Treasury is permitted to transact;

- A list of the approved financial instruments that can be traded by the Bank;
- Clear roles and responsibilities regarding market risk measurement and monitoring;
- Market risk measurement according to generally accepted market practices and the applicable regulatory requirements and/or constraints, where applicable;
- A defined market risk monitoring process;
- A market and liquidity limit breach and escalation process defining all the steps to be followed to limit breaches with proper remedial actions to be implemented in time.

Interest rate risk

Interest rate risk is monitored on a regular basis, with the use of appropriate measures/ratios and stress scenarios and the results are communicated to the Asset Liability Committee (ALCO). The repricing gap of assets and liabilities is presented in the table below.

	Up to 1month	1-3 months	3-12 months	1-5 years	Non-interest bearing	Total
As at 31.12.2018						
Cash & cash equivalents	3,611	-	-	-	2	3,613
Loans & advances to customers	39	100	556	342	-	1,037
Other assets	-	-	-	-	20.897	20.897
Total assets	**3,650**	**100**	**556**	**342**	**20,899**	**25,547**
Due to customers	609	-	-	-	-	609
Other liabilities	-	-	-	-	7,449	7,449
Total liabilities	**609**	**-**	**-**	**-**	**7,449**	**8,058**
Repricing gap (net of provisions)	3,041	100	556	342	13,450	17,489
Interest rate exposure	**3,751**	**104**	**577**	**367**		**4.799**

	Up to 1month	1-3 months	3-12 months	1-5 years	Non-interest bearing	Total
As at 31.12.2017						
Total assets	10,437	5,775	9,199	2,363	1,312	29,086
Total liabilities	604	-	-	-	2,184	2,787
Repricing gap	**9,833**	**5,775**	**9,199**	**2,363**	**(871)**	**26,299**

Based on the BoG and EBA guidelines and best practice, the following key assumptions have been made to determine the interest rate exposure for 2018:

- only interest rate sensitive instruments in the banking book at the balance sheet date were included;
- credit balances in loans have been excluded;
- performing loans with open maturity were classified in the one-month remaining maturity bucket;
- non-performing loans (net of provisions) are classified as overnight remaining maturity;
- performing loans were assessed for interest rate risk on a gross basis;
- the run-off balance sheet (static balance-sheet assumption) was applied;
- interest rate payments and accrued interest are excluded.

The Bank currently monitors IRRBB consistently with the BoG guidelines and has been prepared to comply with the "EBA Guidelines on the management of interest rate risk arising from non-trading activities" that are applicable from June 2019.

IRRBB refers to the current or prospective risk to both the earnings and the economic value of an institution arising from adverse movements in interest rates that affect interest rate sensitive instruments, including gap risk, basis risk and option risk. The Bank uses two methods to measure the potential impact from IRRBB to capture gap risk and basis risk: changes in the economic value of equity (EVE) and changes in the net interest income (NII) respectively.

The following table presents the sensitivity of net interest income and equity to changes in interest rates based on the IRRBB[2] assessment:

Interest rate parallel shift	Sensitivity on net interest income	Sensitivity of equity
-200 bps	(38)	24
+200 bps	72	(23)

As depicted from the above table the Bank has minimal interest rate risk, arising from the NII method under a -200bps stress scenario which represents 0.15% of Tier 1 capital.

Foreign exchange risk

The Bank is currently not exposed to foreign exchange risk as all its transactions are in Euro.

Price risk

For the year ended 31 December 2018, the Bank is not exposed to price risk since it does not hold any trading-book instruments such as equities or derivatives.

Liquidity risk

Liquidity risk refers to the risk of the Bank being unable to fund its increases in assets or to meet its financial obligations as they fall due without incurring unacceptable costs or losses through fund raising and asset liquidation. The main types of liquidity risk relate to funding liquidity risk and market liquidity risk.

Funding liquidity risk derives from any potential incapacity of the Bank to fulfill its obligations when they become claimable. Market liquidity risk is the risk that the Bank is not able to liquidate or repo assets within a required time frame or without an undue cost due to market conditions.

