INVESTMENT BANK OF GREECE

Annual Financial Report

for the year

January 1 - December 31, 2017

In accordance with the International Financial Reporting Standards (IFRS)

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I. Directors Report

DIRECTORS REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

The Board of Directors presents the Directors Report and the Financial Statements for the year ended on December 31, 2017.

The Investment Bank of Greece operates since 2000, offering its customers a full range of banking and investment products and services. Products and services are offered to corporates retail and institutional investors, with the Bank providing a broad spectrum of banking services as well as access to Greek and foreign money and capital markets, portfolio management services and a full range of investment banking services. The investment services are offered by its central branch as well as the branches of Thessaloniki and Heraklion.

INTERNATIONAL ENVIRONMENT

In 2017 global GDP increased by 3.7% YoY vs. 3.2% in 2016. For 2018, consensus expects growth to accelerate further to 3.9%.

In 2017, the FED raised its base rate from 0.75% to 1.50% while the market exacts a further increase to 2.25% for 2018. US GDP growth accelerated to 2.3% compared to 1.5% in 2016 and is expected to be further increased by 2.7%, in 2018.

In the EU, GDP growth settled at 2.5% in 2017 (compared to 1.8% in 2016), with growth set to decelerate to 2.2% for the current year. At the same time, the ECB continued with the implementation of its quantitative easing (QE) policy, but has downsized volumes.

THE GREEK ECONOMY

In 2017 the second Review of the Greek adjustment program was completed, resulting in the improvement of expectations and the trust of the markets to the Greek economy which was accompanied by the upgrading of Greece's credit ratings by credit rating agencies.

GDP shaped at 1.4% and is estimated to increase to 2% in 2018. The consumer price index recorded a 1.1% increase after four years of deflation, while the unemployment rate decreased to 21.5% from 23.5% in 2016.

Prospects for 2018 are favorable, provided that the structural reforms continue and that the geopolitical conditions will not worsen. Apart from that, consensus expects also an increase in private consumption, a boost of investments and tourism, as well as the continuation of the upward trends in exports, which were evident in 2017.

As far as the banking sector is concerned, numerous improvements were evident in 2017. Specifically, the market witnessed an increase in deposits, improvements in organic profitability, satisfactory capital adequacy levels, a slight decrease in NPLs, a slowdown in deleveraging (negative credit expansion), lower deposit interest rates but with a decelerating pace in their rate of reduction, a further contraction of loan rates and lower dependence of the system on emergency liquidity assistance (ELA). In 2018, deposits interest rates are expected to remain flattish, while credit expansion should turn positive, the de-escalation of loans interest rate will continue and there will be a slight increase of the consumer credit interest rates.

Favorable financial conditions prevailed in international capital markets, combined with low inflation rates, increased equities values and reduced bond yields (sovereign and corporate ones). In Greece, conditions were also improved, although trading volumes were timid.

DEVELOPMENTS RELATING TO THE BANK

2017 was a milestone year for the Investment Bank of Greece, since its selling process was initiated. In more details, on 18.12.2017, the Special Administrator of CPB hired Ernst & Young (EY) as financial advisor for the disposal of the Bank and of its other subsidiaries in Greece (CPB Asset Management SA and Laiki Factors). EY is already conducting an international tender process, which is expected to conclude within 2018.

As per its business and strategic planning, the Bank implemented the rational extension of its loan portfolio, which resulted in higher relevant income.

In January 2018, the Bank reshuffled the composition of its Board of Directors. The new Board of Directors as of the date of the publication of the financial statements is the following:

- Avraam Gounaris, Chairman, Non-executive Member;
- Michael Andreadis, Vice-Chairman, Chief Executive Officer, Executive Member;
- Aimilios Stasinakis, Deputy Chief Executive Officer, Executive Member;
- Angelos Sapranidis, Deputy Chief Executive Officer, Executive Member;
- Kleovoulos Alexandrou, Non-executive Member;
- Chariton Kyriazis, Independent Non-Executive Member;
- Panagiotis Tampourlos, Independent Non-Executive Member;
- Konstantinos Kefalogiannis, Independent Non-Executive Member.

2017 GROUP BALANCE SHEET AND INCOME STATEMENT EVOLUTION

On 31.12.2017, total assets amounted to €180.0 million compared to €158.4 million a year ago. Customer deposits, including deposits of brokerage accounts, amounted to €73.3 million, recording a 5% increase, compared to 31.12.2016. On 31.12.2017,gorss loans, including loans for margin trading, amounted to €35.5 million, recording a 24% increase compared to 2016 (€28.6 million). Past due loans over 90 days correspond to 8% of gross loans, with the relevant index in Greece being 34.2%, while the cash coverage ratio shaped at83.5% (vs. 75.6% on average for the sector). At an individual (parent) level, the above ratios amounted to 6.6% and 83.5% respectively.

Net interest income amounted to €3.8 million compared to €3.7 million in 2016. Net fee and commission income amounted to €3.4 million in 2017, compared to €2.8 million in 2016, recording a 23% increase mainly due to brokerage transactions.

Trading gains amounted to €1.8 million compared to €0.34 million in 2016, reflecting the increased contribution of bond trading gains.

The 2017 total income from operating activities amounted to €9.6 million compared to €8.9 million in 2016 (+8.8%).

Total operating expenses of the Group amounted to €11.6 million or +7% compared to 2016 (€10.9 million) as a result of the efforts made to enhance Bank's infrastructure, both in terms of human resources and procedures/systems, so as to achieve the maximum possible compliance with the requirements of the regulatory environment.

As a result, in 2017 the Group's results before provisions and taxes amounted to losses of €2.0 million in line with the 2016 level. In 2017, the Group's result before taxes amounted to losses of €4.5 million (€-2.0 million in 2016), while the cumulative after tax total income amounted to €-0.7 million, compared to €-1.4 million in 2016.

REGULATORY INDICES

As per the Basel III framework, Group's total capital adequacy ratio and its Common Equity Tier 1 (CET 1) ratio amounted to 42.23%. The liquidity coverage ratio (LCR) amounted to 412.66% (compared to the minimum required limit of 80%), the net stable funding ratio (NSFR) amounted to 107.43% (compared to the minimum required limit of >100%), the liquid asset ratio amounted to 60.68% (compared to the minimum required limit of 20%), while the leverage ratio amounted to 43.60% (compared to the minimum required limit of 3%).

ESTIMATED IMPACT OF THE INITIAL IMPLEMENTATION OF IFRS 9

At the group level, the first time implementation of the new IFRS 9 accounting rules is estimated to have a pre-tax impact of €572K as of 01.01.2018.

The Group decided to implement the staging approach, in accordance with the European Union legislation (EU Regulation 2017/2995) to mitigate the impacts of the implementation of IFRS 9 on the regulatory capital. According to the above regulation, there is a five -year transition period, while the impact will be of 5%, 15%, 30%, 50%, and 75% from 2018 to 2022 respectively. The IFRS 9 impact calculations are based on accounting policies, assumptions and estimates, as these have been arranged to date and will be finalized with the drafting of the financial statements of 31.12.2018. Consequently, these estimates may be modified in 2018.

RISK MANAGEMENT

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

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

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

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

A similar management framework, adapted to their nature, is applied for market, liquidity and operational risks.

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

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

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

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

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

The relevant supervisory reports summarize and systematize the view of the risk management framework in all its aspects.

PRESONNEL

A particularly important asset for the progress of the Group is its personnel. The Group seeks to employ the proper staff so that it can have the critical mass required to respond to its regulatory obligations and also to create with all employees, mutually and long term beneficial relationships. On 31.12.2017 the number of staff amounted to 186 persons, 36% out of which were women.

SHARE CAPITAL STRUCTURE

The Bank's Share Capital amounts to €110,427,027 and is divided into 3,762,420 ordinary registered shares with a nominal value of €29.35 each, the share capital is fully paid up. All the Bank shares are ordinary, registered, voting shares, not listed in the Athens Stock Exchange, but have all the rights and obligations arising from the Articles of Association of the Bank and defined by the Law. On 31.12.2017 the Bank had no own shares.

DIVIDENDS

According to the results of the year 2017 and in association with Article 44a of Law on Sociétés Anonymes (Law 2190/1920), it is not allowed to distribute dividends.

ESTIMATES ON THE PROGRESS OF THE INVESTMENT BANK OF GREECE GROUP'S ACTIVITIES IN 2018

The financial and banking environment in 2018 presents positive prospects. The reforms provided for in the Greek Economic Adjustment program are expected to accelerate the recovery and restructuring of the economy.

Critical parameters are the completion of the program and the continuation of reforms that will allow Greece to exploit its achievements on the fiscal front and get into a growth path. In particular, the course of the banking system will be greatly affected by the possibility to attract new investments, the full lifting of capital controls, and the more efficient management of past due loans.

The business plan of the Group focuses on taking advantage of the opportunities that will be created.

In 2018, the major issue that the Management shall deal with is the successful ownership transition of the Group, to which it contributes through a reliable and timely provision of the required data/information, as well as the comprehensive presentation of the activities and opportunities offered by the Group.

At the same time, Management is called to implement the economic goals set in its annual planning, by maintaining the existing high liquidity and the high capital adequacy ratios of the Group. The major factors in order to achieve these are the exploitation of the know-how and the experience of the Group's personnel in the stock markets, the investment banking and the purely banking activities.

Moreover, the Management shall continue its intense efforts to implement the internal restructuring plan which will upgrade the operation of the Group. To that purpose, the Internal Audit, Regulatory Compliance and Risk Management units have been reinforced, the IT unit has been upgraded, while at the same time the business units pertaining to the credit cards, private banking and defaults management sectors have also been reinforced.

In addition, with the cooperation of the relevant advisors, the works for the implementation of the Recovery Plan and of the new MiFID II and MiFIR legislation have been completed. The completion of the tasks regarding the General Data Protection Regulation and the update of the Business Continuity Plan and of the Disaster Recovery Plan is in progress. Moreover, a series of works and actions have been planned, including projects associated with the upgrade of our IT systems, the acquisition of a new software application that will help for calculating all the indices provided for in Basel III, etc.

In association with the above, the relevant manuals and policies have been completed, pertaining among others the Risk Tolerance, the Credit Policy, the Credit Rating, the Provisions Calculation Policy (IFRS 9), while the drafting of manuals and procedures has been scheduled, indicatively pertaining to the calculation of the capital adequacy and the quality control of the supervisory reports.

The experience and decisiveness of the restructured Board of Directors and the upgraded level of the executive team ensure the efficient dealing with and implementation of all the above, thus operating in full coordination in order to achieve the strategic goals of the Group to the benefit of its shareholders, customers and its employees.

PROTECTION OF THE ENVIRONMENT

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

EVENTS SUBSEQUENT TO THE BALANCE SHEET

Not applicable.

Maroussi, June 5, 2018

FOR THE BOARD OF DIRECTORS

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

II. Independent Auditor’s Report

[Translation from the original text in Greek]

Independent auditor's report

To the shareholders of "Investment Bank of Greece S.A."

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

Our opinion

We have audited the accompanying financial statements of the Bank "Investment Bank of Greece S.A." (the 'Bank'), included in chapter IV of the Annual Financial Report and consolidated financial statements of the Bank "Investment Bank of Greece S.A." (the 'Group'), included in chapter III of the Annual Financial Report, which comprise the statement of financial position as of 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flow statements for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies as well as the consolidated statement of financial position as of 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flow statements for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
In our opinion, the financial statements and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and consolidated financial position of the Group as at 31 December 2017, the financial performance of the Bank and the consolidated financial performance of the Group and the cash flow of the bank and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and comply with the statutory requirements of Codified Law 2190/1920.

Basis for opinion

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

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

Independence

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

We declare that the non-audit services that we have provided to the Bank are in accordance with the aforementioned provisions of the applicable law and regulation and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

The non-audit services that we have provided to the Bank, during the year ended as at 31 December 2017, are disclosed in the 38 of the financial statements and consolidated financial statements.

We declare that for the year ended as at December 31, 2017 we have not provided non-audit services to the subsidiaries of the Bank.

Key Audit Matters

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

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Financial assets measured at fair value for which no listed price in an active market is available (Consolidated Financial Statements)</td></tr>
<tr><td>The Group’s investment portfolio, which is measured at fair value in accordance with IFRS 13, amounts to €68 million as at 31 December 2017. Out of the above amount, €46 million relate to financial assets for which a listed price in an active market is available. The majority of these items is classified as financial assets at fair value through profit or loss.

The remaining amount of €22 million refer to financial assets for which no listed price in an active market is available and is comprised mainly of investments in closed-end venture capital mutual funds. These investments are classified as financial assets available for sale and, as a result, any gain or loss arising from their valuation is recognised in Other Comprehensive Income after tax in the Consolidated Statement of profit or loss and other comprehensive income.

We focused on this area due to the relative size of the amount in the Consolidated Statement of Financial Position and the inherent subjective nature of its valuation.

The fair value of closed-end venture capital mutual funds is determined based on key assumptions which require significant judgement, such as forecasted revenue, operating expenses and discount rates.

For more information on the measurement of financial assets at fair value for which no listed price in an active market is available, you can refer to notes 4, 6.2, 17, 18 and 20 of the Consolidated Financial Statements.</td><td>The audit procedures we performed in relation to the valuation of financial assets for which no listed price in an active market is available, in conjunction with our internal valuation specialists, included the following:

• Assessing the availability of quoted prices in liquid markets.
• Assessing the available reports and other information used by Management for the valuation of the investments.
• Assessing whether the valuation process was appropriately designed and captured the relevant valuation inputs.
• Assessing key assumptions of the valuation models used for the investments in closed-end venture capital mutual funds. More specifically:
– we evaluated the assumptions regarding forecasted revenue by agreeing the prices with the Power Purchase Agreements confirming their compliance with the applicable legislation,
– we verified that the valuation model includes customary operating expenses, and
– we performed independent calculations of the Cost of Equity, using available external sources of information.

Based on the audit procedures performed, we are satisfied that the estimates regarding the valuation of financial assets for which there is no listed price in an active market are reasonable.

Additionally, we have assessed the disclosures in the relevant notes concerning the valuation of Financial assets measured at fair value for which there is no listed price in an active market.</td></tr>
<tr><td colspan="2">Measurement of the recoverable amount of investments in subsidiaries participating in closed-end venture capital mutual funds (Financial Statements)</td></tr>
<tr><td>At 31 December 2017 the Bank had investments of €7 million in the subsidiaries IBG Capital S.A. and IBG Investments S.A. the activities of which, are among others, to participate in closed-end venture capital mutual funds.

Management assesses on an annual basis whether there are indications of impairment of investments in subsidiaries and if an impairment provision is required, the amount of impairment is determined as the difference between the recoverable amount and</td><td>Due to the direct correlation between the value of investments in subsidiaries and the fair value of closed-end venture capital mutual funds, the audit procedures we performed for the measurement of the recoverable amount of investments in subsidiaries were based on the procedures mentioned above in the key audit matter “Financial assets measured at fair value for which no listed price in an active market is available (Consolidated Financial Statements)”.

From the audit procedures we performed, we are</td></tr>
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<td>the carrying value of the investment.

Management determines the recoverable amount of each investment as the higher of value in use and fair value less costs to sell, according to the provisions of International Accounting Standard 36.

The fair value of investments in subsidiaries is estimated using the fair value of the investments held by the subsidiaries in closed-end venture capital mutual funds, which depends on the key assumptions and estimates mentioned above in the key audit matter "Financial assets measured at fair value for which no listed price in an active market is available (Consolidated Financial Statements)".

During 2017, a gain of €2,6 million was recognised in the Statement of profit or loss and other comprehensive income from the reversal of the impairment in investments which had been recognised in the previous years. This gain mainly relates to the increase of the fair value of the closed-end venture capital mutual funds.

For more information regarding the measurement of the recoverable amount of investments in subsidiaries you can refer to notes 4 and 21 of the financial statements.</td>
<td>satisfied that the measurement of the recoverable amount was based on reasonable assumptions.

Also, we assessed the disclosures included in the relevant notes concerning the assessment of the recoverable amount of investments in subsidiaries.</td>
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<tr>
<td colspan="2">Impairment allowance for loans and advances to customers (Financial Statements and Consolidated Financial Statements)</td>
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<td>At 31 December 2017 loans and advances to customers of the Bank and the Group amounted to €43 million and €36 million respectively and the accumulated impairment allowance amounted to €2 million.

The Bank and the Group assess whether there is objective evidence that loans and advances to customers have been impaired and measure the impairment allowance for credit risks taking into consideration the recoverability of exposures and the underlying collaterals.

