CO-OPERATIVE
BANK OF KARDITSA

COOPERATIVE
BANK OF KARDITSA

Annual Financial Statements
for the year ended 31 December 2016

in accordance with the International Financial Reporting Standards

May 2017

CONTENTS **Page**

A) REPORT OF THE BOARD OF DIRECTORS

INTERNATIONAL AND EUROPEAN ECONOMIC ENVIRONMENT

In 2016 the global economy continued to grow. However, the pace of growth of the global economic activity slightly declined in relation to 2015 (3,1% from 3,2%), since it was observed a slow-down in advanced economies, while in emerging and developing economies the pace of growth remained unchanged. The political developments in the United Kingdom and the United States, which led to the increase of uncertainty and a small increase in long-term interest rates towards the end of 2016, generally had a negative impact. However, there is also uncertainty to the mid-term impact of these developments.

Although, however, the GDP growth as a whole in advanced economies decelerated in 2016, the unemployment rate continued to decline.

In the Eurozone, the continuing economic growth presents signs of stabilisation, which is supported mainly by the domestic demand. Also, there are indications that the global recovery is slightly strengthened. The macroeconomic projections of ECB's experts for the Eurozone in March 2017 anticipate an increase of the real GDP by 1,8% in 2017, 1,7% in 2018 and 1,6% in 2019. The real GDP increased by 0,4% on a quarterly basis in the fourth quarter of the year. The trend of stabilisation of the economic activity and expansion in all the fields and countries was maintained in the fourth quarter of 2016.

The private consumption remains the main factor which supports the continuing economic expansion. At the same time, the unemployment in the Eurozone keeps declining for 14 consecutive quarters.

The increase of the Eurozone's exports continued to accelerate due to the gradual improvement of global trade.

GREEK ECONOMY

The GDP course presented a mixed image in 2016. After the large rise by 2% in the 3rd quarter of the year it returned to recession in the last quarter, during which the GDP declined by 1,1%. At the end of the year it declined marginally by 0,05% presenting signs of stabilisation. According to the aggregated data published by Eurostat out of a total of 28 member-states of the E.U., achieving growth at the end of 2016 so on a quarterly as also on an annual basis, Greece was the only one which, even slightly, did not achieve it.

2016 is the third consecutive year during which the change in domestic product is small in relation to the previous year and, as a result, the GDP is formed at € 184 billion for the forth year and Greek economy is stagnant during this period.

The main factors forming the GDP course were:

- The growth of household consumption: 1,6%, the largest since 2009
- The new slight slowdown of investments (-0,9%): solely from limitation of inventories
- The decrease of exports for the first time since 2010 by 1,5%
- The small increase of imports (+0,5%) and, consequently, the deterioration in external trial balance.

The overachievement of the targets of the Budget for 2016 was significant. According to the financial data published for 2016, the primary balance of the General Government was rather positive, € 6,94 billion (or 3,9% of GDP), against target € 2,25 billion or (1,3% of GDP). But this success has also negative impact on actual economy since the pooling of resources from the public sector deprives the market of liquidity. This is also reflected in the overdue debts to the Greek State which surpassed € 87 billion at the end of 2016.

It should be further emphasized the improvement of the productive base despite the tough budgetary adjustment.

The reduction of unemployment observed since 2014 continued also in 2016. It is now formed at 23,5% against 24,9% in 2015. The transport and tourism sectors of the Greek State contributed significantly to this. However, the de-escalation is slow and, as a consequence, 1.130.000 persons are long-tem unemployed according to official data.

THE GREEK BANKING SYSTEM

During the year 2016, the situation of the financial system presented signs of stabilisation. The recapitalisation made at the end of 2015, improved the banks' indices and balance sheets, but with a significant loss of old shareholders' investments.

In the field of corporate governance, the changes in the shareholder composition of Greek banks, with the foreign institutional investors holding significant share percentages, as well as the recent modifications of legal and supervisory nature, brought significant changes in the Banks' Boards.