Liquidity risk is monitored by the Bank's Risk Management Division. The liquidity risk measurement process of the Bank aims at the on-going production and monitoring of information that describes its liquidity position, in order to facilitate decisions with respect to the management of liquidity, to ensure adherence to internal as well as regulatory limits, and in general to fulfil other internal and external reporting requirements towards internal units and Committees or third parties such as the ECB, the BoG, rating agencies, etc.

[2] Interest rate risk arising from non-trading book activities

The Bank monitors on a continuous basis its liquidity and funding position through an extensive set of regulatory and internal measures covering indicatively:

- the amount of liquid assets, which constitute the liquidity buffer, in relation to liabilities and corresponding cash outflows;
- the degree of maturity mismatches; and
- the composition and quality of funding sources.

For the year ended 31 December 2018, the Bank does not face material liquidity and funding risks since its assets are funded solely by own funds, apart from a deposit from the Hellenic Deposit and Investment Guarantee Fund (HDIGF) of €609 thousand. Despite its current simple liquidity profile, the Bank is already prepared, setting up the necessary policies, processes, methodologies, and tools, to effectively monitor and manage future liquidity challenges that will arise from the implementation of the Bank's business plan, including:

- a set of internal and regulatory monitoring metrics and reports;
- clear roles and responsibilities regarding liquidity risk measurement and monitoring;
- a defined market risk monitoring procedure; and
- a market and liquidity limit breach and escalation process.

The Bank monitors and measures liquidity risk using mainly the liquidity coverage ratio and the net stable funding ratio, and other internal ratios.

The Bank's liquidity profile is presented in the table below. The table presents the cash outflows resulting from financial liabilities as of the reporting dates. The amounts presented in the table are the contractual undiscounted cash flows.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
As at 31 December 2018						
Due to customers	609	-	-	-	-	609
Provisions for employee benefits	-	-	364	-	152	516
Other liabilities	2,189	3,123	1,720	417	-	7,449
Total liabilities	**2,798**	**3,123**	**2,084**	**417**	**152**	**8,574**
As at 31 December 2017						
Due to customers	604	-	-	-	-	604
Provisions for employee benefits	-	-	1,606	-	-	1,606
Other liabilities	209	627	931	417	-	2,184
Total liabilities	**813**	**627**	**2,537**	**417**	**-**	**4,394**

4. Capital adequacy

The Bank has fully adopted the CRD IV regulatory framework as defined in the Capital Requirements Regulation (CRR), (EU/575/2013), the Capital Requirements Directive (CRD IV), (EU/36/2013) and their amendments.

For the calculation of capital adequacy, the Bank applies the respective standardized approach regarding credit and operational risk. Currently, the Bank does not have a trading portfolio, therefore, is not subject to the relevant capital requirements.

As at 31 December 2018, the Bank's Capital Adequacy Ratio stood at 123.7% compared to 122.5% in the previous year, well above the minimum regulatory requirements. For 2018, the minimum regulatory capital requirements were set at 9.9%, including a capital conservation buffer of 1.9%.

	2018	2017
I. Regulatory Own Funds		
CET 1 Capital	20,379	27,870
Additional Tier I Capital	-	-
Tier I Capital	20,379	27,870
Tier II Capital	-	-
Total Regulatory Capital	**20,379**	**27,870**
II. Risk Weighted Assets		
Credit Risk	13,091	15,844
Operational Risk	3,382	6,913
Market Risk	-	-
Total Risk weighted assets	**16,473**	22,757
CET 1 Capital Ratio	123.7%	122.5%
Tier I Capital Ratio	123.7%	122.5%
Total Capital Ratio	**123.7%**	**122.5%**

5. Critical estimates and judgements

The preparation of the financial statements requires the use of estimates and assumptions which affect the reported assets and liabilities, the recognition of contingent liabilities, the recognition of income and expenses in the financial statements, as well as items recognised in the financial statements of the next financial year, including relevant disclosures.