We focused on this area due the size of loans and advances to customers and the subjective nature of the calculation of impairment allowance. Impairment allowance represents Management's best estimate of the losses incurred within the loan portfolios. Significant judgement is required around both timing of recognition of impairment and the measurement of the amount of the impairment required in relation to loss events, which have occurred at the year end.

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

• We examined Management's assessment regarding impairment indicators, uncertainties and assumptions applied in the assessment of the recoverability of exposures and underlying collaterals. We also considered the current financial performance as well as the assumptions commonly used in the industry.

• For a sample of loans, we obtained an understanding of the latest developments in order to verify whether there are indicators of impairment and we examined the reasonableness of key assumptions and impairment allowance, taking into consideration the value of the underlying collaterals.

• For the aforementioned sample, we inspected the relevant agreements and other supporting documentation to confirm the existence and legal right to the collaterals.

Based on the procedures performed, we consider that the key assumptions used for the measurement of impairment allowance for loans and advances to customers were reasonable.</td>
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Recoverability of deferred tax asset (Financial Statements and Consolidated Financial Statements)	
At 31 December 2017, the deferred tax asset of the Bank and the Group amounted to €4 million and €3 million respectively. We focused on this area due to its significant size in the Bank's and the Group's Statement of Financial Position as well as the inherent subjective nature of its measurement. The Bank and the Group have recognised deferred tax asset for unused tax losses and deductible temporary differences for which they assess that there will be future taxable profits. These differences relate mainly to losses arising from the impairment of investments and other provisions which are expected to be offset against future taxable profit with no specified time restrictions. The recoverability of the recognised deferred tax asset is based on Management's assessment regarding the ability to generate future taxable profits. For further information, refer to notes 4 and 23 of the financial statements and consolidated financial statements.	The audit procedures performed regarding the recoverability of deferred tax asset included the following: • We assessed Management's assumptions used to determine the probability that deferred tax asset recognised in the Statement of Financial Position as at 31 December 2017 are recoverable. • We recalculated temporary differences and confirmed their treatment for tax purposes. • We assessed the reasonableness of the key assumptions used by the Bank's and the Group's Management regarding the timing of generating adequate future taxable profits. • We compared the assumptions used by Management to our own expectations derived from our knowledge of the industry and our understanding obtained during our audit. Based on our work, we consider that Management's judgements and assumptions regarding the recoverability of the deferred tax asset were reasonable. Finally, we assessed that the disclosures included in the Financial Statements and Consolidated Financial Statements are in accordance with IFRS requirements.
Use of IT Systems (Financial Statements and Consolidated Financial Statements)	
The Bank and the Group's financial reporting processes are highly reliant on information produced by the Bank and Group's Information Technology (IT) systems, and / or automated processes and controls (i.e. calculations, reconciliations) implemented in these systems. The nature, complexity and the increased use of these information systems combined with the large volume of transactions being processed on a daily basis increase the risk over the effective interconnectivity of the IT systems and data and the risk around the degree of reliability of the financial reporting information. The banking environment is also subject to a number of internal and external threats relating to cyber security.	We assessed the information security resilience of the Bank by evaluating the design of key IT processes and controls over 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. In order to place reliance on the system generated information (i.e. data and reports), we performed additional substantive procedures as part of our audit.

Other Information

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

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

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

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

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

- The information given in the Board of Directors' report for the year ended at 31 December 2017 is consistent with the financial statements and consolidated financial statements.

- The Board of Directors' report has been prepared in accordance with the legal requirements of article 43a and 107A of the Codified Law 2190/1920.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.

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

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

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

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

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

Report on other legal and regulatory requirements

1. Additional Report to the Audit Committee

Our opinion on the accompanying financial statements and consolidated financial statements is consistent with our Additional Report to the Audit Committee of the Bank.

2. Appointment

We were first appointed as auditors of the Bank by the decision of the annual general meeting of shareholders on 29.06.2012. Our appointment has been renewed annually by the decision of the annual general meeting of shareholders for a total uninterrupted period of appointment of 6 years.

Athens, 7 June 2018

The Certified Auditor

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Certified Auditors
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Konstantinos Michalatos
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III. Consolidated Financial Statements for the year ended December 31, 2017

INVESTMENT BANK OF GREECE

Consolidated Financial Statements

for the year

January 1 - December 31, 2017

In accordance with the International Financial Reporting Standards (IFRS)

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Amounts in Eur '000	Note	31 December 2017	31 December 2016
Interest income		4.143	4.010
Interest expenses		(312)	(294)
Net interest income	7	**3.832**	**3.716**
Fee and commission income		6.341	5.453
Fee and commission expenses		(2.918)	(2.677)
Net fee and commission income	8	**3.423**	**2.776**
Dividend income		207	55
Net trading income	9	1.684	758
Profit/(loss) from investment portfolio	9	208	16
Other operating income	10	290	1.539
		2.389	**2.368**
Total operating income		**9.643**	**8.860**
Staff Costs	11	(7.640)	(6.993)
Other operating expenses	12	(3.694)	(3.514)
Depreciation	22	(309)	(378)
Total operating expenses		**(11.643)**	**(10.885)**
Profit/(loss) before provisions and taxes		**(1.999)**	**(2.025)**
Provision for loans impairment	19	(291)	(149)
Other provisions	13	(2.171)	178
Total provisions		**(2.462)**	**28**
Loss before tax		**(4.462)**	**(1.997)**
Income tax	14	(602)	176
Loss after tax (a)		**(5.063)**	**(1.820)**
Other comprehensive income after tax (b)		**4.388**	**446**
Total comprehensive income after tax (a)+(b)		**(675)**	**(1.375)**

The enclosed notes (pages 5 to 56) form integral part of the present financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in Eur '000	Note	31 December 2017	31 December 2016
ASSETS			
Cash and balances with central banks	15	30.719	8.399
Loans and advances to credit institutions	16	23.983	41.859
Financial assets at fair value through profit or loss	17	44.840	41.052
Derivative financial instruments	18	49	21
Loans and advances to customers	19	33.147	26.511
Available for sale portfolio	20	23.076	12.338
Investments in associates	21	54	273
Property, plant and equipment and intangible assets	22	1.241	1.463
Deferred tax assets	23	3.336	5.494
Other stock exchange transactions	24	6.376	9.041
Guarantee Securities for Investment Services	25	10.409	10.593
Current tax assets	26	205	275
Other assets	26	2.568	1.083
Total assets		**180.005**	**158.402**
LIABILITIES AND EQUITY			
Due to credit institutions	27	18.069	1.858
Due to customers	28	51.841	51.980
Customer balances to stock exchange accounts	29	21.484	18.043
Derivative financial instruments	18	406	124
Deferred tax liabilities	23	481	0
Retirement benefit obligations	30	264	236
Other liabilities	31	4.784	3.043
Provisions	32	1.219	985
Total liabilities		**98.548**	**76.270**
Equity			
Share capital	33	110.427	110.427
Fair value reserves		5.266	874
Other reserves	34	18.941	18.945
Retained losses		(53.177)	(48.114)
Total equity		**81.457**	**82.132**
Total liabilities and equity		**180.005**	**158.402**

The enclosed notes (pages 5 to 56) form integral part of the present financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in Eur '000	Share capital	AFS reserves	Other reserves	Retained earnings	**Total**
Balance at 1 January 2016	**110.427**	**423**	**18.951**	**(46.293)**	**83.507**
Fair value losses on available for sale financial assets	0	438	0	0	438
Tax related to profits/(losses) recognised in equity	0	13	0	0	13
Net profit/(loss) for the year 01/01-31/12/2016	0	0	0	(1.820)	(1.820)
Other comprehensive income	0	0	(5)	0	(5)
Equity balances as at 31 December 2016	**110.427**	**874**	**18.946**	**(48.114)**	**82.132**

Amounts in Eur '000	Share capital	AFS reserves	Other reserves	Retained earnings	**Total**
Balance at 1 January 2017	**110.427**	**874**	**18.946**	**(48.114)**	**82.132**
Fair value losses on available for sale financial assets	0	6.428	0	0	6.428
Tax related to profits/(losses) recognised in equity	0	(2.036)	0	0	(2.036)
Net profit/(loss) for the year 01/01-31/12/2017	0	0	0	(5.063)	(5.063)
Other comprehensive income	0	0	(4)	0	(4)
Equity balances as at 31 December 2017	**110.427**	**5.266**	**18.941**	**(53.177)**	**81.457**

The enclosed notes (pages 5 to 56) form integral part of the present financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in Eur '000	Note	31 December 2017	31 December 2016
Cash Flows from Operating Activities			
Loss before tax		**(4.462)**	**(1.997)**
Adjustments for:			
Depreciation	22	309	378
Fair value (profits)/losses on financial assets		(1.649)	334
(Profits)/losses on revaluation of derivatives		254	127
Retirement benefit obligations	30	27	34
Impairment of investments in subsidiaries	13	219	38
Loan and other investments provision	19	291	149
Other provisions	13	1.952	(216)
Fair value (profits)/losses from carbon emission reserve		(167)	0
Cash flows from operating activities before changes in operating assets and liabilities		*(3.225)*	*(1.151)*
Changes in operating assets and liabilities			
Trading Portfolio		(3.755)	(6.210)
Loans and advances to customers		(10.857)	(15.859)
Other assets		(1.653)	5.976
Due to credit institutions		16.209	(10.238)
Due to customers		161	14.454
Other liabilities		3.852	(2.312)
Cash flows from operating activities before income tax		*732*	*(15.341)*
Income tax paid		0	0
Net cash flows from operating activities		**732**	**(15.341)**
Investing activities			
Purchases of PPE		0	(53)
Acquisition of subsidiaries and associates		(88)	67
(Acquisition)/disposal and maturity of investment securities		3.416	(250)
Proceeds from Investments available for sale		383	0
Proceeds from disposals of PPE		0	8.315
Purchases of intangible assets		0	(314)
Net cash flows from investing activities		**3.712**	**7.764**
Financing activities			
Dividends and other payments to shareholders		0	(2)
Net cash flows from financing activities		**0**	**(2)**
Net increase/(decrease) in cash and cash equivalents		4.444	(7.579)
Cash and cash equivalents at beginning of year		50.258	57.837
Cash and cash equivalents at end of year	35	**54.702**	**50.258**

The enclosed notes (pages 5 to 56) form integral part of the present financial statements.

1. Information about the Group

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

Initially, the Bank had its registered office in the Municipality of Athens which then was transferred to the Municipality of Amaroussion, Attica (24B Kifissias Avenue) upon a Resolution of the General Meeting of the Shareholders dated November 27, 2001. It has activities in Greece and employs 186 persons in total since the implementation of the voluntary retirement program in December 2013. It is supervised by the Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece, in accordance with the provisions of Law 4261/2014 on financial institutions having their registered office in Greece, to which the Bank submits regulatory records as provided for in the Bank of Greece Governor's Act ref. 2640/18.01.2011

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

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

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

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

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

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

As of December 31, 2017, the shareholding of "INVESTMENT BANK S.A." was the following:

Shareholders	**Number of Shares**	**%**
CYPRUS POPULAR BANK LTD (Under Administration since 25/3/2013)	3.652.724	97,08%
ACTIVE S.A.	32.012	0,85%
Ilias Ahanasios Bogdanos	32.012	0,85%
SAXON MARITIME INC.	21.396	0,57%
Other shareholders	24.276	0,65%
TOTAL	**3.762.420**	**100,00%**

The Bank's term is set to ninety nine (99) years and its purpose, according to its Articles of Association, is the provision of all banking services allowed by the Law either for its own account or for the account of third parties. The services it provides cover the entire range of investment needs of the natural persons and legal entities and pertain to the following:

- Stock exchange services in the Athens Exchange and its Derivatives Market;
- Access to foreign markets;
- Financial analysis services;
- Corporate Finance Advisory services;
- Corporate Banking services;
- Asset Management services;
- Custody services.

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

Branches operating in Greece:

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

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

CPB, due to its participation in the Greek debt restructuring program implemented in March-April

2012 (PSI+), and also due to the increasing credit risk affecting its loan portfolio, suffered very considerable losses that affected both its accounting values and its regulatory capitals, and as a result its required capital adequacy indexes were not covered.

On March 25, 2013 and within the framework of the economic support program for Cyprus by the European Union ("EU"), the European Central Bank ("ECB") and the International Monetary Fund ("IMF") (jointly the "troika"), the CPB was subjected into a resolution scheme which, inter alia, included the following: (a) absorption of a substantial part of its assets, liabilities and operations in Cyprus by the Bank of Cyprus, and (b) the transfer of its Greek banking activities, including the major part of IBG's loans and deposits, to Piraeus Bank Group.

<u>Disposal of the Group's loans and deposits portfolio</u>

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

<u>Estimates on the capability of the Group to smoothly continue as a going concern</u>

The financial statements have been prepared on the basis of the "going concern", since the Management estimates that the Group is capable of smoothly continuing its operation in the foreseeable future. To evaluate the sustainability of the Group, the Management took into account the following factors:

Macroeconomic Environment

In 2017, the average annual GDP increase rate was of 1.4% in Greece and is estimated to increase to 2% in 2018. The consumer price index recorded a 1.1% increase, while the unemployment rate passed to 21.5% from 23.5% in 2016. The 2018 prospects are favorable, provided that the structural changes will continue and the geopolitical conditions will not worsen, while an increase of private consumption, a boost of investments and tourism are expected as well as to continue the upward trend of export that appeared in 2017. In the capital markets, favorable financial conditions prevailed on an international level, as well as low inflation rates, increased share values and reduced bond yields (sovereign and corporate ones). Similar were the domestic developments, although the transactions activity was rather slow. Critical parameters are the completion of the program and the continuation of the reforms so that Greece could exploit its achievements in the budgetary sector and get into a growth path.

Group capital adequacy

As of December 31, 2017, the Group's Core Tier I ratio was of 42.23% (2016: 46.91%), which was well above the minimum level required by the Bank of Greece ("BoG").

2. Basis of Preparation

2.1. Compliance

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

The consolidated financial statements as of 31.12.2017 were approved by the BoD dated 05.06.2018 and are subject to the final approval of the General Meeting of the Shareholders, while they are available to the public at the offices of the Group (32 Aigialias & Paradissou St, Maroussi) and on the website of the Group (www.ibg.gr).

2.2. Basis of presentation

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

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

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

2.3. New standards, amendments to standards and interpretations

In particular, new standards, amendments to standards and interpretations have been issued that apply to financial years after 1.1.2017. The estimates of the Bank regarding the impact of the application of such new standards, amendments to standards and interpretations are presented here below.

Standards and Interpretations compulsory to the current financial year

IAS 7 (Amendments) "Disclosure Initiative"

The amendments introduce compulsory disclosures that offer the possibility to the users of the financial statements to evaluate the changes of the obligations arising from financing activities.

IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments clarify the accounting handling of the recognition of the deferred tax assets for unrealized losses that arose from loans measured at fair value.

Annual Improvements to IFRS Standards (cycle 2014-2016)

IFRS 12 "Disclosure of interests in other entities"

The amendment clarifies that the disclosures requirement of IFRS 12 applies to interests in entities classified as held for sale, except the requirement for the provision of summary financial information.

Standards and Interpretations compulsory to future financial years

IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7(Applies to annual periods beginning on or after 1.1.2018)

The IFRS 9 replaces the provisions of IAS 39 pertaining to the classification and measurement of financial assets and liabilities and also includes a model for the expected credit losses that replaces the model of the incurred credit losses applied to date. IFRS 9 establishes a principle-based hedge accounting approach and deals with inconsistencies and weaknesses of the IAS 39 current model. Further information about the application of the IFRS 9 requirements and its expected impact on the transition are included in Note 2.4.

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

The amendments offer to the companies the possibility, provided they fulfill a specific condition, to measure the prepayable financial assets with negative compensation at the amortized cost or fair value through the other total income instead of the fair value through results.

IFRS 15 "Revenue from Contracts with Customers" (Applies to annual periods beginning on or after 1.1.2018)

The IFRS 15 was issued in May 2014. The purpose of the standard is to provide a single, comprehensive income recognition model for all contracts with customers in order to improve comparability within industries, across industries, and across capital markets. It includes the principles that an entity shall apply to define the measurement of revenue and the timing of their recognition. The underlying principle is that an entity will recognize revenue in order to depict the transfer of goods or services to customers at the amount that the entity expects to be entitled to in exchange for these goods or services. The standard will take effect on January 1, 2018 and is not expected to have any significant impact on the consolidated financial statements.