The capital controls continued, with gradual easing and contributed to stabilisation of liquidity of the banking system through the containment of deposit outflow and the flight of capital abroad. The controls on bank transactions and the capital controls also had collateral positive effects, as the switch of households to the wide use of electronic payments.

Bank deposits recorded a small increase at € 121,4 billion in 2016 as against € 117,1 billion at the end of 2015.

The recapitalisation and the increase of deposits helped banks reduce their ELA dependence.

However, the maintenance of capital controls has negative impact on macro-economic figures, while the conditions for their full removal are inextricably linked to the economic developments and the restoration of depositor's trust.

However, great challenges remain for the banking system and they are related so with the general economic environment as also with the credit risk, which is the most important source of instability.

The high percentage of non-performing exposures limits both the possibility of granting credit as also the prospect of profitability of the banks.

The banks managed to reduce non-performing exposures, by using write-downs, which were formed at high levels in the entire year 2016, amounting to € 1,3 billion.

At the end of December 2016, Non-performing exposures reached € 108 billion or 45,2% of total exposures.

The most important challenges that the banks have to face are:

- The consolidation of banking portfolios by effectively addressing the problem of non-performing loans
- The out-of-court settlement
- The continuation of the path of reduction in capitals from the Greek State aid and liquidity from the Euro-system
- The increase of the return of deposits to the Greek banking system
- The new technologies will radically change the banking system
- The positive credit growth.

COOPERATIVE BANKS

Within the same context operated also the cooperative banks during the year 2016.

The new institutional framework voted in November 2015 facilitated the introduction of strategic investors in their cooperative capital.

The strategic investors have already been involved in two of the cooperative banks which operate in Greece, bringing changes in the form of the corporate governance and the introduction of new members on behalf of the investors in the boards of directors.

At mid-2016 the Bank of Greece conducted an assessment of the entire banking system and, consequently, cooperative banks. After the assessment and based on the data and the economic climate, it increased the minimum capital adequacy ratio from 8% to 10,5%. Therefore, it was granted to the credit institutions an adaptation period until September 2017.

The shutdown of Panellinia Bank created a large gap as regards the services it provided to cooperative banks.

Thus, in the year 2016 the cooperative banks launched a major service project of strategic cooperation with Attica Bank that is expected to be completed until summer 2017. After the completion of this cooperation, they shall be able to provide to their members upgraded e-services.

Today in Greece operate 9 Cooperative Banks (Pancretan Cooperative Bank, Cooperative Bank of Thessaly, Epirus, Drama, Evros, Karditsa, Pieria, Serres, Chania) and 5 Credit Cooperative Unions (of Aitoloakarnania, Arta, Voiotia, Magnisia, Megaris). At 31.12.2016 based on provisional data, the Cooperative Banks had equity € 186,3 million. They employed 865 persons (2% of employment in banks) and had 110 branches and one-stop-shops (4,4% of the market). The number of members-partners in the total of the Cooperative Banks at 31.12.2016 amounted to € 167.048. The total assets of Cooperative Banks at 31.12.2016 were approximately € 2,52 billion and correspond to 1% of the total assets of Greek Banks.

THE COOPERATIVE BANK OF KARDITSA

In this environment operated also the Cooperative Bank of Karditsa. The stabilisation of the general economic environment helped the figures improve in 2016.

The deposit outflow ceased and despite the continuation of capital controls, deposits increased by approximately 4 million reaching € 74 million, showing the customers' trust over time and the bank's credibility.

The loans, despite the continuing positive credit growth rates, show signs of stabilisation as a result mainly of the repayment of loans over the last years in enterprises (TEPIX) and energy.

It is the second year during which the Bank applies the International Financial Reporting Standards according to which have been prepared the financial statements presented in the report.

The income recorded increase by 7,7% reaching € 2.984.294 as a result mainly of the reduction of the deposit cost and the increase of commissions.

The expenses were slightly increased by 3,6%, which is due to the administrative expenses and the new supervisory requirements.

As a result of the above, the net operating profit reached € 1,25 million recording an increase of 14% illustrative of the dynamics of our bank's fundamental figures.