The areas below involve a high degree of uncertainty and have a material impact on the financial statements:

5.1. Impairment losses on loans and advances to customers

Impairment losses estimations on loans and advances to customers as at 31 December 2018, relate to the Bank's legacy portfolio from Credicom. The particular portfolio is near the end of the run-off period and for which the impairment coverage ratio stood at 92% approximately. The estimation methods of collective impairment allowances include mainly the use of statistical analyses of historical information. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience.

Impairment loss allowances represent management's best estimate of expected credit losses of the legacy portfolio at the reporting date. The estimation uncertainty in determining the expected credit

loss allowance is limited to the measurement of the credit loss risk parameters for the remaining loans of the legacy portfolio.

5.2. Defined benefit obligations

The Bank recognises a defined benefit obligation for its post-employment benefits based on an actuarial valuation. In estimating the present value of the defined benefit obligation, the Bank uses judgment and makes financial and demographic assumptions about discount rates, future salary increases, staff turnover, inflation and mortality. Any changes in these assumptions will impact the carrying amount of the defined benefit obligation.

The Bank determines the appropriate discount rate used to calculate the present value of the estimated retirement obligations, at the end of each year based on interest rates of high-quality corporate bonds. The currency and term to maturity of the bonds used are consistent with the currency and estimated term to maturity of the retirement benefit obligations.

Further information related to the key assumptions made on the Bank's defined benefit obligation are provided in note 20.

5.3. Deferred tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same financial statement as the related item appears. Current tax is the tax expected to be payable or exempt on the taxable profit or losses for the year and any adjustment to tax payable in respect of previous years. The Bank provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled. Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. In the absence of a history of taxable profits, the most significant judgements relate to expected future profitability.

In this context, the recognition of deferred tax assets for available unused tax losses carried forward has been restricted to estimated future taxable profits expected to be generated by the new challenger bank's business plan. This business plan depends inter alia, on the further anticipated capital enhancements that are required to support its funding.

According to the business plan, the Bank will change its operating model to a 'challenger' Bank, adopting the successful examples of other European countries to the Greek reality and looking forward to the development of new, powerful and simple bank that will have a human touch, will be accessible and efficient with the aid of digital technology that will empower the businesses and will strengthen the Greek economy. The Bank has already initiated the above described transformation process following the successive capital enhancements made by its sole shareholder in late 2018 (see

note 22) and early 2019 respectively (see note 25), which increased the Bank's share capital by €70 million.

For the time being, management has followed a prudent approach based on which deferred tax assets have been recognized only on temporary differences that relate only to accumulated impairment losses and accounting write offs of the loan portfolio, which under the current legislation expire within 20 years of their finalisation. Accordingly, no deferred tax assets have been recognised with respect to currently available unused tax losses amounting to €92.1 million.

Based on management's assessment, the recognition of deferred tax assets as at 31 December 2018 was restricted to €11.6 million which represents future deductible temporary differences relating to loan impairment losses and accounting write-offs as more fully described in note 12.

6. Interest income and interest expense

	2018	2017
Interest income		
Interbank placements	114	77
Loans and advances to customers at amortised cost	240	1,100
Investment securities at amortised cost	87	232
Total	**441**	**1,409**
Interest expense		
Time deposits	(6)	(16)
Other interest	(2)	(13)
Total	**(8)**	**(29)**
Net interest income	**433**	**1,380**

The reduction in interest income from loans and advances to customers is in line with the decrease of the Bank's loan book during 2018. The following table presents interest income from loans by IFRS 9 stage and product line:

	Stage-1 12-month ECL	Stage-2 Lifetime ECL	Stage-3 Lifetime ECL	2018
Retail				
Consumer Loans	138	67	8	213
Other	15	11	1	27
SME	-	-	-	-
Total	**153**	**78**	**9**	**240**

7. Fee and commission income

The Bank earns fees from the administration of loans.

	2018	2017
Lending related fees and commissions	2	160
Total	**2**	**160**

The reduction in net fee income is consistent with the significant decrease of the Bank's loan book during the period and the outsourcing of the Bank's denounced and written-off portfolio to a legal firm.