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

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

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

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

IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions" (Applies to annual periods beginning on or after 1.1.2018)

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting handling of modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2, according to which an award shall be treated as if it was wholly equity-settled, where an employer is bound to withhold an amount to cover the employee's tax obligation associated with a share-based payment and remit that amount to the tax authorities.

IFRS 4 (Amendments) "Applying IFRS 9 Financial instruments with IFRS 4 Insurance policies" (Applies to annual periods beginning on or after 1.1.2018)

The amendments introduce two approaches. The amended standard will: a) offer all entities that issue insurance policies the option to recognize in other comprehensive income rather than profit or loss, any discrepancies that could arise because of the implementation of the IFRS 9 before the new insurance policies standard is issued, and b) offer the entities whose activities are mainly connected with insurance, an optional temporary exemption from applying the IFRS 9 until 2021. The entities that will defer the application of the IFRS 9 will continue to apply the existing financial instruments standard — IAS 39.

IAS 40 (Amendments) "Transfers of Investment Property" (Applies to annual periods beginning on or after 1.1.2018)

The amendments clarify that to transfer to or from investment properties there must be a change in use. To consider whether a property has a changed use it should be evaluated whether such property meets the definition and whether the change may be documented.

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

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

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (Applies to annual periods beginning on or after 1.1.2018)

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

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

The Interpretation clarifies application of recognition and measurement requirements for current and deferred income tax when there is uncertainty over income tax treatments. IFRIC Interpretation 23 applies to all aspects of the recognition of the income tax when there is such uncertainty, including the taxable profit/loss, the tax base of the assets and liabilities, the tax profits and losses and the tax rates. The Interpretation has not been adopted yet by the European Union.

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

The amendments define the way entities shall specify the pension costs when modifications to defined benefits plans do occur. The amendments have not been adopted yet by the European Union.

Annual Improvements to IFRS Standards (cycle 2014-2016)

IAS 28 "Investments in Associates and Joint Ventures" *(Applies to annual periods beginning on or after 1.1.2018)*

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

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

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

IFRS 3 "Business Combinations"

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

IFRS 11 "Joint Arrangements"

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

IAS 12 "Income Taxes"

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

IAS 23 "Borrowing Costs"

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

2.4 Transition to IFRS 9 'Financial Instruments' and impact assessment

IFRS 9 "Financial Instruments", the final version of which was issued by the International Accounting Standards Board (IASB) in July 2014, and the amendments thereto "Prepayment Features with Negative Compensation", issued by the IASB in October 2017, will be implemented by the Group from 1 January 2018.
IFRS 9 will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces (i) a new classification and measurement approach for financial assets, (ii) a new approach for estimating impairment losses and (iii) changes in relation to hedge accounting.

Classification and measurement of financial assets

IFRS 9 establishes a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics.
IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.
Financial assets will be measured at amortized 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 principal and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest. All other financial assets will be classified at FVTPL.
An entity may, at initial recognition, designate a financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis.
Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.
IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss, unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognised in profit or loss, unless this would create or enlarge an accounting mismatch.
The Group has performed an initial analysis of its portfolios of financial assets in order to assess whether:

a. The cash flows resulting from each financial asset are solely payments of principal and interest on specified dates, according to the applicable contractual terms, and

b. The objective of the business model for each portfolio of financial assets is achieved by holding the financial assets to collect their contractual cash flows, by selling the financial assets, or by both.

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

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

Portfolio (classification under IAS 39)	**Classification under IFRS 9**	**Measurement basis under IFRS 9**
Cash and balances with Central Banks	Hold to collect contractual cash flows	Amortised cost
Loans and advances to credit institutions	Hold to collect contractual cash flows	Amortised cost
Trading portfolio (1) – government bonds	Hold to sell	FVTPL
Trading portfolio (1) – corporate bonds	Hold to sell	FVTPL
Trading portfolio (1) – equity securities	Cash flows are not SPPI / Hold to sell	FVTPL
Available for sale portfolio	Hold to collect cash flows (not for trading)	FVOCI
Loans and advances to customers	Hold to collect contractual cash flows	Amortised cost
Other stock exchange transactions	Hold to collect contractual cash flows	Amortised cost
Guarantee Securities for Investment Services	Hold to collect contractual cash flows	Amortised cost

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

Impairment of financial assets

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

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

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

c. ECL is estimated for each individual instrument (facility) using the formula

   ECL = Exposure at default (EAD) x Probability of default (PD) x Loss given default (LGD)

d. Exposure at default is estimated by taking into consideration both the outstanding amount and the undrawn credit limit provided under an instrument
e. Probability of default is estimated using a predictive algorithm which takes into consideration both internal (facility specific) and external (macroeconomic) parameters
f. Loss given default is estimated based on the expected net realizable value of the collaterals pledged against the credit exposure, if any

The new requirements of IFRS 9 can be applied retrospectively by adjusting the Bank's balance sheet on the date of transition, i.e. 1 January 2018. The Bank intends to apply the exemption not to restate comparative figures for prior periods; therefore the Bank's 2017 comparatives will be presented on an IAS 39 basis.
Based on assessments undertaken to date under the new Impairment Methodology, the total estimated impact of adopting IFRS 9 on the opening balance of the Bank's impairment allowance as at 1 January 2018 is an increase of EUR 572 thousand. The corresponding estimated decrease in the opening balance of the Bank's net equity is EUR 572 thousand, representing the increase in the impairment allowance before tax effect.
Impact attributed to (in thousands of EUR):

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

Further analysis of the IFRS 9 impact is presented below:
Impairment allowance for ECL – loans and advances to customers
The following table presents the IFRS 9 impact analysis per stage and type of lending exposure (in thousands of EUR):

	Gross loans	**Performing exposure**	**Non-performing exposure**	**IAS 39 impairment allowance**	**IFRS 9 impairment allowance**	**IFRS 9 impact**
Stage 1	31,816	31.816	-	-	299	299

Stage 2	862	862	-	-	273	273
Credit impaired	2,845	-	2,845	2,376	2.376	-
Total	**35,523**	**32,678**	**2,845**	**2,376**	**2,949**	**572**

Hedge accounting

The Bank does not apply hedge accounting under IAS 39 and does not intend to apply hedge accounting under IFRS 9. Hence, all derivatives held are and will continue to be measured at FVTPL.

Impact on capital requirements

The adoption of IFRS 9 from 1 January 2018 will result in a non-substantial reduction in the Bank's CET 1 capital ratio (0.1%), after applying the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds as stipulated in Regulation (EU) 2017/2395.

3. Major Accounting Principles

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

3.1. Subsidiaries

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

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

3.2. Foreign currency transactions

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

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

3.3. Investments in financial instruments

(a) Classification

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

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

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

(b) Recognition

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

(c) Measurement

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

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

(d) Fair Value Measurement

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

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

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

(e) Gains and losses on subsequent measurement

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

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

(f) Derecognition

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

3.4. Repurchase agreements

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

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

3.5. Owner-occupied property and equipment

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

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

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

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

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

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

3.6. Intangible assets

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

3.7. Cash and cash equivalents

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

3.8. Impairment of Financial Assets

(a) Assets presented at amortized cost

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

i. Significant financial difficulty of the debtor/borrower;

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

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

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

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

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

contractual cash flows of the assets in the group and the historical loss experience for assets with credit risk characteristics similar to those in the portfolio.
Historical loss experience is adjusted on the basis of current actual data in order to reflect the effects of the current conditions that did not affect the period to which the historical loss experience refer in order to eliminate the impacts of the conditions that affected the historical data and do not apply any longer.

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

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

(b) Assets presented at fair value

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

3.9. Financial Liabilities

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

3.10. Financial guarantees

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

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

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

3.11. Staff benefits

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

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

i) Defined contribution plan

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

ii) Defined benefit plan

Defined benefit plan means a benefit plan receivable by employees upon their exit from the service (pursuant to the Greek legislation), in which the benefits are defined based on financial and demographic assumptions. The most important assumptions are, inter alia, age, years of service, salary, life expectancy ratios, discount rate and the salaries and pensions growth rate. In defined benefit plans, the liability value equals the present value of the payable defined benefits on the reporting date, decreased by the fair value of the plan's assets.
The liability of the defined benefits and the relevant expense are calculated on an annual basis by an independent actuary using the projected unit credit method. The present value of the liability is defined by discounting the estimated future cash outflows using interest rates of high ranking corporate or sovereign bonds in the same currency and with the same term to maturity as those of the liability, or an interest rate taking into account the risk and the term of the liability, where there is an insufficient deep market for such bonds. The service and net financial costs of the defined benefits' net liability (asset) are recognized in the statement of profit or loss and are included in the staff costs. The defined benefits' net liability (after deducting the assets) is recognized in the statement of financial position, while the variations that arise from

the re-measurement are recognized in the Other comprehensive income and cannot be a posteriori reclassified to the income statement.

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

3.12. Provisions

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

3.13. Offsetting financial instruments

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

3.14. Leases

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

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

3.15. Interest income and expense

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

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

3.16. Fee and commission income

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

3.17. Net trading income

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

3.18. Dividend income

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

3.19. Income tax and deferred tax

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

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

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

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

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

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

Deferred income tax assets are recognized to the extent that there will be a future taxable profit in order to utilize the temporary difference generated by the deferred income tax asset.

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

3.20. Share capital

(a) Incremental costs of share capital increase

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

(b) Dividends

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

3.21. Reclassification of comparative elements

In the financial statements of the year 2016, the following reclassifications have been made so that items could become similar and comparable with the same items of the current year.

In particular, the following amounts have been transferred to the comparative **Consolidated Statement of Financial Position**:

- From the item "Investments in Property" to the item "Owner-occupied tangible and intangible fixed assets", an amount of €630 K.
- From the item "Other liabilities" to the item "Due to customers", an amount of €99K.

Moreover, the following amounts have been transferred to the comparative **Consolidated Statement of Profit or Loss and Other Comprehensive Income:**

- From the item "Interest Expense" to the item "Interest Income", pertaining to the contribution of Law 128/75 an amount of €118 K.
- From the item "Fee and Commission Income" to the item "Fee and Commission Expense", pertaining to expenses from the implementation of an investment program, an amount of €82 K.

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

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

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

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

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

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

B. Recoverability of deferred tax assets

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

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

Further information about the deferred tax assets of the Group can be found in Note 23.

C. Financial assets fair value

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

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

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

5. Financial Risk Management

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

5.1. Credit risk

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

Credit Risk Management

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

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

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

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

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

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

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

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

Credit rating systems

The methods to evaluate the creditworthiness are classified in the following categories, depending on the type of the counterparty: central governments (for purchase and holding of bonds), financial institutions, large and small & medium-sized entities (SMEs) and natural persons.
As regards the governments' and financial institutions rating, it is detailed in the following sections "Counterparty Bank risk" and "Country risk".

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

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

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

Loans and advances to customers credit rating

The following table presents the percentages of loans and advances to customers, as well as the loan impairment provisions for every category of the Group's credit rating.

	31 December 2017		31 December 2016	
	Loans and advances to customers %	**Provision for loan impairment %**	**Loans and advances to customers %**	**Provision for loan impairment %**
Risk classification:				
Low risk	88,36%	0,95%	40,31%	3,02%
Medium risk	4,47%	0,00%	50,79%	0,00%
High risk	7,17%	81,63%	8,91%	68,17%
Total	**100,00%**	**6,69%**	**100,00%**	**7,29%**

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

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

Amounts in Eur '000	**Maximum exposure**	
	2017	**2016**
Exposure to credit risk from items on the SOFP:		
Loans and advances to credit institutions	23.983	41.859
Financial assets at fair value through profit or loss	44.840	41.052
Derivative financial instruments	49	21
Loans and advances to customers (net of provisions)		
Retail	15.159	8.856
Wholesale:		
Large Corporate	3.608	3.360
Small and medium business	14.380	14.296
Investment portfolio securities:		
Available for sale	23.076	12.338
Other assets	19.354	20.716
Total balance sheet items	**144.450**	**142.498**
Exposure to credit risk from off balance sheet items:		
Letters of guarantee	2.936	2.612
Total	**147.386**	**145.109**

Loans and advances

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

Amounts in Eur '000	31 December 2017		31 December 2016	
	Loans and advances to customers	**Loans and advances to credit institutions**	**Loans and advances to customers**	**Loans and advances to credit institutions**
Neither past due nor impaired (a)	30.825	23.983	22.395	41.859
Past due but not impaired (b)	2.321	0	3.773	0
Impaired (c)	2.377	0	2.427	0
Loans before provisions	**35.523**	**23.983**	**28.596**	**41.859**
Impairment provision	(2.376)	0	(2.085)	0
Loans after provisions	**33.147**	**23.983**	**26.511**	**41.859**

Loans falling into the category of "Neither past due nor impaired", include also the loans to brokerage customers.

(a) Loans and advances neither past due nor impaired

The following table presents the Group's loans that were neither past due nor impaired, for each category of the internal credit rating system.

Amounts in Eur '000	Loans and advances to customers				Loans and advances to credit institutions
		Wholesale			
	Retail	**Large Corporate**	**Small and medium business**	**Total**	
2017					
Credit quality classification:					
Low risk	14.658	2.000	13.062	**29.720**	23.983
Medium risk	500	0	605	**1.106**	0
High risk	0	0	0	**0**	0
Total	**15.158**	**2.000**	**13.667**	**30.825**	**23.983**
2016					
Credit quality classification:					
Low risk	8.855	0	0	**8.855**	41.859
Medium risk	0	227	13.313	**13.540**	0
High risk	0	0	0	**0**	0
Total	**8.855**	**227**	**13.313**	**22.395**	**41.859**

(b) Loans and advances past due but not impaired

The following table presents the analysis per category of the time delay for past due but not impaired loans at the reporting date, as well as the estimated fair value of the collaterals received.

Amounts in Eur '000	**Retail**	**Wholesale**		**Total**
		Large Corporate	**Small and medium business**	
2017				
Up to 30 days past due	0	1.140	713	**1.853**
From 31 to 60 days past due	0	0	0	**0**
From 61 to 90 days past due	0	0	0	**0**
More that 180 days past due	0	468	0	**468**
Total	**0**	**1.608**	**713**	**2.321**
Fair value of collaterals	**0**	**340**	**0**	**340**
2016				
Up to 30 days past due	0	2.322	983	**3.305**
From 31 to 60 days past due	0	0	0	**0**
From 61 to 90 days past due	0	0	0	**0**
More that 180 days past due	0	468	0	**468**
Total	**0**	**2.790**	**983**	**3.773**
Fair value of collaterals	**0**	**349**	**0**	**349**

(c) Impaired loans and advances

The following table presents the impaired loans and advances and the estimated fair value of collaterals received per category. The loans included in this table present delays higher than 90 days and are classified as non-performing loans.

Amounts in Eur '000	**Retail**	**Wholesale**		**Total**
		Large Corporate	**Small and medium business**	
2017				
Loans individually assessed as impaired	298	2.079	0	**2.377**
Fair value of collaterals	0	370	0	**370**
2016				
Loans individually assessed as impaired	348	2.079	0	**2.427**
Fair value of collaterals	0	370	0	**370**

Counterparty banks risk

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

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

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

Country risk

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

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

5.2. Market risk

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

The Group operates mainly in the stock exchange transactions sector and therefore its major portfolio running a market risk is the Equities/Equity and Index Derivatives Book, listed mainly on the Hellenic Exchanges.
The Group's Risk Management Committee (RMC) approves the market risk management procedures and has set the relevant limits for undertaking such a risk per product and portfolio. The limits in question are systematically monitored and checked, while they are reviewed at least once a year; they are modified, if necessary, depending on the Group's strategy and current market conditions.
The Executive Committee is now responsible for approving the relevant limits for the counterparty, issuer and country risks upon relevant recommendation of the Risk Management Division (RMD), based on internal and/or external financial analyses.
The RMD measures, checks and monitors the Market Risk on a daily basis and conducts measurements to estimate the said risks for the different portfolios.

Measurements are conducted using various methodologies and measurement techniques such as Value At Risk – VAR. The measurement of the Value At Risk defines the maximum possible portfolio loss with a confidence level of 99% and a one day of hold period, using the variance - covariance method. The measurements cover all trading and available for sale portfolios of the Group's companies.

The market risk, in terms of VaR, for the aforementioned positions as of December 31, 2017, amounted to €151.26 K as analyzed in the following table.