The assets also presented 6% increase reaching € 88 million following the decrease shown in 2015, because of the very bad economic environment.

The bank's equity amounted to € 12,26 million, increased by 5% in relation to the previous year. Combined with the increase in members by 500, amounting at the end of 2016 7.554, this ensures the trust of the local society in Karditsa's banking institution.

The capital adequacy ratio was formed at the end of 2016 at 17,93%. It is the highest capital adequacy ratio in the Greek banking system, whereas the liquidity ratio amounted to 233,15% more than double the required percentage.

The percentage of non-preforming loans is found at the average of the banking system, with a clear decreasing trend as shown by recent figures, by strengthening the respective department in human resources.

The Cooperative Bank of Karditsa managed, despite its small size, to be a shining example to the banking system, according to the supervisory authorities. This is also confirmed by the results of the Supervisory review and evaluation (SREP) carried out in September 2016 by the ECB and the Bank of Greece in all banks in Greece. In this review our bank recorded the highest score among all banks.

It is at Greece's and Europe's vanguard in the development of actions aimed at strengthening actual economy, stimulating social economy and the emergence of productive structures of our region.

In March 2016 took place the FEBEA B. of D. The representatives of Europe's ethics and alternatives came to our city for the works of this Board honouring our bank and our region in the European banking world.

In May 2016, our bank signed a high level agreement with the European Investment Fund (EIF) in the frame of EaSI programme. We are the first bank in Greece to sign such agreement, based on which we have already begun to channel microcredit to the local economy under the guarantee of EIF.

The good results of 2016 and the consecutive years of profit-making (despite the seven-year recession and crisis of the banking system), verify the stability, its dynamics and the upward course of the Cooperative Bank of Karditsa.

The Board of Directors, with the aim of strengthening the bank and despite the ongoing profitability, applies all these difficult years a moderate dividend policy, as recommended also by the Bank of Greece in its circular.

However, these results but also the expected stability in the economic environment allows us to propose to the General Meeting, a dividend distribution to our partners, for the year 2017, from the already taxed reserves.

The Board of Directors applies, in a transparent manner, all the modern corporate governance principles. It is adjusted immediately to the requirements of the supervisory authorities and organises the bank at key management and administrative level, covering the institutional responsibilities as well as the increased operating needs arising from the increase of figures. It makes every possible effort to respond consistently to the members' and customers' expectations.

The bank's officials and all its employees demonstrated enormous commitment, consistency, hard work and mood for evolution. They hold the Cooperative Bank of Karditsa high, along with the confidence and the capital of the members.

RISK MANAGEMENT

In the unstable economic environment of the Greek economy, the B. of D. of the Cooperative Bank of Karditsa makes a special effort to limit the risks that may affect the value of the assets-liabilities (on- and off-balance sheet) and consequently the equity of the Bank.

The Board of Directors has the overall responsibility for the development and supervision of the risk management framework, forms the strategy of risk-taking and risk management, in conjunction with the Bank's business purposes, while it assesses the effectiveness of risk management policy, as well as the adequacy of the Equity, in relation to the size and the form of the undertaken risks. The risk management framework is assessed and constantly evolving, taking into account the Bank's historical database, the market dynamics, the compliance with supervisory requirements and international best practices. For this purpose, the Bank has established and operates the Risk Management Unit.

The Bank submits, on an annual basis, to the competent divisions of the Bank of Greece the Internal Capital Adequacy Assessment Process (ICAAP), which analyses in quantitative and qualitative terms the instruments it uses to manage individual risks and the future impact on its solvency (Capital Adequacy Ratio).

Credit risk

Credit risk is the risk of financial loss which may arise from the potential failure of the borrowers to perform their contractual obligations.

For a more proper monitoring and management of loans, the Bank has proceeded, in accordance with the legal framework, to the separation of funding, to the funding managed by the Credit Division and the funding managed by the Non-Performing Loans Division.