8. Other operating income

	2018	2017
Rental income	-	14
Other income	19	63
Total	**19**	**77**

9. Personnel cost

	2018	2017
Wages, salaries and other short-term benefits	9,792	3,081
Social security contributions	1,097	511
Termination benefits	72	431
Defined benefit obligation expense	152	-
Contributions to defined contribution plans	138	-
Other benefits	287	134
Total	**11,538**	**4,156**

The number of personnel employed as at 31 December 2018 was 109 (2017: 30). The increase in personnel cost is due to new hirings as part of the Bank's transformation process.

10. Other operating expenses

	2018	2017
Third-party fees and expenses	5,967	4,196
Service providers	2,266	1,441
Fees and taxes	1,826	817
Other expenses	1,556	595
Total	**11,615**	**7,049**

The increase in third-party fees and service providers costs is mainly due to consulting and maintenance services and is consistent with the Bank's transformation process that begun in 2017.

11. ECL impairment losses on financial instruments

	2018	2017
Loans and advances to customers at amortised cost	618	375
Investment securities at amortised cost	127	-
Cash and cash equivalents	47	-
Recoveries of amounts previously written-off	1,406	1,169
Total	**2,198**	**1,544**

Impairment loss estimates for the year of 2018 have been determined based on the IFRS 9 expected credit loss model, while the comparative amounts for the year of 2017 were determined based on the IAS 39 incurred loss model. The Bank's accounting policy for the impairment of financial assets both before and after the adoption of IFRS 9 is further discussed in note 2.11.3 and note 2.25.2.

12. Income tax and deferred tax

	2018	2017
Current tax	-	-
Deferred tax	(166)	(329)
Total	**(166)**	**(329)**

In accordance with the provisions of the enacted Greek Tax Law (Law 4172/2013), as amended by Law 4334/2015 (Gazette A ΄80/16. 07.2015) and being in effect today, the income tax rate for Greek legal entities increased from 26% to 29% from the tax year 2015 and thereafter. Furthermore, dividend distributions after 1 January 2019, are subject to a 10% tax, with the exception of intragroup dividends which under certain conditions are tax exempt.

The Bank has no current income tax obligation for the year ended 31 December 2018 due to the tax loss incurred. The movement in the deferred tax balance is as follows:

	2018	2017
Balance at 1 January	**11,679**	**12,007**
IFRS 9 transition impact recognised in equity	126	-
Deferred tax relief/(charge) in the income statement	(166)	(329)
Balance at 31 December	**11,638**	**11,679**

The deferred tax asset is attributable to the following items:

	2018	2017
Loan impairment losses	3,391	3,673
Write-offs	8,184	8,006
Other temporary differences	63	-
Net deferred tax asset (liability)	**11,638**	**11,679**

The reconciliation of the income tax expense is as follows:

	2018	2017
Loss before tax	21,153	8,727
Tax at the applicable tax rate (29%)	6,134	2,531
Tax effect of the following items:		
- Non-deductible expenses	(455)	(792)
- Unrelieved tax losses for the year	(6.386)	(14,573)
- Unrecognised net deductible/taxable temporary differences	540	12,505
- Deferred tax assets on previously unrecognised deductible temporary differences and tax losses	-	-
Total	**(166)**	**(329)**

Deferred income taxes are calculated on all deductible temporary differences under the liability method as well as for unused tax losses at the rate in effect at the time the reversal is expected to take place.

As explained in the section of critical estimates and judgments, the Bank has recognised deferred tax assets of €11.6m as at 31 December 2018 on the basis that the Bank is a going concern, based on the

approved business plan by the competent authorities and the capital enhancements made by its sole shareholder.

Deferred tax assets comprise:

	2018	2017
Total deferred tax assets	38,342	33,918
Less: unrecognised deferred tax assets	(26,704)	(22,239)
Net deferred tax asset recognised	**11,638**	**11,679**

The above recognised amount of deferred tax asset relates mainly to eligible tax credits from loan impairment losses and write-offs under the provisions of the Law 4172/2013 (Art. 27, par.3) and Law 4465/2017 (Art. 43, par.1).