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Foreign exchange risk	2,64	4,45
Bond portfolio interest rate risk	155,15	187,47
Stock market portfolio market risk	18,44	40,68
Decrease due to correlation	-24,97	-29,04
Net market risk	**151,26**	**203,56**

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

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

5.3. Interest Rate Risk

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

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

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

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

Interest Rate Risk

Amounts in Eur '000	**Up to 1 month**	**1-3 months**	**3-12 months**	**Non-interest bearing**	**Total**
Balance at 31 December 2017					
Assets					
Cash and balances with Central Banks	0	0	0	30.719	**30.719**
Advances to credit institutions	3.685	18.355	0	1.944	**23.983**
Financial assets at fair value through profit or loss	1.328	260	34.319	8.933	**44.840**
Loans and advances to customers (net of provisions)	31.852	35	641	619	**33.147**
Available for sale portfolio	0	0	0	23.076	**23.076**
Other assets	15.631	0	0	8.608	**24.239**
Total assets	**52.496**	**18.651**	**34.959**	**73.899**	**180.005**
Liabilities					
Due to credit institutions	18.069	0	0	0	**18.069**
Due to customers	45.764	6.032	45	0	**51.841**
Other liabilities	0	0	0	27.419	**27.419**
Provisions	0	0	0	1.219	**1.219**
Total liabilities	**63.833**	**6.032**	**45**	**28.638**	**98.548**
Total interest rate gap	**(11.337)**	**12.619**	**34.914**	**45.260**	**81.457**
Balance at 31 December 2016					
Total Assets	98.802	906	28.358	30.335	**158.402**
Total Liabilities	57.069	4.386	0	14.815	**76.270**
Net position	**41.733**	**(3.480)**	**28.358**	**15.521**	**82.132**

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

5.4. Foreign exchange risk

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

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

Foreign Exchange Risk

Amounts in Eur '000	EUR	USD	GBP	CHF	JPY	Other currencies	Total
Balance at 31 December 2017							
Foreign exchange risk from assets							
Cash and balances with central banks	30.566	128	17	1	0	7	**30.719**
Loans and advances to credit institutions	15.335	6.267	447	249	192	1.493	**23.983**
Financial assets at fair value through profit or loss	43.101	1.739	0	0	0	0	**44.840**
Derivative financial instruments	49	0	0	0	0	0	**49**
Loans and advances to customers (net of provisions)	33.129	0	0	18	0	0	**33.147**
Available for sale portfolio	23.076	0	0	0	0	0	**23.076**
Investments in subsidiaries and associates	54	0	0	0	0	0	**54**
Property, plant and equipment and intangible assets	1.241	0	0	0	0	0	**1.241**
Other assets	22.712	182	(1)	1	0	0	**22.895**
Total Assets	**169.264**	**8.317**	**463**	**269**	**192**	**1.500**	**180.005**
Foreign exchange risk from liabilities							
Due to credit institutions	13.561	4.227	99	183	0	0	**18.069**
Due to customers	45.468	5.871	4	11	0	487	**51.841**
Derivative financial instruments	406	0	0	0	0	0	**406**
Other liabilities	23.946	1.637	277	47	125	716	**26.749**
Provisions	1.219	0	0	0	0	0	**1.219**
Retirment benefit obligations	264	0	0	0	0	0	**264**
Total Liabilities	**84.864**	**11.735**	**381**	**241**	**125**	**1.203**	**98.548**
Net Position	**84.401**	**(3.418)**	**83**	**28**	**66**	**297**	**81.457**
Balance at 31 December 2016							
Total Assets	151.415	5.390	466	110	73	947	**158.402**
Total Liabilities	64.955	10.332	236	60	60	627	**76.270**
Net Position	**86.460**	**(4.941)**	**230**	**50**	**13**	**320**	**82.132**

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

5.5. Risk arising from share and other securities price changes

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

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

5.6. Liquidity risk

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

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

Control and management of the liquidity risk are achieved by using and controlling the following ratios:
(A) Liquid asset ratio defined as the quotient of "cash available" of a period of up to 30 days direct maturity, as defined by the corresponding Act of the Governor of the Bank of Greece, to the "borrowed funds", as defined by the corresponding Act of the Governor of the Bank of Greece;
(b) Liquidity gap ratio defined as the quotient of the gap between "assets and liabilities" of a period of up to 30 days direct maturity, as defined by the corresponding Act of the Governor of the Bank of Greece, to the "borrowed funds", as defined by the corresponding Act of the Governor of the Bank of Greece;
(c) Liquidity coverage ratio (LCR): defined as the quotient of the high quality liquid assets to the net 30-day cash outflows as these are defined in the Regulation EU 575/2013;
(d) Net stable funding ratio (NSFR): defined as the quotient of the available stable funding to the required stable funding, as these are defined in the Regulation EU 575/2013.

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

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

The Group regularly conducts liquidity stress tests.

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

Liquidity Risk

Amounts in Eur '000	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Over 5 years	Total
Balance at 31 December 2017							
Liabilities							
Due to credit institutions	516	17.171	382	0	0	0	**18.069**
Due to customers	35.991	0	15.850	0	0	0	**51.841**
Other liabilities	22.454	3.571	769	1.845	0	0	**28.638**
Total liabilities	**58.961**	**20.742**	**17.001**	**1.845**	**0**	**0**	**98.548**
Total assets	**141.157**	**1.274**	**24.179**	**7.578**	**5.350**	**468**	**180.005**
Balance at 31 December 2016							
Liabilities							
Due to credit institutions	59	0	1.800	0	0	0	**1.858**
Due to customers	41.375	0	10.605	0	0	0	**51.980**
Other liabilities	18.414	1.682	1.281	1.054	0	0	**22.432**
Total liabilities	**59.848**	**1.682**	**13.686**	**1.054**	**0**	**0**	**76.270**
Total assets	**124.994**	**2.549**	**15.999**	**7.163**	**7.354**	**343**	**158.402**

5.7. Capital adequacy

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

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

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

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

The Capital Adequacy ratio of the Group as of 31.12.2017 and 31.12.2016 was the following:

	31/12/2017	31/12/2016
Share Capital	110.427	110.427
Other Reserves	24.207	19.819
Retained Earnings	(53.177)	(48.114)
Goodwill and other intangible assets	(370)	(502)
Other adjustments	(742)	0
Total Tier I	**80.345**	**81.630**
Total supervisory capitals	**80.345**	**81.630**
Weighted assets		
- on-SFP items	94.724	90.498
- off-SFP items	1.749	1.469
- transaction portfolio items	75.168	64.226
- operatinal risk	18.610	17.827
Total	**190.251**	**174.021**
Capital Adequacy Ratio	**42,23%**	**46,91%**

In 2017, the capital adequacy index of the Group recorded a decrease because of the increase of the weighted assets, but it remains significantly than the minimum Core Tier I index of 8% of Risk Weighted Assets.

6. Fair value of financial assets and liabilities

6.1. Financial assets and liabilities not carried at fair value

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

(a) Loans and advances to credit institutions

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

(b) Loans and advances to customers

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

(c) Deposits

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

6.2 Fair Value Hierarchy

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

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

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

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

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

Hierarchy as of December 31, 2017:

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

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

Hierarchy as of December 31, 2016:

Amounts in Eur '000	31 December 2016			
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	37.170	3.881	0	**41.052**
Derivative financial instruments	21	0	0	**21**
Available for sale portfolio	3.367	0	8.971	**12.338**
Total	**40.558**	**3.881**	**8.971**	**53.410**

Financial liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	124	0	0	**124**
Total	**124**	**0**	**0**	**124**

7. Net interest income

The net interest income is analyzed as follows:

Amounts in Eur '000	31 December 2017	31 December 2016
Interest and similar income		
Interest from fixed yield securities	1.556	2.033
Interest from loans	1.694	1.075
Interest from interbank transactions	835	842
Other interest income	58	59
Total	**4.143**	**4.010**
Interest and similar expenses		
Interest on deposits	(221)	(206)
Interbank transactions	(47)	(39)
Other interest expense	(43)	(49)
Total	**(312)**	**(294)**
Net interest income	**3.832**	**3.716**

8. Net fee and commission income

The net fee and commission income is analyzed as follows:

Amounts in Eur '000	31 December 2017	31 December 2016
Net income from commissions on commercial transactions	138	122
Net income from investment banking	434	568
Net income from stock market transactions	2.526	1.872
Other commission income	324	214
Net fee and commission income	**3.423**	**2.776**

The increase of fees from stock exchange transactions is due to the Group's increased share in the stock exchange market and the increased share of private customers.

9. Net trading income

Net trading income is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Profit/(loss) from foreign exchange and foreign exchange risk hedging	98	431
Profit/(loss) from derivatives held for trading	(1.944)	449
Profit/(loss) from investments in shares, mutual funds and price risk hedging	1.750	(706)
Profit/(loss) from bonds and bond risk hedging	1.989	599
Total	**1.892**	**774**

The increased trading income is due to the increased bond portfolio and its evaluations.

10. Other operating income

The other income of the Group is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Rental income	16	15
Unused provisions reversed	0	358
Other income	274	1.166
Total	**290**	**1.539**

In 2016, the other income was affected also by the write-off of old liabilities to various Α.Ε.Λ.Δ.Ε. (Financial Services Companies) and litigant liabilities.

11. Staff Costs

The staff costs are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Salaries and wages	5.747	5.367
Social security cost	1.434	1.181
Pension costs - defined benefit plans	76	86
Other employee benefit expenses	383	359
Total	**7.640**	**6.993**

The number of staff members of the Group as of 31/12/2017 was 186 (31/12/2016: 172).

12. Other operating expenses

Other operating expenses are analyzed as follows:

Amounts in Eur '000	31 December 2017	31 December 2016
Fees to lawyers, advisors, auditors etc.	802	679
IT applications	548	585
Subscriptions	347	360
Building expenses	680	676
Advertisement and promotion expenses, sponsorships, etc.	53	47
Taxes and duties	676	635
Office supplies	14	16
Other operating expenses	575	516
Total	**3.694**	**3.514**

13. Other provisions

The Other provisions item is analyzed as follows:

Amounts in Eur '000	31 December 2017	31 December 2016
Impairment of participations (Note 21)	219	38
Impairment of investment property	0	148
Provision for impairment of other receivables	0	86
Provision for legal cases and letters of guarantee (Note 32)	240	(450)
Performance fees provision	1.712	0
Total	**2.171**	**(178)**

The participations impairment concerns losses due to evaluation by the affiliated company H.C.P. AEDAKES. The stake that the Group holds in it amounts to 20% on 31.12.2017, while its disposal has already been decided. The fee provision of €1,712 pertains to a contractual right to pay the administrators of the A.K.E.S. in which the companies IBG CAPITAL S.A and IBG INVESTMENT S.A. participate in, because of the increase in value for the shareholders.

14. Income tax

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

Amounts in Eur '000	31 December 2017	31 December 2016
Current income tax	0	25
Deferred tax	(602)	152
Total	**(602)**	**176**

According to Law 4110/2013, as in force, the Greek tax rate is 29%. Moreover, the distributed dividends are subject to 15% tax withholding. For the unaudited years refer to Note 36.

For the financial year 2017, the audit is in progress and the relevant tax certificate is expected to be issued after the publication of the financial statements for the year 2017. Upon completion of the tax audit the Group's Management does not expect any significant tax liabilities beyond those already reported and presented in the financial statements.

15. Cash and balances with Central Banks

The cash and balances with the Central Bank are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Cash	498	612
Deposits with central bank	30.221	7.787
Total	**30.719**	**8.399**

The average amount of cash to be placed by the Group with the Bank of Greece in December 2017 amounted to € 443 K.

16. Loans and advances to credit institutions

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Interbank deposits	0	8.001
Placements from foreign banks	2.951	17.995
Placements from domestic banks and other receivables	3.892	3.412
Time deposits	6.024	0
Blocked deposits in foreign banks	11.117	12.451
Total	**23.983**	**41.859**
Current	***23.983***	***41.859***
Non-current	***0***	***0***

17. Financial assets at fair value through profit or loss

The trading securities are analyzed as follows:

Amounts in Eur '000	31 December 2017	31 December 2016
Shares and other securities with variable yield		
Equity securities listed on ASE	8.933	8.747
Other bonds	25.262	23.287
Other government bonds	2.896	7.807
Bank bonds	7.750	1.211
Total financial assets at fair value through profit or loss	**44.840**	**41.052**
Current	***44.840***	***41.052***
Non-current	***0***	***0***

18. Derivative financial instruments

	31 December 2017			31 December 2016		
		Estimated fair value			Estimated fair value	
Amounts in Eur '000	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
Derivatives on indices/securities:						
Futures	4.178	0	0	6.656	0	0
Options	220	49	330	70	21	77
Futures on indices	7.543	0	0	3.377	0	0
Foreign exchange swaps	0	0	77	0	0	47
		49	**406**		**21**	**124**
Total derivative financial instruments		**49**	**406**		**21**	**124**
Current		***49***	***406***		***21***	***124***
Non-current		***0***	***0***		***0***	***0***

The valuation of the futures contracts on December 31, 2017 and 2016, due to the daily clearing of these derivatives is included in the exchange-traded derivatives margin account which has been included in Other Assets.

19. Loans and advances to customers

The Group's loans portfolio is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Consumer loans	992	366
Loans to individuals (stock market)	14.462	8.838
Intercompany Loans	14.466	13.170
Bond loans	0	2.222
Corporate loans	5.602	4.000
	35.523	**28.596**
Less: Provisions for impairment of loans and advances to customers	(2.376)	(2.085)
Total	**33.147**	**26.511**
Current	***33.147***	***26.511***
Non-current	***0***	***0***

The provisions for impairment losses are analyzed as follows

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Balance at the beginning of the year	(2.085)	(1.935)
Provisions for the year	(291)	(149)
Balance at the end of year	**(2.376)**	**(2.085)**

20. Available for sale portfolio

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

20. Available for sale portfolio

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Available for sale portfolio		
Government bonds	102	1.100
Other bonds	4.601	2.007
Total fixed yield securities	*4.703*	*3.107*
Equity securities listed on ASE	193	259
Mutual Funds (Investment in AKES)	17.913	8.721
Non-listed securities	268	252
Total equity securities with variable yield	*18.373*	*9.232*
Total available for sale portfolio	**23.076**	**12.338**
Current	***0***	***0***
Non-current	***23.076***	***12.338***

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

21. Investments in subsidiaries and associates

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

Name	% interest held at 31/12/2016	Country	Business activity
IBG CAPITAL S.A.	100,00%	Greece	Venture capital firm
IBG CAPITAL MANAGEMENT S.AR.L.	100,00%	Luxemburg	Mutual fund management firm
IBG GLOBAL FUNDS SICAV-SIF	100,00%	Luxemburg	Mutual fund
HELLENIC CAPITAL PARTNERS S.A.	20,00%	Greece	Venture capital mutual fund management firm
IBG A.E.P.E.Y.	79,31%	Greece	Provision of investment services
MARFIN SECURITIES CYPRUS	100,00%	Cyprus	Stock-broking services in Cyprus stock exchange
CPB ASSET MANAGEMENT S.A.	4,40%	Greece	Mutual fund management firm
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Investment services

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

Company	**Financial figures 31-12-2016**			
Amounts in Eur '000	**Assets**	**Liabilities**	**Revenue**	**Profit/(loss) before tax**
IBG CAPITAL S.A.	3.182	377	203	151
IBG CAPITAL MANAGEMENT S.AR.L.	40	14	17	9
IBG GLOBAL FUNDS SICAV-SIF	5.077	27	86	(29)
HELLENIC CAPITAL PARTNERS S.A.	1.617	373	935	(56)
IBG A.E.P.E.Y.	0	0	0	0
MARFIN SECURITIES CYPRUS	1	1	0	0
CPB ASSET MANAGEMENT S.A.	1.426	865	657	(600)
IBG INVESTMENTS S.A.	6.307	4.473	508	331

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

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Balance at the beginning of the year	**273**	**378**
- Impairment of investments in subsidiaries	(241)	0
- Decrease in share capital of associate	0	(67)
- Profit/(losses) from investments in associates	22	(38)
Balance at end of the year	**54**	**273**

22. Property, plant and equipment and intangible assets

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

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

The variations of the tangible assets item during the financial year 2016 are the following:

	Property, plant and equipment				
Amounts in Eur '000	**Land and buildings**	**Vehicles & machinery**	**Furniture and other equipment**	**Total**	**Investment property**
Acquisition cost at 1 January 2016	12.013	36	3.276	15.324	2.553
less: Accumulated depreciation	(5.317)	(11)	(3.068)	(8.397)	0
Net book value at 1 January 2016	**6.696**	**25**	**207**	**6.928**	**2.553**
Impairment of PPE/investment property	0	0	0	0	(128)
Additions and reversal of PPE impairment	5	3	46	53	0
Disposals/write-offs	(7.268)	(4)	(86)	(7.358)	(1.795)
Transfers	611	0	0	611	(630)
Depreciation for the year	(71)	(4)	(74)	(149)	0
Depreciation of assets sold/written off	787	3	86	876	0
Acquisition cost at 31 December 2016	5.360	34	3.235	8.630	0
less: Accumulated depreciation	(4.602)	(11)	(3.057)	(7.670)	0
Net book value at 31 December 2016	**759**	**23**	**178**	**960**	**0**

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

Amounts in Eur '000	**Software**
Acquisition cost at 1 January 2017	1.506
Less: Accumulated amortisation	(1.004)
Net book value at 1 January 2017	**502**
Additions	30
Amortisation for the year	(162)
Acquisition cost at 31 December 2017	1.536
Less: Accumulated amortisation	(1.166)
Net book value at 31 December 2017	**370**

The variation of the other intangible assets during the financial year 2016 is the following:

Amounts in Eur '000	**Software**
Acquisition cost at 1 January 2016	1.192
Less: Accumulated amortisation	(775)
Net book value at 1 January 2016	**417**
Additions	314
Amortisation for the year	(33)
Amortisation of assets sold/written off	(196)
Acquisition cost at 31 December 2016	1.506
Less: Accumulated amortisation	(1.004)
Net book value at 31 December 2016	**502**

23. Deferred tax assets

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

Amounts in Eur '000	**Balance at 1th January 2017**	**Recognised in profit or loss**	**Recognised in equity**	**Balance at 31th December 2017**
PPE and investment property	16	148	0	164
Other provisions	3.428	409	0	3.837
Retirement benefit obligations	69	8	0	77
Available for sale portfolio	(13)	0	(2.036)	(2.048)
Bonds at fair value through profit or loss	306	(397)	0	(92)
Unused tax losses	1.687	(769)	0	918
Total	**5.494**	**(602)**	**(2.036)**	**2.856**

The other provisions include the deferred tax assets against participations impairment losses amounting to €1.9 million.