The Credit Division evaluates and recommends loans of all bank branches. For the assessment of the business loans by the borrowers is used the programme of the company "Systemic R.M. S.A.". The final decision for approving or refusing financing has been assigned to four approval sub-units, depending on the amount of the financing.

In the context of strengthening the Credit Risk management in 2017 will be planned and implemented a change in the flow of information of funding/renewal requests with active participation of the Risk Management Unit with specified reports.

The management of overdue amounts has been assigned to the Non-Performing Loans Division (Administrative body for non-performing loans) and the decision-making to the Non-Performing Loans Committee. The Non-Performing Loans Division follows closely the code of conduct and classifies borrowers as cooperative and non-cooperative.

The purpose of the Non-Performing Loans Division is to find a sustainable solution for cooperative customers which cannot meet their obligations to the Bank so as to improve collectability and keep the non-performing loans ratio at lowest levels possible.

Residual Risk

The Bank receives collateral and guarantees against credit to customers, decreasing the overall credit risk and ensuring the repayment of loans. For this purpose, the Bank incorporates in its policy collateral, the most important of which are:

- Greek Government guarantees
- Pledges on deposits
- Pre-notices / Mortgages on property assets

- Bank letters of guarantee
- Pledges on cheques
- Assigned receivables-E/P
- Guarantees of Greek, European Funds and Organisations

For examining the effects of the residual risk on total credit risk are carried out regular stress tests.

Legal Risk

In our bank was established and operates a Legal Service Division which is staffed by part-time legal consultants, handling all legal cases of the Bank and providing assistance in the cases of the Non-Performing Loans Division in their scope of responsibility.

Counterparty risk

Our bank is not exposed to the said risk.

Concentration risk

Due to the small size and the activity in a limited geographical area where specific economic activity is developed, it presents high percentages of concentration per sector. However, in the last years has been made effort for higher spreads with rather satisfactory results.

Securitisation risk

Our bank has not implemented securitisation programmes.

Market risk

Our bank is not exposed to market risk because the strategy of all B. of D.s since its establishment is not to extend to other products than loans and advances.

Liquidity risk

For minimizing the said risk, the B. of D. chose to always maintain higher (almost double) levels of cash equivalents than the required by the supervisory authorities. Of course, this had a negative effect on the results but helped in times of crisis not to encounter problems which would have impact on the bank's reputation. Nowadays, the Bank manages this risk through a complete framework for monitoring liquidity (Internal Liquidity Adequacy Assessment Process - ILAAP).

Operational risk

It has been established and continues the revision of regulations and instructions to the personnel for its better information. The staff is trained on new systems and procedures.

Our bank uses modern software for the support of its operations and invests in their continuous improvement. It has developed a management information system (MIS) which gives an immediate picture of all the bank's figures resulting in rapid response to the change in circumstances.

In addition, CRM platform is used for electronic monitoring, storing of information and cases.

Risk of Non-compliance

In the frame of our bank's regulatory compliance have been held from time to time seminars on "preventing money laundering and terrorist financing". The collaboration of our bank mainly with members reduces the chances for unusual or suspicious transactions. The persons in charge of such matters have prepared manuals accessed by all personnel. For 2017 are planned changes at organisational level which will strengthen our Bank in managing the said risk.

(Amounts expressed in Euro)

Capital risk

The risk refers to the level, the structure and the stability of the regulatory capital and whether this can absorb losses. Tier1 capital consists of cooperative capital paid without participation of innovative and hybrid instruments reflecting the policy applied throughout the years of the bank's operation.

The limitation based on L.4261/14 concerning the decrease of capital above 2% considerably enhances the stability of the Bank's Equity.

There is a satisfactory spread, if we take into account the size and the prefecture of the bank.

Dividend Policy – Provisions

The management's decisions in time regarding the dividend policy to be followed are a combination of financial and investing decisions. Whether the dividends will be distributed as also the amount of the dividend differs from year to year. Namely the bank follows a cyclical dividend policy by which shareholders ultimately bear the entire risk of the activities undertaken by the bank.