According to these laws, the losses incurred in cases where they relate to transfers or write-offs of debts, either following a final settlement or contractual agreement with the Bank, or due to a court decision on existing loan balances, as of 30 June 2015, are equally deductible in the next 20 years, starting from the tax year in which the final write-off was performed. The total amount cannot exceed the amount of the aggregated provisions for credit risk which had been formed for accounting purposes by 30 June 2015, which amounted to €41.8 million.

The total eligible amount of credit risk provisions for the Bank amounts to €39,9 million as at 31 December 2018 that gave rise to a deferred tax asset on loan impairment and accounting write-offs of €11.6 million.

These financial statements for the year ended 31 December 2018, do not include a deferred tax asset of €26.7 million with respect to unused tax losses amounting to €92.1 million that will expire within the next five years since their recovery is subject to the successful implementation of its business plan.

Audit Tax certificate

For the fiscal years 2011, 2012 and 2013 the Bank and all Greek Societé Anonyme companies were subject to compulsory tax audit in accordance with L. 2238/1994 art.82, which was conducted by the same statutory auditor that issues the audit opinion on the statutory financial statements. The Bank has been issued with an unqualified "Tax Compliance Report" for each year respectively. This report is submitted to the Ministry of Finance. In case of a non-qualified Tax Compliance Report, a tax audit by the regulatory authorities is not initially performed, but only if certain criteria defined by the Ministry of Finance, are met.

For the fiscal years of 2014 and 2015, all Greek Societé Anonyme and limited liability companies that were required to prepare audited statutory financial statements were obliged to obtain additionally an “Annual Tax Certificate” as provided by article 65A of Law 4174/2013. The Bank has been issued with an unqualified tax certificate for both years.

L.4174/2013 was amended after the voting of Law 4410/2016, which stated that from 2016 and thereon the issue of the “Annual Tax Certificate” is optional. The tax administration retains its right to proceed with a tax audit, within the applicable statute of limitations in accordance with article 36 of Law 4174/2013. However, for the fiscal years of 2016-2017 the Bank has been issued with an unqualified tax certificate for both years.

For the fiscal year of 2018, the tax audit is being performed by PricewaterhouseCoopers SA in accordance with article 65A of Law 4174/2013. Management does not expect that additional tax

liabilities will arise, in excess of those already recorded and presented in the financial statements, upon the completion of the tax audit.

13. Cash and cash equivalents

The Bank's cash and cash equivalents comprise of cash in hand and cash with central banks, as well as deposits in other credit institutions and is analysed below.

	2018	2017
Cash and balances with central banks		
Cash in hand	2	8
Balances with central banks	473	475
Total	**475**	**483**
Due from credit institutions		
Placements with domestic banks	3,136	531
Placements with banks abroad	3	55
Time deposits with domestic banks	-	8,500
Allowance for ECL impairment losses	(1)	-
Total	**3,138**	**9,086**

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturities of less than three months.

	2018	2017
Cash and balances with central banks	475	483
Due from credit institutions	3,138	9,086
Greek government Treasury-bills (3-month)	-	564
Total	**3,613**	**10,133**

14. Loans and advances to customers

Loans and advances to customers include mainly consumer financing. Since 2013, the Bank has been in a "stop any new financing activity" process, following the previous shareholders' strategy to disinvest from Greece which has resulted in a significant decrease in the loan book outstanding.

The analysis of the loan portfolio and the respective impairment loan loss reserves is presented below:

	2018	2017
Loans and advances to customers at amortised cost	12,731	19,256
Allowance for impairment	(11,694)	(12,665)
Total	**1,037**	**6,591**
Loans and advances to customers at fair value	**-**	**-**
Loans and advances to customers	**1,037**	**6,591**

The following table presents the carrying amount of loans and advances to customers per product line and IFRS 9 stage:

	Stage-1 12-month ECL	Stage-2 Lifetime ECL	Stage-3 Lifetime ECL	2018	2017
As at 31 December					
Retail					
Consumer Loans	92	327	8,042	8,461	14,415
Other	61	80	787	928	1,475
SME	-	-	3,342	3,342	3,366
Gross amount	**153**	**407**	**12,171**	**12,731**	**19,256**
Allowance for impairment	(9)	(45)	(11,640)	(11,694)	(12,665)
Net carrying amount	**144**	**362**	**532**	**1,037**	**6,591**
Floating rate loans				-	3,947
Fixed rate loans				12,731	15,309

The fair value of the loans outstanding does not vary significantly from their book values due to the fact that the remaining loans outstanding relate to old vintages with relatively high credit spreads.