The variation of the temporary differences within the financial year 2016 is analyzed as follows:

Amounts in Eur '000	**Balance at 1th January 2016**	**Recognised in profit or loss**	**Recognised in equity**	**Balance at 31th December 2016**
PPE and investment property	778	(762)	0	16
Other provisions	3.678	(250)	0	3.428
Retirement benefit obligations	59	10	0	69
Available for sale portfolio	(26)	0	13	(13)
Bonds at fair value through profit or loss	0	306	0	306
Unused tax losses	839	848	0	1.687
Total	**5.329**	**152**	**13**	**5.494**

The other provisions include the deferred tax assets against participations impairment losses amounting to €1.5 million.

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

24. Other stock exchange transactions

The other stock exchange transactions are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Margin derivative trading account	5.200	6.950
Clearing accounts for securities transactions of ASE, Greek derivatives market of the ASE and foreign stock markets	66	803
Clearing accounts for securities transactions of Bonds	853	622
Customers' demands for securities transactions of ASE, ADEX and foreign stock exchanges	257	665
	6.376	**9.041**
Current	***0***	***0***
Non-current	***6.376***	***9.041***

25. Guarantee Securities for Investment Services

These items are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Hellenic Deposit and Investment Guarantee Fund	4.775	4.717
Guarantee fund	3.693	4.161
Auxiliary fund	1.941	1.715
Total	**10.409**	**10.593**
Current	***0***	***0***
Non-current	***10.409***	***10.593***

26. Current tax assets and Other assets

The current tax assets are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Income tax prepaid	0	149
Other receivables from the Greek State	205	126
Total	**205**	**275**

The other assets are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Interest and other accrued income	221	211
Other receivables	206	217
Guarantees	219	275
Other receivables except loans	725	844
Carbon emission reserve	1.547	0
Advances and other receivables accounts	73	105
Total	**2.990**	**1.652**
Less: Provisions	(421)	(569)
Total	**2.568**	**1.083**
Current	***2.144***	***533***
Non-current	***425***	***550***

27. Due to credit institutions

The dues to other credit institutions are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Due to credit institutions - current accounts	517	59
Due to credit institutions - time deposits	382	1.800
Interbank deposits	17.170	0
Total	**18.069**	**1.858**
Current	***18.069***	***1.858***
Non-current	***0***	***0***

28. Due to customers

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Sight deposits	8.745	6.428
Savings accounts	785	969
Time deposits	33.194	39.404
Blocked deposits	8.732	5.080
Cheques payable	386	99
Total	**51.841**	**51.980**
Current	***51.841***	***51.980***
Non-current	***0***	***0***

In the time deposits the amount of €26,434 K pertains to balances of stock exchange customers.

29. Customer balances to stock exchange accounts

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Settlement accounts from securities transactions of ASE, Greek derivatives market and foreign stock exchanges	584	682
Settlement accounts for securities transactions of Bonds	532	0
Due to customers from transactions in the ASE, the Greek derivatives market of the ASE and other foreign stock markets	20.368	17.361
Total	**21.484**	**18.043**
Current	***21.484***	***18.043***
Non-current	***0***	***0***

30. Retirement benefit obligations

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Balance sheet obligations for:		
Lump-sum payments upon retirement		
– Unfunded	264	236
	264	**236**

The amounts recognized in the income statement are as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Current service cost	23	21
Cost of personnel transfer from associate	0	10
Finance cost	4	4
Cost of settlement	49	52
Total included in employee benefits	**76**	**86**

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Net liability in opening balance sheet	**236**	**202**
Employer contributions paid	(53)	(58)
Expenditure to be recorded in the income statement	76	86
Amount recorded in Other comprehensive income	4	5
Net liability in closing balance sheet	**264**	**236**

31. Other liabilities

The other liabilities are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Liabilities arising from taxes	368	257
Obligations to Associated banks	767	1.166
Accrued interest and other expenses	7	8
Other payables	3.261	1.303
Social insurance cost	382	310
Total	**4.784**	**3.043**
Current	***4.784***	***3.043***
Non-current	***0***	***0***

32. Provisions

The provisions are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Provision for legal cases	890	650
Provisions for letters of guarantee	0	0
Other provisions	329	335
Total	**1.219**	**985**

33. Share capital

The share capital remained unchanged and is analyzed as follows:

	Number of shares	**Nominal value**	**Total no of ordinary shares**
31 December 2016	**3.762.420**	€ 29,35	**110.427.027**
31 December 2017	**3.762.420**	€ 29,35	**110.427.027**

34. Other reserves

The other reserves are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Statutory reserve	11.767	11.767
Extraordinary reserves	5.624	5.624
Other reserves	5	9
Share premium	1.545	1.545
Other reserves	**18.941**	**18.945**

Statutory Reserve: According to the Greek Trade Law, the Group is required to withhold from its net accounting profits a minimum of 5% per year as legal reserve. Such withholding ceases to be compulsory when the total legal reserve exceeds 1/3 of the paid up share capital. This taxed reserve is non-distributable throughout the Group's lifetime and is intended to cover any debit balances of the profit or loss carried forward item

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

35. Cash and Cash Equivalents

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Cash and balances with central bank (Note 15)	30.719	8.399
Loans and advances to credit institutions (Note 16)	23.983	41.859
Total	**54.702**	**50.258**

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

36. Commitments, contingent liabilities and assets

a) Contingent liabilities from guarantees

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Contingent liabilities		
Letters of Guarantee (Bid and Performance books)	2.163	1.849
Letters of Guarantee (Advance Payment, Prompt Payment)	773	763
Total	**2.936**	**2.612**

B) Contingent tax liabilities

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

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

The Group has obtained a tax certificate by the Auditors without qualifications for the years 2011 to and including 2016.

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

Moreover, the company IBG CAPITAL S.A. has obtained a tax certificate without qualifications from its Auditors for the financial years 2011 to and including 2013, while for the years 2014 to and including 2017 it is not required to obtain any tax certificate in accordance with Law 4174/2013, article 65.

According to the Greek tax legislation and the relevant ministerial decisions, the companies for which a tax certificate without remarks about infringements of the tax legislation is issued are not exempted from the infliction of additional taxes and fines by the tax authorities within the framework of the legal restrictions (five years from the end of the financial year in which the relevant tax return shall be submitted). In the light of the above, generally it is considered that the right of the Greek State to inflict taxes up to the financial year 2011 is exhausted as regards the Group.

c) Contingent legal obligations

There are no pending legal liabilities or obligations that could materially affect the financial position of the Group on December 31, 2017, except the cases for which a relevant provision has been formed (Note 32).

37. Related party transactions

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

37.1. Transactions with companies in the CYPRUS POPULAR BANK Group

Amounts in Eur '000	31 December 2017	31 December 2016
a) Receivables		
Loans and advances to credit institutions	11.230	12.690
Loans net of provisions	12.387	11.434
Other receivables	207	211
Total	**23.824**	**24.335**

Amounts in Eur '000	31 December 2017	31 December 2016
b) Payables		
Due to credit institutions	516	1.482
Deposits	6.413	1.504
Other liabilities	767	1.171
Total	**7.696**	**4.156**

Amounts in Eur '000	31 December 2017	31 December 2016
c) Income		
Interest and similar income	319	366
Commission income	363	1.023
Other income	182	141
Total	**864**	**1.529**

Amounts in Eur '000	31 December 2017	31 December 2016
d) Expenses		
Interest and similar expenses	59	70
Commission expenses	93	153
Total	**153**	**223**

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

Amounts in Eur '000	31 December 2017	31 December 2016
a) Receivables		
Loans	26	4
Total	**26**	**4**

Amounts in Eur '000	31 December 2017	31 December 2016
b) Payables		
Deposits	15	28
Total	**15**	**28**

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

Amounts in Eur '000	31 December 2017	31 December 2016
Board of Directors compensation	56	75
Salaries	408	531
Total	**463**	**606**

38. External Auditors

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

Amounts in Eur '000	31 December 2017	31 December 2016
Statutory Audit	48	48
Tax Audit Certificate	40	40
Other Audit Services	3	3
Non Audit Services	0	5
Total	**91**	**95**

39. Events after the financial statements date

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

Maroussi, June 5, 2018

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

IV. Financial Statements of the Bank for the year ended December 31, 2017

INVESTMENT BANK OF GREECE

Financial Statements

for the year

January 1 - December 31, 2017

In accordance with the International Financial Reporting Standards (IFRS)

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Amounts in Eur '000	**Note**	**31st December 2017**	**31st December 2016**
Interest income		4.174	4.090
Interest expense		(311)	(294)
Net interest income	7	**3.863**	**3.796**
Fee and commission income		6.341	5.453
Fee and commission expenses		(2.915)	(2.673)
Net fee and commission income	8	**3.426**	**2.780**
Dividend income		190	50
Net trading income	9	1.684	532
Other operating income	10	237	1.529
		2.111	**2.110**
Total operating income		**9.400**	**8.686**
Staff Costs	11	(7.640)	(6.993)
Other operating expenses	12	(3.425)	(3.340)
Depreciation	22	(309)	(378)
Total operating expenses		**(11.374)**	**(10.711)**
Profit/(loss) before provisions and taxes		**(1.973)**	**(2.026)**
Provision for loans impairment	19	(291)	(149)
Other provisions	13	556	170
Total provisions		**264**	**20**
Loss before tax		**(1.709)**	**(2.005)**
Income tax	14	(1.220)	176
Loss after tax (a)		**(2.929)**	**(1.829)**
Other comprehensive income after tax (b)		**18**	**(38)**
Total comprehensive income after tax (a)+(b)		**(2.911)**	**(1.867)**

The enclosed notes (pages 5 to 57) form integral part of the present financial statements.

STATEMENT OF FINANCIAL POSITION

Amounts in Eur '000	Note	31st December 2017	31st December 2016
ASSETS			
Cash and balances with central banks	15	30.718	8.397
Loans and advances to credit institutions	16	22.769	40.122
Financial assets at fair value through profit or loss	17	44.840	41.052
Derivative financial instruments	18	49	21
Loans and advances to customers	19	41.027	30.973
Available for sale portfolio	20	1.302	282
Investments in subsidiaries and associates	21	11.588	9.081
Property, plant and equipment and intangible assets	22	1.241	1.462
Deferred tax assets	23	4.256	5.485
Other stock exchange transactions	24	6.376	9.041
Guarantee Securities for Investment Services	25	10.409	10.593
Current tax assets	26	205	275
Other assets	26	2.252	1.059
Total assets		**177.033**	**157.842**
LIABILITIES AND EQUITY			
Due to credit institutions	27	18.068	1.858
Due to customers	28	52.353	52.165
Customer balances to stock exchange accounts	29	21.484	18.043
Derivative financial instruments	18	406	124
Retirement benefit obligations	30	264	236
Other liabilities	31	4.727	3.013
Provisions	32	1.211	971
Total liabilities		**98.512**	**76.411**
Equity			
Share capital	33	110.427	110.427
Fair value reserve		33	11
Other reserves	34	18.192	18.196
Retained losses		(50.132)	(47.203)
Total equity		**78.520**	**81.431**
Total liabilities and equity		**177.033**	**157.842**

The enclosed notes (pages 5 to 57) form integral part of the present financial statements.

STATEMENT OF CHANGES IN EQUITY

Amounts in Eur '000	Share capital	AFS reserves	Other reserves	Retained earnings	**Total**
Balance at 1 January 2016	**110.427**	**44**	**18.201**	**(45.374)**	**83.298**
Fair value losses on available for sale financial assets	0	(45)	0	0	(45)
Tax related to profits/(losses) recognised in equity	0	13	0	0	13
Net profit/(loss) for the year 01/01-31/12/2016	0	0	0	(1.829)	(1.829)
Other comprehensive income	0	0	(5)	0	(5)
Equity balances as at 31 December 2016	**110.427**	**11**	**18.196**	**(47.203)**	**81.431**

Amounts in Eur '000	Share capital	AFS reserves	Other reserves	Retained earnings	**Total**
Balance at 1 January 2017	**110.427**	**11**	**18.196**	**(47.203)**	**81.431**
Fair value losses on available for sale financial assets	0	31	0	0	31
Tax related to profits/(losses) recognised in equity	0	(9)	0	0	(9)
Net profit/(loss) for the year 01/01-31/12/2016	0	0	0	(2.929)	(2.929)
Other comprehensive income	0	0	(4)	0	(4)
Equity balances as at 31 December 2017	**110.427**	**33**	**18.192**	**(50.132)**	**78.520**

The enclosed notes (pages 5 to 57) form integral part of the present financial statements.

CASH FLOW STATEMENT

Amounts in Eur '000	**Note**	**31 December 2017**	**31 December 2016**
Cash Flows from Operating Activities			
Loss before tax		**(1.709)**	**(2.005)**
Adjustments for:			
Depreciation	22	309	378
Fair value (profits)/losses on financial assets		(1.571)	537
(Profits)/losses on revaluation of derivatives		254	127
Retirement benefit obligations	30	27	34
Loan and other investments provision	19	291	149
Other provisions	13	(556)	(170)
Fair value (profits)/losses from carbon emission reserve		(167)	0
Cash flows from operating activities before changes in operating assets and liabilities		*(3.121)*	*(949)*
Changes in operating assets and liabilities			
Trading Portfolio		(3.191)	(6.210)
Loans and advances to customers		(10.345)	(15.847)
Other assets		1.803	8.294
Due to credit institutions		16.209	(10.238)
Due to customers		161	14.454
Other liabilities		3.540	(2.543)
Cash flows from operating activities before income tax		*5.056*	*(13.038)*
Income tax paid		0	0
Net cash flows from operating activities		**5.056**	**(13.038)**
Investing activities			
Purchases of PPE		(88)	(53)
Acquisition of subsidiaries and associates		0	(3.683)
(Acquisition)/disposal and maturity of investment securities		0	(250)
Proceeds from disposals of PPE		0	8.315
Purchases of intangible assets		0	(314)
Net cash flows from investing activities		**(88)**	**4.014**
Net increase/(decrease) in cash and cash equivalents		4.968	(9.024)
Cash and cash equivalents at beginning of year		48.519	57.544
Cash and cash equivalents at end of year	35	**53.487**	**48.519**

The enclosed notes (pages 5 to 57) form integral part of the present financial statements.