The purpose of the Management's reasonable dividend policy is offsetting between retained earnings on the one hand and avoiding crackling by reputation disorder on the other hand.

Profit risk

We observe the effects of the political crises on the elements (A) to (D) (2013 and 2015). The increased needs for provisions and the transition to IAS/IFRS had the expected impact on elements (F) to (I). The profit net of tax (E) cannot be used this year for the distribution of dividend to the partners if the appropriate actions for the formation of Equity are not completed.

EVOLUTION OF FIGURES AND OTHER SIGNIFICANT INDICATORS	**2012**	**2013**	**2014**	**2015**	**2016**
A) Net interest income	2.625,00	2.241,00	2.858,00	2.387,00	2.524,00
B) Net operating income from banking and non-banking operations	3.168,00	2.845,00	3.171,00	2.770,00	2.984,00
C) Profit before taxes and provisions	1.739,00	1.351,00	1.648,00	1.099,00	1.252,00
D) Profit before taxes	785,00	326,00	-1.133,00	480,00	456,00
E) Profit net of tax	594,00	1.136,00	-873,00	563,00	311,00
F) Net book amount of Equity	16.382,00	16.500,00	10.782,00	11.661,00	12.261,00
G) Total Assets	79.032,00	92.828,00	99.229,00	83.051,00	87.795,00
H) Weighted assets	75.810,00	81.568,00	57.989,60	56.892,56	61.429,19
I) Administrative expenses	1.341,00	1.385,00	1.522,00	1.672,00	1.599,00

(Amounts expressed in Euro)

EVOLUTION OF FIGURES AND OTHER SIGNIFICANT INDICATORS	2012	2013	2014	2015	2016
1) Profit before taxes / Weighted assets	1,04%	0,40%	-1,95%	0,84%	0,74%
2) Profit net of tax / Net book amount of Equity	3,63%	6,88%	-8,10%	4,83%	2,54%
3) Net interest income / Total Assets	3,32%	2,41%	2,88%	2,87%	2,87%
4) Net operating income/ Weighted assets	4,18%	3,49%	5,47%	4,87%	4,86%
5) Administrative expenses / Number of personnel	53,64 €	49,46 €	46,12 €	41,80 €	45,69 €
6) Administrative expenses / Operating income	42,33%	48,68%	48,00%	60,36%	53,59%

Goals for 2017

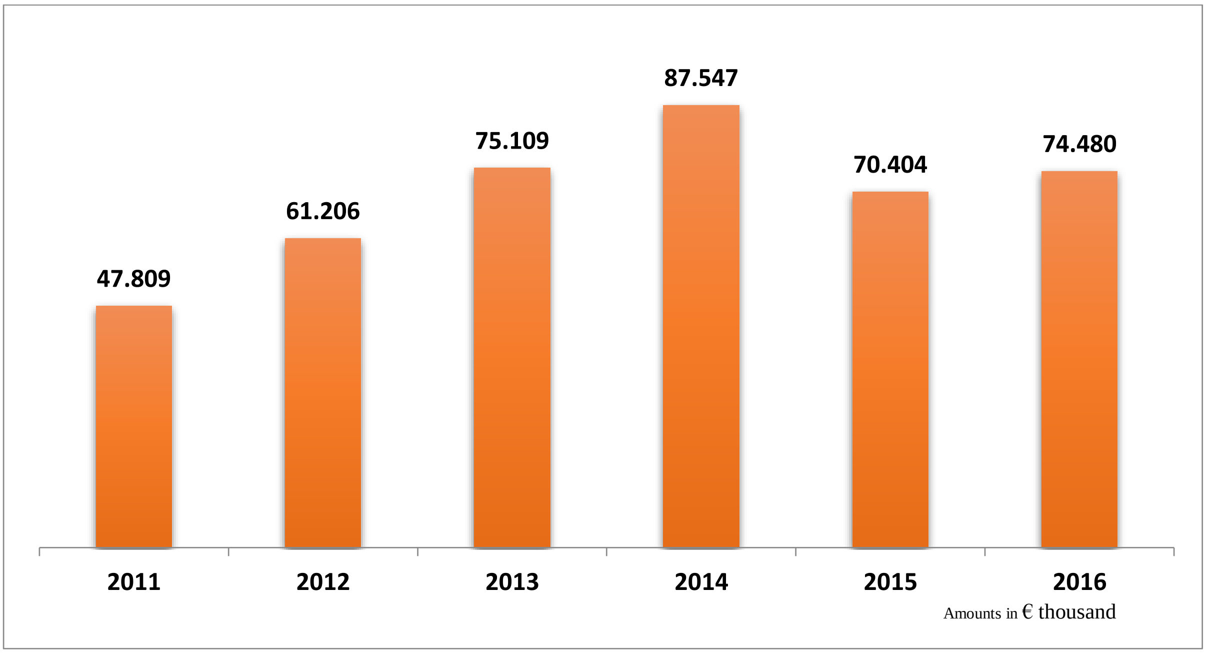
The main goals of the Bank for 2017 are:

- The management of arrears, the decrease of which is a key priority for the Bank.
- The maintenance of the Bank’s capital adequacy at high levels.
- The development of partnerships to attract funds for the purpose of placing them in the local economy and supporting healthy entrepreneurship.
- The further update and expansion of e-banking and mobile banking.
- The adequate financing of the local economy, the assistance of the partners and the strengthening of the social economy enterprises.
- The promotion of the region’s exports and support of extrovert enterprises.
- The expansion of collaboration with the European Bank and the European Investment Fund, for financing the local economy.
- The maintenance of a balanced growth rate between deposits and loans.
- The accomplishment of satisfactory liquidity, through deposits as well as partnerships with other credit institutions.
- The development of closer collaboration with the Local Authorities (LAs) of each grade and the production agencies of Karditsa and of the Region of Thessaly.
- The further centralization of operations, while maintaining flexibility and continuous improvement of the quality of services rendered and customer service.
- The reduction of operating expenses and the targeted reinforcement of structures following the best practices for the protection of the bank.
- The maintenance of the branches network at the existing levels until the end of 2017.
- The creation of partnerships with European Cooperative Banks and European Institutions for the utilisation of technology, capital and organization systems.

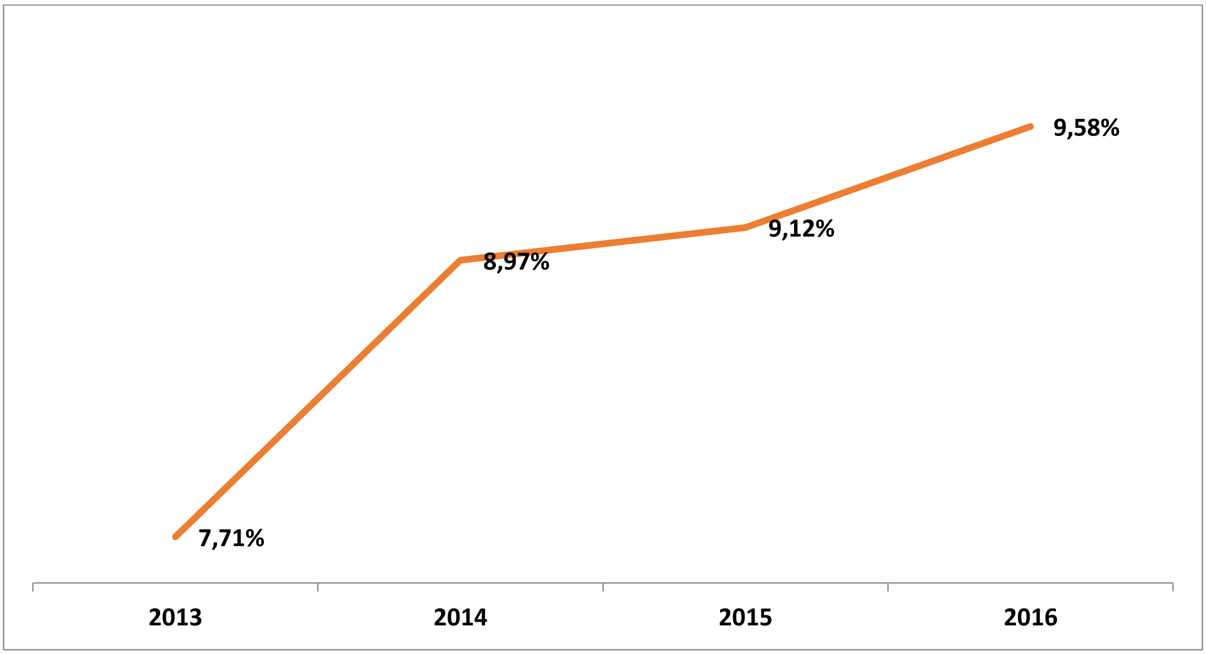
Evolution of Financial Figures and Results for the Year 2016