15. Investment Securities

	2018	2017
Treasury Bills	-	12,534
Total	**-**	**12,534**

The balance for the comparative year of 2017 includes Greek government treasury-bills with original maturities of three and six months that were measured at amortised cost both before and after the adoption of IFRS 9. The above securities were redeemed in 2018 at their maturity date.

For the purpose of the cash flow statement, 3-month treasury-bills amounting to €564 thousand have been included in cash and cash equivalents (see note 13).

16. Property, Plant & equipment

	Leasehold improvements	Equipment	Total
Cost			
Balance at 1 January 2017	721	3,334	4,054
Additions	-	250	250
Disposals and write-offs	-	-	-
Balance at 31 December 2017	**721**	**3,584**	**4,305**
Accumulated depreciation			
Balance at 1 January 2017	(297)	(3,163)	(3,461)
Depreciation for the year	(29)	(96)	(125)
Impairment loss	(395)	(17)	(411)
Balance at 31 December 2017	**(721)**	**(3,276)**	**(3,997)**
Net book value at 31 December 2017	**-**	**308**	**308**

Cost			
Balance at 1 January 2018	721	3,584	4,305
Additions	790	704	1,494
Disposals and write-offs	(688)	(2,479)	(3,167)
Balance at 31 December 2018	**823**	**1,808**	**2,631**
Accumulated depreciation			
Balance at 1 January 2018	(721)	(3,276)	(3,997)
Depreciation for the year	(344)	(228)	(572)
Impairment loss	-	-	-
Disposals and write-offs	688	2,488	3,176
Balance at 31 December 2018	**(377)**	**(1,016)**	**(1,393)**
Net book value at 31 December 2018	**446**	**792**	**1,238**

For the year ended 31 December 2017, as part of the Bank's annual impairment assessment, certain items of leasehold improvements and equipment were written down to their recoverable amount to reflect the revised expected usage due to the Bank's relocation plan for 2018. The impairment loss was included within "Other impairment losses and provisions". No impairment loss was recognised in 2018. The depreciation expense of €572 thousand has been included within "Depreciation and amortisation".

17. Intangible assets

	Software	**Total**
Cost		
Balance at 1 January 2017	8,697	8,697
Additions	12	12
Disposals and write-offs	-	-
Balance at 31 December 2017	**8,709**	**8,709**
Accumulated depreciation		
Balance at 1 January 2017	(8,504)	(8,504)
Amortisation for the year	(147)	(147)
Disposals and write-offs	-	-
Balance at 31 December 2017	**(8,651)**	**(8,651)**
Net book value at 31 December 2017	**58**	**58**
Cost		
Balance at 1 January 2018	8,709	8,709
Additions	5,060	5,060
Disposals and write-offs	-	-
Balance at 31 December 2018	**13,769**	**13,769**

	Software	Total
Accumulated depreciation		
Balance at 1 January 2018	(8,651)	(8,651)
Amortisation for the year	(79)	(79)
Disposals and write-offs	-	-
Balance at 31 December 2018	**(8,730)**	**(8,730)**
Net book value at 31 December 2018	**5,039**	**5,039**

The amortisation expense of €79 thousand has been included within "Depreciation and amortisation".

18. Other assets

	2018	2017
Guarantees	74	-
Prepaid expenses and accrued income	760	217
Other receivables and advances	63	174
Receivables from shareholders (see note 22)	20,000	-
Total	**20,897**	**391**

Other receivables and advances involve transactions that take place during the normal course of business and which are settled within a short time period.