1. Information about the Bank

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

Initially, the Bank had its registered office in the Municipality of Athens which then was transferred to the Municipality of Amaroussion, Attica (24B Kifissias Avenue) upon a Resolution of the General Meeting of the Shareholders dated November 27, 2001. It has activities in Greece and employs 186 persons in total since the implementation of the voluntary retirement program in December 2013. It is supervised by the Credit and Related Financial Institutions Department (CRFID) of the Bank of Greece, in accordance with the provisions of Law 4621/2014 on financial institutions having their registered office in Greece, to which the Bank submits regulatory records as provided for in the Bank of Greece Governor's Act ref. 2640/18.01.2011

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

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

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

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

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

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

As of December 31, 2017, the shareholding of "INVESTMENT BANK S.A." was the following:

Shareholders	**Number of Shares**	**%**
CYPRUS POPULAR BANK LTD (Under Administration since 25/3/2013)	3.652.724	97,08%
ACTIVE S.A.	32.012	0,85%
Ilias Ahanasios Bogdanos	32.012	0,85%
SAXON MARITIME INC.	21.396	0,57%
Other shareholders	24.276	0,65%
TOTAL	**3.762.420**	**100,00%**

The Bank's term is set to ninety nine (99) years and its purpose, according to its Articles of Association, is the provision of all banking services allowed by the Law either for its own account or for the account of third parties. The services it provides cover the entire range of banking and investment needs of the natural persons and legal entities and pertain to the following:

- Stock exchange services in the Athens Exchange and its Derivatives Market;
- Access to all international money and capital markets; Financial analysis services;
- Corporate Finance Advisory services;
- Banking services;
- Private Banking;
- Asset Management services;

- Private Equity;

- Custody services.

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

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

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

CPB, due to its participation in the Greek debt restructuring program implemented in March-April

2012 (PSI+), and also due to the increasing credit risk affecting its loan portfolio, suffered very considerable losses that affected both its accounting values and its regulatory capitals, and as a result its required capital adequacy indexes were not covered.

On March 25, 2013 and within the framework of the economic support program for Cyprus by the European Union ("EU"), the European Central Bank ("ECB") and the International Monetary Fund ("IMF") (jointly the "troika"), the CPB was subjected into a resolution scheme which, inter alia, included the following: (a) absorption of a substantial part of its assets, liabilities and operations in Cyprus by the Bank of Cyprus, and (b) the transfer of its Greek banking activities, including the major part of IBG's loans and deposits, to Piraeus Bank Group.

Disposal of the Bank's loans and deposits portfolio

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

Bank of Cyprus to which the majority of the Cyprus Popular Bank's assets and liabilities were transferred, under the Cypriot Law for the Resolution of Banks and Other Financial Institutions. The amount of €58.1 million has been received on 19.01.2015, thus significantly increasing the Bank's liquidity.

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

The financial statements have been prepared on the basis of the "going concern", since the Management estimates that the Bank is capable of smoothly continuing its operation in the foreseeable future. To evaluate the sustainability of the Bank, the Management took into account the following factors:

Macroeconomic Environment

In 2017, the average annual GDP increase rate was of 1.4% in Greece and is estimated to increase to 2% in 2018. The consumer price index recorded a 1.1% increase, while the unemployment rate passed to 21.5% from 23.5% in 2016. The 2018 prospects are favorable, provided that the structural changes will continue and the geopolitical conditions will not worsen, while an increase of private consumption, a boost of investments and tourism are expected as well as to continue the upward trend of export that appeared in 2017. In the capital markets, favorable financial conditions prevailed on an international level, as well as low inflation rates, increased share values and reduced bond yields (sovereign and corporate ones). Similar were the domestic developments, although the transactions activity was rather slow. Critical parameters are the completion of the program and the continuation of the reforms so that Greece could exploit its achievements in the budgetary sector and get into a growth path.

Bank capital adequacy

As of December 31, 2017, the Bank's Core Tier I ratio was of 39.71% (2016: 44.10%), which was well above the minimum level required by the Bank of Greece ("BoG").

2. Basis of preparation

2.1. Compliance

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

The financial statements as of 31.12.2017 were approved by the Board of Directors on 05/06/2018 and are subject to final approval of the General Meeting of the Shareholders, while they are available to investors at the Bank's offices (32 Aigialeias & Paradeisou St., Maroussi), as well as on the Internet at the Bank's website (www.ibg.gr) and will be available for at least two years in accordance with article 2, para. 1 of Pres. Decree 360/1985, as in force following its amendment by Law 3301/2004.

2.2. Basis of presentation

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

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

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

2.3. New standards, amendments to standards and interpretations

In particular, new standards, amendments to standards and interpretations have been issued that apply to financial years after 1.1.2017. The estimates of the Bank regarding the impact of the application of such new standards, amendments to standards and interpretations are presented here below.

Standards and Interpretations compulsory to the current financial year

IAS 7 (Amendments) "Disclosure Initiative"

The amendments introduce compulsory disclosures that offer the possibility to the users of the financial statements to evaluate the changes of the obligations arising from financing activities.

IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments clarify the accounting handling of the recognition of the deferred tax assets for unrealized losses that arose from loans measured at fair value.

Annual Improvements to IFRS Standards (cycle 2014-2016)

IFRS 12 "Disclosure of interests in other entities"

The amendment clarifies that the disclosures requirement of IFRS 12 applies to interests in entities classified as held for sale, except the requirement for the provision of summary financial information.

Standards and Interpretations compulsory to future financial years

IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7(Applies to annual periods beginning on or after 1.1.2018)

The IFRS 9 replaces the provisions of IAS 39 pertaining to the classification and measurement of financial assets and liabilities and also includes a model for the expected credit losses that replaces the model of the incurred credit losses applied to date. IFRS 9 establishes a principle-based hedge accounting approach and deals with inconsistencies and weaknesses of the IAS 39 current model. Further information about the application of the IFRS 9 requirements and its expected impact on the transition are included in Note 2.4.

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

The amendments offer to the companies the possibility, provided they fulfill a specific condition, to measure the prepayable financial assets with negative compensation at the amortized cost or fair value through the other total income instead of the fair value through results.

IFRS 15 "Revenue from Contracts with Customers" (Applies to annual periods beginning on or after 1.1.2018)

The IFRS 15 was issued in May 2014. The purpose of the standard is to provide a single, comprehensive income recognition model for all contracts with customers in order to improve comparability within industries, across industries, and across capital markets. It includes the principles that an entity shall apply to define the measurement of revenue and the timing of their recognition. The underlying principle is that an entity will recognize revenue in order to depict the transfer of goods or services to customers at the amount that the entity expects to be entitled to in exchange for these goods or services. The standard will take effect on January 1, 2018 and is not expected to have any significant impact on the financial statements of the Bank.

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

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

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

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

IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions" (Applies to annual periods beginning on or after 1.1.2018)

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting handling of modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2, according to which an award shall be treated as if it was wholly equity-settled, where an employer is bound to withhold an amount to cover the employee's tax obligation associated with a share-based payment and remit that amount to the tax authorities.

IFRS 4 (Amendments) "Applying IFRS 9 Financial instruments with IFRS 4 Insurance policies" (Applies to annual periods beginning on or after 1.1.2018)

The amendments introduce two approaches. The amended standard will: a) offer all entities that issue insurance policies the option to recognize in other comprehensive income rather than profit or loss, any discrepancies that could arise because of the implementation of the IFRS 9 before the new insurance policies standard is issued, and b) offer the entities whose activities are mainly connected with insurance, an optional temporary exemption from applying the IFRS 9 until 2021. The entities that will defer the application of the IFRS 9 will continue to apply the existing financial instruments standard — IAS 39.

IAS 40 (Amendments) "Transfers of Investment Property" (Applies to annual periods beginning on or after 1.1.2018)

The amendments clarify that to transfer to or from investment properties there must be a change in use. To consider whether a property has a changed use it should be evaluated whether such property meets the definition and whether the change may be documented.

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

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

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (Applies to annual periods beginning on or after 1.1.2018)

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

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

The Interpretation clarifies application of recognition and measurement requirements for current and deferred income tax when there is uncertainty over income tax treatments. IFRIC Interpretation 23 applies to all aspects of the recognition of the income tax when there is such uncertainty, including the taxable profit/loss, the tax base of the assets and liabilities, the tax profits and losses and the tax rates. The Interpretation has not been adopted yet by the European Union.

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

The amendments define the way entities shall specify the pension costs when modifications to defined benefits plans do occur. The amendments have not been adopted yet by the European Union.

Annual Improvements to IFRS Standards (cycle 2014-2016)

IAS 28 "Investments in Associates and Joint Ventures" *(Applies to annual periods beginning on or after 1.1.2018)*

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

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

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

IFRS 3 "Business Combinations"

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

IFRS 11 "Joint Arrangements"

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

IAS 12 "Income Taxes"

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

IAS 23 "Borrowing Costs"

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

2.4 Transition to IFRS 9 'Financial Instruments' and impact assessment

IFRS 9 "Financial Instruments", the final version of which was issued by the International Accounting Standards Board (IASB) in July 2014, and the amendments thereto "Prepayment Features with Negative Compensation", issued by the IASB in October 2017, will be implemented by the Bank from 1 January 2018.

IFRS 9 will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces (i) a new classification and measurement approach for financial assets, (ii) a new approach for estimating impairment losses and (iii) changes in relation to hedge accounting.

Classification and measurement of financial assets

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

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

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 principal and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest. All other financial assets will be classified at FVTPL.

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

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

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

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

c. The cash flows resulting from each financial asset are solely payments of principal and interest on specified dates, according to the applicable contractual terms, and

d. The objective of the business model for each portfolio of financial assets is achieved by holding the financial assets to collect their contractual cash flows, by selling the financial assets, or by both.

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

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

Portfolio (classification under IAS 39)	**Classification under IFRS 9**	**Measurement basis under IFRS 9**
Cash and balances with Central Banks	Hold to collect contractual cash flows	Amortised cost
Loans and advances to credit institutions	Hold to collect contractual cash flows	Amortised cost
Trading portfolio (1) – government bonds	Hold to sell	FVTPL
Trading portfolio (1) – corporate bonds	Hold to sell	FVTPL
Trading portfolio (1) – equity securities	Cash flows are not SPPI / Hold to sell	FVTPL
Loans and advances to	Hold to collect contractual cash	Amortised cost

customers	flows	
Available for sale portfolio	Hold to collect cash flows (not for trading)	FVOCI
Other stock exchange transactions	Hold to collect contractual cash flows	Amortised cost
Guarantee Securities for Investment Services	Hold to collect contractual cash flows	Amortised cost

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

Impairment of financial assets

The Bank has drafted a new Impairment Policy in accordance with IFRS 9 and has developed a related Impairment Methodology. The main components of the Impairment Methodology are:

g. Impairment is assessed for financial assets measured at amortised cost, financial assets measured at FVOCI, undrawn loan commitments and letters of guarantee
h. Impairment is defined under IFRS 9 as expected credit loss (ECL) and represents loss which could result from default events of (i) performing credit exposures without any significant increase in credit risk (Stage 1 exposures) over the next 12 months, (ii) performing credit exposures whose credit risk has increased significantly since initial recognition (Stage 2 exposures) over the entire remaining maturity of the instrument, and (iii) non-performing exposures (Stage 3 exposures) over the entire remaining maturity of the instrument
i. ECL is estimated for each individual instrument (facility) using the formula

ECL = Exposure at default (EAD) x Probability of default (PD) x Loss given default (LGD)

j. Exposure at default is estimated by taking into consideration both the outstanding amount and the undrawn credit limit provided under an instrument
k. Probability of default is estimated using a predictive algorithm which takes into consideration both internal (facility specific) and external (macroeconomic) parameters
l. Loss given default is estimated based on the expected net realizable value of the collaterals pledged against the credit exposure, if any

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

Based on assessments undertaken to date under the new Impairment Methodology, the total estimated impact of adopting IFRS 9 on the opening balance of the Bank's impairment allowance as at 1 January 2018 is an increase of EUR 660 thousand. The corresponding estimated decrease in the opening balance of the Bank's net equity is EUR 660 thousand, representing the increase in the impairment allowance before tax effect.

Impact attributed to (in thousands of EUR):

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

Further analysis of the IFRS 9 impact is presented below:

Impairment allowance for ECL – loans and advances to customers

The following table presents the IFRS 9 impact analysis per stage and type of lending exposure (in thousands of EUR):

	Gross loans	**Performing exposure**	**Non-performing exposure**	**IAS 39 impairment allowance**	**IFRS 9 impairment allowance**	**IFRS 9 impact**
Stage 1	39,696	39,696	-	-	387	387
Stage 2	862	862	-	-	273	273
Credit impaired	2,845		2.845	2,376	2,376	-
Total	**43,403**	**40,558**	**2,845**	**2,376**	**3,036**	**660**

Hedge accounting

The Bank does not apply hedge accounting under IAS 39 and does not intend to apply hedge accounting under IFRS 9. Hence, all derivatives held are and will continue to be measured at FVTPL.

Impact on capital requirements

The adoption of IFRS 9 from 1 January 2018 will result in a non-substantial reduction in the Bank's CET 1 capital ratio (0.1%), after applying the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds as stipulated in Regulation (EU) 2017/2395.

3. Accounting Principles

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

3.1. Subsidiaries

The Bank is not listed in the Athens Stock Exchange and is a subsidiary, with a stake of 97.08%, of Laiki Bank which is under a resolution scheme since 25.03.2013. In accordance with the instructions of the Bank of Greece, it is bound to draft individual and consolidated financial statements since both its individual

statements and those of its subsidiaries are fully consolidated in the financial statements of the Investment Bank which drafts them in accordance with the IFRS and are available to the public.
Participations in subsidiaries are presented at the acquisition cost less any impairment, where necessary.

3.2. Foreign currency transactions

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

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

3.3. Investments in financial instruments

(a) Classification

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

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

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

(b) Recognition

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

(c) Measurement

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

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

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

(d) Fair Value Measurement

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

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

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

(e) Gains and losses on subsequent measurement

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

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

(f) Derecognition

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

3.4. Repurchase agreements

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

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

3.5. Owner-occupied property and equipment

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

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

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

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

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

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

3.6. Intangible assets

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

3.7. Cash and cash equivalents

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

3.8. Impairment of Financial Assets

(a) Assets presented at amortized cost

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

i. Significant financial difficulty of the debtor/borrower;

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

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

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

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

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

- Unexpected changes in the payment status of the borrowers or a group of borrowers;
- national or local economic conditions that contribute to the decrease of the value of the assets that are part of a larger group.

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

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

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

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

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

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

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

(b) Assets presented at fair value

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

3.9. Financial Liabilities

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

3.10. Financial guarantees

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

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

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

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

3.11. Staff benefits

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

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

i) Defined contribution plan

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

ii) Defined benefit plan

Defined benefit plan means a benefit plan receivable by employees upon their exit from the service (pursuant to the Greek legislation), in which the benefits are defined based on financial and demographic assumptions. The most important assumptions are, inter alia, age, years of service, salary, life expectancy ratios, discount rate and the salaries and pensions growth rate. In defined benefit plans, the liability value equals the present value of the payable defined benefits on the reporting date, decreased by the fair value of the plan's assets.

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

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

3.12. Provisions

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

3.13. Offsetting financial instruments

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

3.14. Leases

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

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

3.15. Interest income and expense

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

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

3.16. Fee and commission income

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

3.17. Net trading income

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

3.18. Dividend income

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

3.19. Income tax and deferred tax

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

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

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

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

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

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

Deferred income tax assets are recognized to the extent that there will be a future taxable profit in order to utilize the temporary difference generated by the deferred income tax asset.

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

3.20. Share capital

(a) Share capital increase expenses

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

(b) Dividends

Dividends are recognized as liability in the year when dividends are approved by the Bank’s shareholders.

3.21 Reclassification of comparative data

In the financial statements of the year 2016, the following reclassifications have been made so that items could become similar and comparable with the same items of the current year.

In particular, the following amounts have been transferred to the comparative **Statement of Financial Position**:

- From the item "Investments in Property" to the item "Owner-occupied tangible and intangible fixed assets", an amount of €630 K.
- From the item “Other liabilities” to the item “Due to customers”, an amount of €99K.

Moreover, the following amounts have been transferred to the comparative **Statement of Profit or Loss and Other Comprehensive Income:**

- From the item "Interest Expense" to the item "Interest Income", pertaining to the contribution of Law 128/75 an amount of €118 K.
- From the item "Fee and Commission Income" to the item "Fee and Commission Expense", pertaining to expenses from the implementation of an investment program, an amount of €82 K.

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

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

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

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

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

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

B. Recoverability of deferred tax assets

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

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

Further information about the deferred tax assets of the Bank can be found in Note 23.

C. Subsidiaries impairment

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

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

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

Further information about the investments of the Bank into subsidiaries can be found in Note 21.

5. Financial Risk Management

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

5.1. Credit risk

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

Credit Risk Management

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

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

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

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

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

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

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

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

Credit rating systems

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

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

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

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

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

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

Loans and advances to customers credit rating

The following table presents the percentages of loans and advances to customers, as well as the loan impairment provisions for every category of the Bank's credit rating.

	31 December 2017		31 December 2016	
	Loans and advances to customers %	**Provision for loan impairment %**	**Loans and advances to customers**	**Provision for loan impairment %**
Risk classification:				
Low risk	72,32%	0,95%	48,36%	2,18%
Medium risk	21,81%	0,00%	43,93%	0,00%
High risk	5,87%	81,63%	7,70%	68,17%
Total	**100,00%**	**5,47%**	**100,00%**	**6,31%**

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

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

Amounts in Eur '000	**Maximum exposure**	
	2017	**2016**
Exposure to credit risk from items on the SOFP:		
Loans and advances to credit institutions	22.769	40.122
Financial assets at fair value through profit or loss	44.840	41.052
Derivative financial instruments	49	21
Loans and advances to customers (net of provisions)		
Retail	15.159	8.856
Wholesale:		
Large Corporate	3.608	3.360
Small and medium business	22.260	18.758
Investment portfolio securities:		
Available for sale	1.302	282
Other assets	19.037	20.693
Total balance sheet items	**129.024**	**133.142**
Exposure to credit risk from off balance sheet items:		
Letters of guarantee	2.936	2.612
Total	**131.960**	**135.754**

Loans and advances

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

Amounts in Eur '000	31 December 2017		31 December 2016	
	Loans and advances to customers	**Loans and advances to credit institutions**	**Loans and advances to customers**	**Loans and advances to credit institutions**
Neither past due nor impaired (a)	38.705	22.769	26.857	40.122
Past due but not impaired (b)	2.321	0	3.773	0
Impaired (c)	2.377	0	2.427	0
Loans before provisions	**43.403**	**22.769**	**33.058**	**40.122**
Impairment provision	(2.376)	0	(2.085)	0
Loans after provisions	**41.027**	**22.769**	**30.973**	**40.122**

Loans falling into the category of "Neither past due nor impaired" include also the loans to brokerage customers.

(a) Loans and advances neither past due nor impaired

The following table presents the Bank's loans that were neither past due nor impaired, for each category of the internal credit rating system.

	Loans and advances				
	Retail	**Wholesale**		**Total**	**Loans and advances to credit institutions**
Amounts in Eur '000		**Large Corporate**	**Small and medium business**		
2017					
Credit quality classification:					
Low risk	14.658	2.000	13.062	**29.720**	22.769
Medium risk	500	0	8.485	**8.986**	0
High risk	0	0	0	**0**	0
Total	**15.158**	**2.000**	**21.547**	**38.705**	**22.769**
2016					
Credit quality classification:					
Low risk	8.855	0	4.462	**13.317**	40.122
Medium risk	0	227	13.313	**13.540**	0
High risk	0	0	0	**0**	0
Total	**8.855**	**227**	**17.775**	**26.857**	**40.122**

(b) Loans and advances past due but not impaired

The following table presents the analysis per category of the time delay for past due but not impaired loans at the reporting date, as well as the estimated fair value of the collaterals received.

Amounts in Eur '000	Retail	Wholesale		Total
		Large Corporate	Small and medium business	
2017				
Up to 30 days past due	0	1.140	713	**1.853**
From 31 to 60 days past due	0	0	0	**0**
From 61 to 90 days past due	0	0	0	**0**
More that 180 days past due	0	468	0	**468**
Total	**0**	**1.608**	**713**	**2.321**
Fair value of collaterals	**0**	**340**	**0**	**340**
2016				
Up to 30 days past due	0	2.322	983	**3.305**
From 31 to 60 days past due	0	0	0	**0**
From 61 to 90 days past due	0	0	0	**0**
More that 180 days past due	0	468	0	**468**
Total	**0**	**2.790**	**983**	**3.773**
Fair value of collaterals	**0**	**349**	**0**	**349**

(c) Impaired loans and advances

The following table presents the impaired loans and advances and the estimated fair value of collaterals received per category. The loans included in this table present delays higher than 90 days and are classified as non-performing loans.

Amounts in Eur '000	Retail	Wholesale		Total
		Large Corporate	Small and medium business	
2017				
Loans individually assessed as impaired	298	2.079	0	**2.377**
Fair value of collaterals	0	370	0	**370**
2016				
Loans individually assessed as impaired	348	2.079	0	**2.427**
Fair value of collaterals	0	370	0	**370**

Counterparty banks risk

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

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

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

Country risk

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

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

5.2. Market Risk

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

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

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

Measurements are conducted using various methodologies and measurement techniques such as Value At Risk – VAR. The measurement of the Value At Risk defines the maximum possible portfolio loss with a confidence level of 99% and a one day of hold period, using the variance - covariance method. The measurements cover all trading and available for sale portfolios of the Bank's companies.

The market risk, in terms of VaR, for the aforementioned positions as of December 31, 2017, amounted to €130.95 K as analyzed in the following table.

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Foreign exchange risk	2,57	4,45
Bond portfolio interest rate risk	135,65	178,36
Stock market portfolio market risk	14,37	36,11
Decrease due to correlation	-21,64	-27,01
Net market risk	**130,95**	**191,90**

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

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

5.3. Interest Rate Risk

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

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

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

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

Interest Rate Risk

Amounts in Eur '000	Up to 1 month	1-3 months	3-12 months	Non-interest bearing	Total
Balance at 31 December 2017					
Assets					
Cash and balances with Central Banks	0	0	0	30.718	**30.718**
Advances to credit institutions	3.685	17.141	0	1.944	**22.769**
Financial assets at fair value through profit or loss	1.328	260	34.319	8.933	**44.840**
Loans and advances to customers (net of provisions)	39.732	35	641	619	**41.027**
Available for sale portfolio	0	0	0	1.302	**1.302**
Other assets	15.631	0	0	20.745	**36.377**
Total assets	**60.376**	**17.436**	**34.959**	**64.261**	**177.033**
Liabilities					
Due to credit institutions	18.068	0	0	0	**18.068**
Due to customers	46.276	6.032	45	0	**52.353**
Other liabilities	0	0	0	26.881	**26.881**
Provisions	0	0	0	1.211	**1.211**
Total liabilities	**64.344**	**6.032**	**45**	**28.091**	**98.512**
Total interest rate gap	**(3.968)**	**11.405**	**34.914**	**36.170**	**78.520**
Balance at 31 December 2016					
Total Assets	101.489	906	28.358	27.089	**157.842**
Total Liabilities	57.255	4.386	0	14.770	**76.411**
Net position	**44.234**	**(3.480)**	**28.358**	**12.319**	**81.431**

Moreover, the Bank, for measuring the interest rate risk, calculates the negative impact on the annual interest rate results from a simultaneous fluctuation of the interest rate curve by 200 bps. This change is estimated to generate losses of €2,064 K.

5.4. Foreign Exchange Risk

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

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

Foreign exchange risk

Amounts in Eur '000	EUR	USD	GBP	CHF	JPY	Other currencies	Total
Balance at 31 December 2017							
Foreign exchange risk from assets							
Cash and balances with central banks	30.566	128	17	1	0	7	**30.718**
Loans and advances to credit institutions	14.121	6.267	447	249	192	1.493	**22.769**
Financial assets at fair value through profit or loss	43.101	1.739	0	0	0	0	**44.840**
Derivative financial instruments	49	0	0	0	0	0	**49**
Loans and advances to customers (net of provisions)	41.009	0	0	18	0	0	**41.027**
Available for sale portfolio	1.302	0	0	0	0	0	**1.302**
Investments in subsidiaries and associates	11.588	0	0	0	0	0	**11.588**
Property, plant and equipment and intangible assets	1.241	0	0	0	0	0	**1.241**
Other assets	23.315	182	(1)	1	0	0	**23.498**
Total Assets	**166.292**	**8.317**	**463**	**269**	**192**	**1.500**	**177.033**
Foreign exchange risk from liabilities							
Due to credit institutions	13.560	4.227	99	183	0	0	**18.068**
Due to customers	45.980	5.871	4	11	0	487	**52.353**
Derivative financial instruments	406	0	0	0	0	0	**406**
Other liabilities	23.407	1.637	277	47	125	716	**26.211**
Provisions	1.211	0	0	0	0	0	**1.211**
Retirment benefit obligations	264	0	0	0	0	0	**264**
Total Liabilities	**84.828**	**11.735**	**381**	**241**	**125**	**1.203**	**98.512**
Net Position	**81.464**	**(3.418)**	**83**	**28**	**66**	**297**	**78.520**
Balance at 31 December 2016							
Total Assets	150.855	5.390	466	110	73	947	**157.842**
Total Liabilities	65.096	10.332	236	60	60	627	**76.411**
Net Position	**85.759**	**(4.941)**	**230**	**50**	**13**	**320**	**81.431**

Moreover, the Bank, for measuring the foreign exchange risk, calculates the negative impact on the annual results from a fluctuation of the exchange rates of major currencies (USD, GBP, CHF, JPY, AUD, CAD). A -5% fluctuation against EUR and -10% against the other currencies is calculated (the calculation basis is the balance of the "Due from banks" item). The estimated impact amounts to a loss of €510 K.

5.5. Risk arising from share and other securities price changes

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

The Bank, in assessing the price risk, calculates the negative impact on its annual results after taxes from a change in share prices. The relevant measurements made using the balances of the end of December 2017 showed that the 15% decrease of the FTASE Index will entail losses of €862 K to the Bank.

5.6. Liquidity risk

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

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

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

(a) Liquid asset ratio defined as the quotient of "cash available" of a period of up to 30 days direct maturity, as defined by the corresponding Act of the Governor of the Bank of Greece, to the "borrowed funds", as defined by the corresponding Act of the Governor of the Bank of Greece;

(b) Liquidity gap ratio defined as the quotient of the gap between "assets and liabilities" of a period of up to 30 days direct maturity, as defined by the corresponding Act of the Governor of the Bank of Greece, to the "borrowed funds", as defined by the corresponding Act of the Governor of the Bank of Greece;

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

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

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

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

The Bank regularly conducts liquidity stress tests.

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

Liquidity risk

Amounts in Eur '000	Up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years	Over 5 years	Total
Balance at 31 December 2017							
Liabilities							
Due to credit institutions	516	17.170	382	0	0	0	**18.068**
Due to customers	36.503	0	15.850	0	0	0	**52.353**
Other liabilities	22.277	3.571	769	1.474	0	0	**28.091**
Total liabilities	**59.296**	**20.741**	**17.001**	**1.474**	**0**	**0**	**98.512**
Total Assets	**137.167**	**1.274**	**24.179**	**7.578**	**6.367**	**468**	**177.033**
Balance at 31 December 2016							
Liabilities							
Due to credit institutions	60	0	1.799	0	0	0	**1.858**
Due to customers	41.560	0	10.605	0	0	0	**52.165**
Other liabilities	18.483	1.529	1.168	1.207	0	0	**22.387**
Total Liabilities	**60.103**	**1.529**	**13.571**	**1.207**	**0**	**0**	**76.411**
Total Assets	**123.618**	**2.549**	**16.902**	**7.485**	**6.946**	**343**	**157.842**

5.7. Capital adequacy

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

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

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

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

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

The Capital Adequacy ratio of the Bank as of 31.12.2017 and 31.12.2016 was the following:

	31/12/2017	31/12/2016
Share Capital	110.427	110.427
Other Reserves	18.225	18.207
Retained Earnings	(50.132)	(47.203)
Goodwill and other intangible assets	(370)	(502)
Other adjustments	(3.304)	(1.467)
Total Tier I	**74.846**	**79.463**
Total supervisory capitals	**74.846**	**79.463**
Weighted assets		
- on-SFP items	98.359	99.606
- off-SFP items	1.749	1.469
- transaction portfolio items	70.371	60.978
- operatinal risk	18.025	18.142
Total	**188.503**	**180.194**
Capital Adequacy Ratio	**39,71%**	**44,10%**

In 2017, the capital adequacy index of the Bank recorded a decrease because of the increase of the weighted assets, but it still remains significantly than the minimum Core Tier I index of 8% of Risk Weighted Assets.

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

6. Fair value of financial assets and liabilities

6.1. Financial assets and liabilities not carried at fair value

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

(a) Loans and advances to credit institutions

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

(b) Loans and advances to customers

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

(c) Deposits

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

6.2. Fair Value Hierarchy

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

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

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

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

Hierarchy as of December 31, 2017:

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

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

Hierarchy as of December 31, 2016:

Amounts in Eur '000		31 December 2016		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	37.170	3.881	0	**41.052**
Derivative financial instruments	21	0	0	**21**
Available for sale portfolio	32	0	250	**282**
Total	**37.223**	**3.881**	**250**	**41.354**

Financial liabilities at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	124	0	0	**124**
Total	**124**	**0**	**0**	**124**

7. Net interest income

The net interest income is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Interest and similar income		
Interest from fixed yield securities	1.391	1.953
Interest from loans	1.889	1.235
Interest from interbank transactions	835	842
Other interest income	58	59
Total	**4.174**	**4.090**
Interest and similar expenses		
Interest on deposits	(221)	(206)
Interbank transactions	(47)	(39)
Other interest expense	(43)	(49)
Total	**(311)**	**(294)**
Net interest income	**3.863**	**3.796**

8. Net fee and commission income

The net fee and commission income is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Net income from commissions on commercial transactions	141	126
Net income from investment banking	434	568
Net income from stock market transactions	2.526	1.872
Other commission income	324	214
Net fee and commission income	**3.426**	**2.780**

The increase of fees from stock exchange transactions is due to the Bank's increased share in the stock exchange market and the increased share of private customers.

9. Net trading income

The income of financial acts is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Profit/(loss) from foreign exchange and foreign exchange risk hedging	98	431
Profit/(loss) from derivatives held for trading	(1.944)	449
Profit/(loss) from investments in shares, mutual funds and price risk hedging	1.750	(706)
Profit/(loss) from bonds and bond risk hedging	1.781	357
Total net trading income	**1.684**	**532**

The increased income from financial acts is due to the increased bond portfolio and its evaluations.

10. Other Operating Income

Other income is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Rental income	16	15
Unused provisions reversed	0	358
Other income	221	1.156
Total Other Operating Income	**237**	**1.529**

The other income mainly pertain to income from IT support to the companies of Laiki Bank Group. In 2016, the other income was affected also by the write-off of old liabilities to various Α.Ε.Λ.Δ.Ε. (Financial Services Companies) and litigant liabilities.

11. Staff Costs

The staff costs are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Salaries and wages	5.747	5.367
Social security cost	1.434	1.181
Pension costs - defined benefit plans	76	86
Other employee benefit expenses	383	359
Total Staff Costs	**7.640**	**6.993**

The number of staff members of the Bank as of 31/12/2017 was 186 (31/12/2016: 172).

12. Other operating expenses

Other operating expenses are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Fees to lawyers, advisors, auditors etc.	612	508
IT applications	547	585
Subscriptions	347	360
Building expenses	677	674
Advertisement and promotion expenses, sponsorships, etc.	53	47
Taxes and duties	671	632
Office supplies	14	16
Other operating expenses	504	518
Total Other operating expenses	**3.425**	**3.340**

13. Other provisions

The Other provisions item is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Impairment and reversal of impairment of participations (Note 21)	(2.507)	46
Impairment of investment property	0	148
Provision for impairment of other receivables	0	86
Provision for legal cases and letters of guarantee (Note 32)	240	(450)
Performance fees provision	1.712	0
Total	**(556)**	**(170)**

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

14. Income tax

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Current income tax	0	25
Deferred tax	(1.220)	152
Total	**(1.220)**	**176**

According to Law 4110/2013, as in force, the Greek tax rate is 29%. Moreover, the distributed dividends are subject to 15% tax withholding. For the unaudited years refer to Note 36.

For the financial year 2017, the audit is in progress and the relevant tax certificate is expected to be issued after the publication of the financial statements for the year 2017. Upon completion of the tax audit the Company's Management does not expect any significant tax liabilities beyond those already reported and presented in the financial statements.