19. Due to customers

The balance of €609 thousand as at 31 December 2018 (2017: €604 thousand) relates to mandatory float rating deposits with the Hellenic Deposits and Investment Guarantee Fund (TEKE) in accordance with the Bank of Greece regulatory framework.

20. Provisions for employee benefits

The Bank has recognised a defined benefit obligation for employee indemnities due to retirement in accordance with the applicable labor legislation for employees who are entitled to a lump sum benefit payment based on the number of years of service and the level of remuneration at their normal retirement age, assuming they remain at the employment of the Bank.

	2018	2017
Defined benefit obligations	152	-
Termination benefits	364	1,606
Total	**516**	**1,606**

The Bank did not calculate personnel retirement obligations for the comparative year of 2017, since a voluntary exit plan (VEP) provision had been calculated for all the personnel as part of the Bank's transformation process according to its business plan.

Defined benefit obligations

Defined benefit obligations have been calculated based on an actuarial valuation. The movement in the present value of the defined benefit obligation is as follows:

	2018	2017
Balance at 1 January	**-**	**-**
Service cost	-	-
Past service cost	152	-
Interest cost	-	-
Balance at 31 December	**152**	**-**

The principal actuarial assumptions at the reporting date were as follows:

	2018	2017
Discount rate	1.95%	-
Future salary growth	1.00%	-
Inflation rate	1.75%	-

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as follows:

	2018		2017	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (0.5% movement)	(8.9%)	9.9%	-	-
Future salary growth (0.5% movement)	10.0%	9.0%	-	-

Employee termination benefits

The Bank's voluntary exit plan was completed at the end of 2018. The amount of €364 thousand relates to the provision that has been recognised for certain ex-Credicom employees who have chosen to remain under the employment of the Bank but retain the right to a termination payment over the next two years from the date of signing their new employment contract.

The movement in the provision for employee termination benefits is as follows:

	2018	2017
Balance at 1 January	**1,606**	**2,690**
Service cost	72	431
Benefits paid	(1,314)	(1,515)
Remeasurement	-	-
Balance at 31 December	**364**	**1,606**

21. Other liabilities

	2018	2017
Accrued expenses	498	801
Suppliers	3,411	627
Other taxes payable	1,735	127
Social security funds	453	78
Defined contribution plans	856	-

Provisions for legal cases	417	417
Other liabilities	79	133
Total	**7,449**	**2,184**

The increase in the outstanding balance of the suppliers is in line with the Bank's transformation process.

22. Share capital and share premium

The Bank's share capital and share premium as at 31 December 2018 is analysed as follows:

	Number of ordinary shares	Share capital[3]	Share premium
Balance at 1 January 2018	16,233,333	48,700	133,053
Changes from 1.1.2018-31.12.2018	6,666,667	20,000	-
Balance at 31 December 2018	**22,900,000**	**68,700**	**133,053**

The movement of €20 million in the share capital relates to the share capital increase that was fully covered by the Bank's sole shareholder Atlas Merchant Capital Fund LP following the decision of its shareholders meeting in October 2018. The amount was deposited to the Bank's intermediate parent account in favor of the share capital increase and was transferred to the Bank in January 2019. Attributable transaction costs amounted to €220 thousand and were recognised in equity. The par value of the Bank's shares is €3.

23. Related party transactions

The Bank enters into transactions with related parties in the normal course of business. These transactions are performed at arm's length.

(a) Transactions with the parent

During 2017, the Bank was fully acquired by Atlas Merchant Capital LLC through its affiliate, AMC Oak Sarl, a Luxembourg entity. The ultimate parent of the Bank is Atlas Merchant Capital Fund LP ('AMC').

The outstanding balances and transactions with the bank's parent entities Atlas Merchant Capital LLC, AMC Oak Sarl and CACF (up to the date of disposal) are as follows:

	2018	2017
Expenses		
Legal and consulting fees	(863)	(282)
	(863)	**(282)**
Liabilities		
Other liabilities	758	-
	758	**-**

[3] Share capital and share premium amounts have been presented in thousands of euros.