15. Cash and balances with Central Banks

The cash and balances with the Central Bank are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Cash	498	610
Deposits with central bank	30.221	7.787
Total Cash and balances with Central Banks	**30.718**	**8.397**

The average amount of cash to be placed by the Bank with the Bank of Greece in December 2017 amounted to € 443 K.

16. Loans and advances to credit institutions

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Interbank deposits	0	8.001
Placements from foreign banks	1.740	16.259
Placements from domestic banks and other receivables	3.888	3.411
Time deposits	6.023	0
Blocked deposits in foreign banks	11.117	12.451
Total Loans and advances to credit institutions	**22.769**	**40.122**
Current	***22.769***	***40.122***
Non-current	***0***	***0***

17. Financial assets at fair value through profit or loss

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Shares and other securities with variable yield		
Equity securities listed on ASE	8.933	8.747
Other bonds	25.262	23.287
Other government bonds	2.896	7.807
Bank bonds	7.750	1.211
Total Financial assets at fair value through profit or loss	**44.840**	**41.052**
Current	***44.840***	***41.052***
Non-current	***0***	***0***

18. Derivative Financial Instruments

	31 December 2017			**31 December 2016**		
		Estimated fair value			**Estimated fair value**	
Amounts in Eur '000	**Nominal value**	**Assets**	**Liabilities**	**Nominal value**	**Assets**	**Liabilities**
Derivatives on indices/securities:						
Futures	4.178	0	0	6.656	0	0
Options	220	49	330	70	21	77
Futures on indices	7.543	0	0	3.377	0	0
Foreign exchange swaps	0	0	77	0	0	47
		49	**406**		**21**	**124**
Total derivative financial instruments		**49**	**406**		**21**	**124**
Current		***49***	***406***		***21***	***124***
Non-current		***0***	***0***		***0***	***0***

The valuation of the futures contracts on December 31, 2017 and 2016, due to the daily clearing of these derivatives is included in the exchange-traded derivatives margin account which has been included in Other Assets.

19. Loans and advances to customers

The Bank's loans portfolio is analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Consumer loans	992	366
Loans to individuals (stock market)	14.462	8.838
Intercompany Loans	22.346	17.632
Bond loans	0	2.222
Corporate loans	5.602	4.000
	43.403	**33.058**
Less: Provisions for impairment of loans and advances to customers	(2.376)	(2.085)
Total	**41.027**	**30.973**
Current	***41.027***	***30.973***
Non-current	***0***	***0***

The provisions for impairment losses are analyzed as follows

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Balance at the beginning of the year	(2.085)	(1.935)
Provisions for the year	(291)	(149)
Balance at the end of year	**(2.376)**	**(2.085)**

20. Available for sale portfolio

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Available for sale portfolio		
Corporate bonds	986	0
Total fixed yield securities	*986*	*0*
Equity securities listed on ASE	49	30
Non-listed securities	268	252
Total equity securities with variable yield	*316*	*282*
Total Available for sale portfolio	**1.302**	**282**
Current	***0***	***0***
Non-current	***1.302***	***282***

21. Investments in subsidiaries and associates

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

Name	% interest held at 31/12/2016	Country	Business activity
IBG CAPITAL S.A.	100,00%	Greece	Venture capital firm
IBG CAPITAL MANAGEMENT S.AR.L.	100,00%	Luxemburg	Mutual fund management firm
IBG GLOBAL FUNDS SICAV-SIF	100,00%	Luxemburg	Mutual fund
HELLENIC CAPITAL PARTNERS S.A.	20,00%	Greece	Venture capital mutual fund management firm
IBG A.E.P.E.Y.	79,31%	Greece	Provision of investment services
MARFIN SECURITIES CYPRUS	100,00%	Cyprus	Stock-broking services in Cyprus stock exchange
CPB ASSET MANAGEMENT S.A.	4,40%	Greece	Mutual fund management firm
IBG INVESTMENTS S.A.	90,00%	British Virgin Islands	Investment services

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

Company		**Financial figures 31-12-2016**		
Amounts in Eur '000	**Assets**	**Liabilities**	**Revenue**	**Profit/(loss) before tax**
IBG CAPITAL S.A.	3.182	377	203	151
IBG CAPITAL MANAGEMENT S.AR.L.	40	14	17	9
IBG GLOBAL FUNDS SICAV-SIF	5.077	27	86	(29)
HELLENIC CAPITAL PARTNERS S.A.	1.617	373	935	(56)
IBG A.E.P.E.Y.	0	0	0	0
MARFIN SECURITIES CYPRUS	1	1	0	0
CPB ASSET MANAGEMENT S.A.	1.426	865	657	(600)
IBG INVESTMENTS S.A.	6.307	4.473	508	331

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

The movements on the "Investments in subsidiaries and associates" item are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Balance at the beginning of the year	**9.081**	**5.444**
- Transfers between portfolios	0	3.750
- Reversal of impairment of investments in subsidiary	2.583	0
- Impairment of investments in subsidiaries	(76)	(46)
- Decrease of interests held in investments	0	(67)
Balance at end of the year	**11.589**	**9.081**

The reversal of impairment of investments in subsidiaries concerns the reversal of impairment of the subsidiaries IBG CAPITAL S.A. and IBG INVESTMENTS S.A. made in the past years. The impairment reversal arose because of the increased fair value of the AKES in which the subsidiaries had invested.

The major assumptions for the valuation of the closed – end venture capital mutual funds (AKES) are presented in Note 4.

22. Property, plant and equipment and Intangible assets

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

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

The variations of the tangible assets item during the financial year 2016 are the following:

	Property, plant and equipment				
Amounts in Eur '000	**Land and buildings**	**Vehicles & machinery**	**Furniture and other equipment**	**Total**	**Investment property**
Acquisition cost at 1 January 2016	12.013	36	3.276	15.324	2.553
less: Accumulated depreciation	(5.317)	(11)	(3.068)	(8.397)	0
Net book value at 1 January 2016	**6.696**	**25**	**207**	**6.928**	**2.553**
Impairment of PPE/investment property	0			0	(128)
Additions and reversal of PPE impairment	5	3	46	53	0
Disposals/write-offs	(7.268)	(4)	(86)	(7.358)	(1.795)
Transfers	611	0	0	611	(630)
Depreciation for the year	(71)	(4)	(74)	(149)	0
Depreciation of assets sold/written off	787	3	86	876	0
Acquisition cost at 31 December 2016	5.360	34	3.235	8.630	0
less: Accumulated depreciation	(4.602)	(11)	(3.057)	(7.670)	0
Net book value at 31 December 2016	**759**	**23**	**178**	**960**	**0**

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

Amounts in Eur '000	**Software**
Acquisition cost at 1 January 2017	1.506
Less: Accumulated depreciation	(1.004)
Net book value at 1 January 2017	**502**
Additions	30
Amortisation for the year	(162)
Acquisition cost at 31 December 2017	1.536
Less: Accumulated amortisation	(1.166)
Net book value at 31 December 2017	**370**

The variation of the other intangible assets during the financial year 2016 is the following:

Amounts in Eur '000	**Software**
Acquisition cost at 1 January 2016	1.192
Less: Accumulated depreciation	(775)
Net book value at 1 January 2016	**417**
Additions	314
Amortisation for the year	(33)
Depreciation of assets sold/written off	(196)
Acquisition cost at 31 December 2016	1.506
Less: Accumulated amortisation	(1.004)
Net book value at 31 December 2016	**502**

23. Deferred tax assets

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

Amounts in Eur '000	**Balance at 1 January 2017**	**Recognised in profit or loss**	**Recognised in equity**	**Balance at 31 December 2017**
PPE and investment property	16	148	0	164
Other provisions	3.410	(106)	0	3.303
Retirement benefit obligations	69	8	0	77
Available for sale portfolio	(5)	0	(9)	(14)
Bonds at fair value through profit or loss	306	(397)	0	(92)
Unused tax losses	1.689	(872)	0	817
Total	**5.485**	**(1.220)**	**(9)**	**4.256**

The other provisions include the deferred tax assets against participations impairment losses amounting to €1.9 million.

The variation of the temporary differences within the financial year 2016 is analyzed as follows:

Amounts in Eur '000	Balance at 1 January 2016	Recognised in profit or loss	Recognised in equity	Balance at 31 December 2016
PPE and investment property	778	(762)	0	16
Other provisions	3.660	(250)	0	3.410
Retirement benefit obligations	59	10	0	69
Available for sale portfolio	(18)	0	13	(5)
Bonds at fair value through profit or loss	0	306	0	306
Unused tax losses	841	848	0	1.689
Total	**5.320**	**152**	**13**	**5.485**

The other provisions include the deferred tax assets against participations impairment losses amounting to €1.5 million.

The recognition of the tax assets is based on the Management estimate that the Bank will have sufficient future taxable profits to be utilized against temporary differences and tax losses.

24. Other stock exchange transactions

Amounts in Eur '000	31 December 2017	31 December 2016
Margin derivative trading account	5.200	6.950
Clearing accounts for securities transactions of ASE, Greek derivatives market of the ASE and foreign stock markets	66	803
Clearing accounts for securities transactions of Bonds	853	622
Customers' demands for securities transactions of ASE, ADEX and foreign stock exchanges	257	665
	6.376	**9.041**
Current	***0***	***0***
Non-current	***6.376***	***9.041***

25. Guarantee Securities for Investment Services

Amounts in Eur '000	31 December 2017	31 December 2016
Hellenic Deposit and Investment Guarantee Fund	4.775	4.717
Guarantee fund	3.693	4.161
Auxiliary fund	1.941	1.715
Total	**10.409**	**10.593**
Current	***0***	***0***
Non-current	***10.409***	***10.593***

26. Current tax assets and Other Assets

The current tax assets are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Income tax prepaid	0	149
Other receivables from the Greek State	205	126
Total	**205**	**275**

The other assets are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Interest and other accrued income	221	211
Guarantees	219	275
Advances and other receivables accounts	73	82
Carbon emission reserve	1.547	0
Other receivables	614	1.061
	2.673	**1.628**
Less: Provisions	(421)	(569)
Total	**2.252**	**1.059**
Current	***2.033***	***785***
Non-current	***219***	***275***

27. Due to credit institutions

The dues to other credit institutions are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Due to credit institutions - current accounts	516	59
Due to credit institutions - time deposits	382	1.800
Interbank deposits	17.170	0
Total	**18.068**	**1.858**
Current	***18.068***	***1.858***
Non-current	***0***	***0***

28. Due to customers

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Sight deposits	8.745	6.428
Savings accounts	785	969
Time deposits	33.706	39.590
Blocked deposits	8.732	5.080
Cheques payable	386	99
Total	**52.353**	**52.165**
Current	***52.353***	***52.165***
Non-current	***0***	***0***

In the time deposits the amount of €26,434 K pertains to balances of stock exchange customers.

29. Customer balances to stock exchange accounts

The customer balances in stock exchange accounts are analyzed as follows:

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Settlement accounts from securities transactions of ASE, Greek derivatives market and foreign stock exchanges	584	682
Settlement accounts for securities transactions of Bonds	532	0
Due to customers from transactions in the ASE, the Greek derivatives market of the ASE and other foreign stock markets	20.368	17.361
	21.484	**18.043**
Current	***21.484***	***18.043***
Non-current	***0***	***0***

30. Retirement benefit obligations

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

Amounts in Eur '000	**31 December 2017**	**31 December 2016**
Balance sheet obligations for:		
Lump-sum payments upon retirement – Unfunded	264	236
	264	**236**

The amounts recognized in the income statement are as follows:

	31 December 2017	31 December 2016
Current service cost	23	21
Cost of personnel transfer from associate	0	10
Finance cost	4	4
Cost of settlement	49	52
Total included in employee benefits	**76**	**86**

The movement in the liability recognized in the balance sheet is as follows:

Amounts in Eur '000	31 December 2017	31 December 2016
Net liability in opening balance sheet	**236**	**202**
Employer contributions paid	(53)	(58)
Expenditure to be recorded in the income statement	76	86
Amount recorded in Other comprehensive income	4	5
Net liability in closing balance sheet	**264**	**236**

31. Other liabilities

The other liabilities are analyzed as follows:

Amounts in Eur '000	31 December 2017	31 December 2016
Liabilities arising from taxes	368	257
Obligations to Associated banks	767	1.166
Accrued interest and other expenses	7	8
Other payables	3.203	1.272
Social insurance cost	382	310
Total	**4.727**	**3.013**
Current	***4.727***	***3.013***
Non-current	***0***	***0***

32. Provisions

The provisions are analyzed as follows:

Amounts in Eur '000	31 December 2017	31 December 2016
Provision for legal cases	890	650
Other provisions	321	321
Total	**1.211**	**971**

33. Share capital

The share capital remained unchanged and is analyzed as follows:

	Number of shares	Nominal value	Total no of ordinary shares
31 December 2016	**3.762.420**	€ 29,35	**110.427.027**
31 December 2017	**3.762.420**	€ 29,35	**110.427.027**

34. Other reserves

The other reserves are analyzed as follows:

Other reserves

Amounts in Eur '000	31 December 2017	31 December 2016
Statutory reserve	11.719	11.719
Extraordinary reserves	4.924	4.924
Other reserves	4	8
Share premium	1.545	1.545
Other reserves	**18.192**	**18.196**

***Statutory Reserve*:** According to the Greek Trade Law, the Bank is required to withhold from its net accounting profits a minimum of 5% per year as legal reserve. Such withholding ceases to be compulsory when the total legal reserve exceeds 1/3 of the paid up share capital. This taxed reserve is non-distributable throughout the Bank's lifetime and is intended to cover any debit balances of the profit or loss carried forward item

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

35. Cash and Cash Equivalents

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

Amounts in Eur '000	31 December 2017	31 December 2016
Cash and balances with central banks (Note 15)	30.718	8.397
Loans and advances to credit institutions (Note 16)	22.769	40.122
Total	**53.487**	**48.519**

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

36. Commitments, contingent liabilities and assets

a) Contingent liabilities from guarantees

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

Amounts in Eur '000	31 December 2017	31 December 2016
Contingent liabilities		
Letters of Guarantee (Bid and Performance books)	2.163	1.849
Letters of Guarantee (Advance Payment, Prompt Payment)	773	763
Total	**2.936**	**2.612**

b) Contingent tax liabilities

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

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

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

According to the Greek tax legislation and the relevant ministerial decisions, the companies for which a tax certificate without remarks about infringements of the tax legislation is issued are not exempted from the infliction of additional taxes and fines by the tax authorities within the framework of the legal restrictions (five years from the end of the financial year in which the relevant tax return shall be submitted). In the light of the above, generally it is considered that the right of the Greek State to inflict taxes up to the financial year 2011 is exhausted as regards the Bank.

c) Contingent legal obligations

There are no pending legal liabilities or obligations that could materially affect the financial position of the Bank on December 31, 2017, except the cases for which a relevant provision has been formed (Note 32).

37. Related party transactions

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

37.1. Transactions with companies in the CYPRUS POPULAR BANK Group

Amounts in Eur '000	31 December 2017	31 December 2016
a) Receivables		
Loans and advances to credit institutions	11.230	12.690
Loans net of provisions	20.267	15.896
Other receivables	207	166
Total	**31.704**	**28.751**

Amounts in Eur '000	31 December 2017	31 December 2016
b) Payables		
Due to credit institutions	516	1.482
Deposits	6.925	1.690
Other liabilities	767	1.171
Total	**8.208**	**4.342**

Amounts in Eur '000	31 December 2017	31 December 2016
c) Income		
Interest and similar income	514	525
Commission income	363	1.023
Other income	188	148
Total	**1.065**	**1.695**

Amounts in Eur '000	31 December 2017	31 December 2016
d) Expenses		
Interest and similar expenses	59	70
Commission expenses	93	153
Total	**153**	**223**

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

Amounts in Eur '000	31 December 2017	31 December 2016
a) Receivables		
Loans	26	4
Total	**26**	**4**

Amounts in Eur '000	31 December 2017	31 December 2016
b) Payables		
Deposits	15	28
Total	**15**	**28**

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

Amounts in Eur '000	31 December 2017	31 December 2016
Board of Directors compensation	56	75
Salaries	408	531
Total	**463**	**606**

38. External Auditors

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

Amounts in Eur '000	31 December 2017	31 December 2016
Statutory Audit	48	48
Tax Audit Certificate	40	40
Other Audit Services	3	3
Non Audit Services	0	5
Total	**91**	**95**

39. Events after the financial statements date

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

Maroussi, June 5, 2018

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