(b) Transactions with subsidiaries and other related parties

As at 31 December 2018, the Bank had no investments in subsidiaries. Comparative information regarding the outstanding balances and transactions for 2017, relate to the Bank's former subsidiary (E-Rent) up to the date of disposal.

	2018	2017
Income		
Support services	-	25
Property rentals	-	6
	-	**31**
Expenses		
Support services	-	(13)
Car rentals	-	(15)
Other expenses	(10)	-
	(10)	**(28)**
Liabilities		
Other liabilities	10	-
	10	**-**

Other related parties include fellow subsidiaries and associate entities of the parent's group, and entities in which a controlling person of the Bank is a member of its key management personnel.

(c) Transactions with key management personnel

There were no transactions during the financial year with key management personnel and their close family members.

(d) Key management personnel compensation

	2018	2017
Short-term benefits	5,609	748
Post-employment benefits	265	-
Termination benefits	765	369
Other long-term benefits	-	-
	6,639	**1,117**

24. Contingent liabilities and other commitments

(a) Legal proceedings

The Bank is a defendant in certain claims and legal proceedings in the ordinary course of business. When the Bank estimates that it is probable that a loss will be incurred, and a reliable estimate can be made for the amount of loss, a provision is recognised after consultation with the Bank's legal department.

As at 31 December 2018, the Bank has recognised a provision amounting to €0.4mln (2017: €0.4mln) for legal claims. The amount is presented within "Other liabilities" on the balance sheet.

(b) Pending tax audits

See note 12.

(c) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases relate to property, plant and equipment and are as follows:

	2018	2017
Not later than one year	253	370
Later than one year but not later than five years	985	632
Later than five years	-	-
Total	**1,238**	**1,002**

In January 2019, the Bank decided to relocate its headquarters to its new offices at Halandri. As a result, the lease arrangement that was related to the above-mentioned future lease payments was terminated. The cost for terminating the lease arrangement amounted to €63 thousand approximately.

(d) Other commitments

Similar to 2017, for the year ended 31 December 2018, the Bank had no other commitments for which a provision should be recognised.

25. Events after the reporting period

(a) In March 2019, the Bank initiated its partnership with Raisin, Europe's leading deposits marketplace, thus becoming the first Greek Bank to offer deposit products through a cross-border deposit marketplace. In this context, the Bank will be offering deposit products in Germany through WeltSparen, Raisin's German deposits platform.

(b) Furthermore, in March 2019, the Bank has started to build its corporate loan book by originating loans to selected customers in silent mode.

(c) Finally, in March 2019, the Bank's Shareholders General Meeting approved the share capital increase amounting to €50 million by payment in cash through the issue of 16.666.667 shares with a par value of €3 for each share. The share capital increase was entirely covered by its sole shareholder Atlas Merchant Capital Fund LP through its affiliate AMC Oak Sarl.

26. External Auditor Fees

The following table presents the aggregate fees for professional audit services and other services rendered to the Bank by the PricewaterhouseCoopers for the years 2018 and 2017 respectively.

	2018	2017
Fees for auditing services	65	60
Audit fees for the Annual Tax Certificate	33	30
Other non-audit services	40	42
Total	**138**	**132**

Maroussi, 26 June 2019

THE CHAIRMAN OF THE BOARD OF THE DIRECTORS	THE CHIEF EXECUTIVE OFFICER	THE DEPUTY CHIEF EXECUTIVE OFFICER	THE CHIEF FINANCIAL OFFICER	THE ACCOUNTING & TAX SENIOR MANAGER
Corrado Passera	Anastasia Sakellariou	George Koutsos	George Xifaras	Dimitrios Babiris
YB0190074	AM242868	AH023314	T125995	AN518144

Availability of Annual Financial Report

The Annual Financial Report which includes:

- The Board of Directors' Report
- The independent Auditors' Report
- The Annual Financial Statements of the Bank

is available on the website address: http://www.praxiabank.com

The information contained in this Annual Report has been translated from the original Annual Financial Report that has been prepared in the Greek language. If differences exist between this translation and the original Greek language Annual Financial Report, the Greek language will prevail over this document.