The Bank’s financial statements for the present year have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Deposits: The Bank's deposits at 31/12/2016 were formed at € 74,5 million from € 70,4 million at 31/12/2015, recording a 5,8% increase.

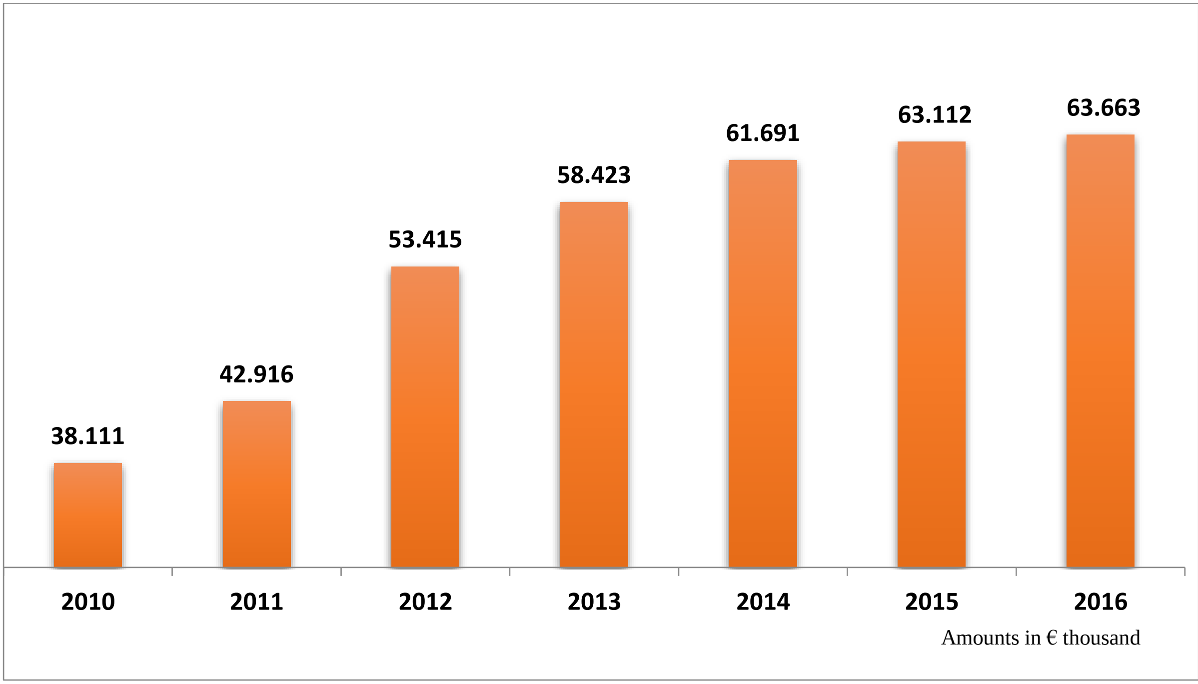


From the official records published by the Bank of Greece regarding deposits per prefecture arises that its share is increased in the Prefecture of Karditsa also in 2016 at 9,58%, thereby sealing the trust placed in the Bank by the members and the customers.

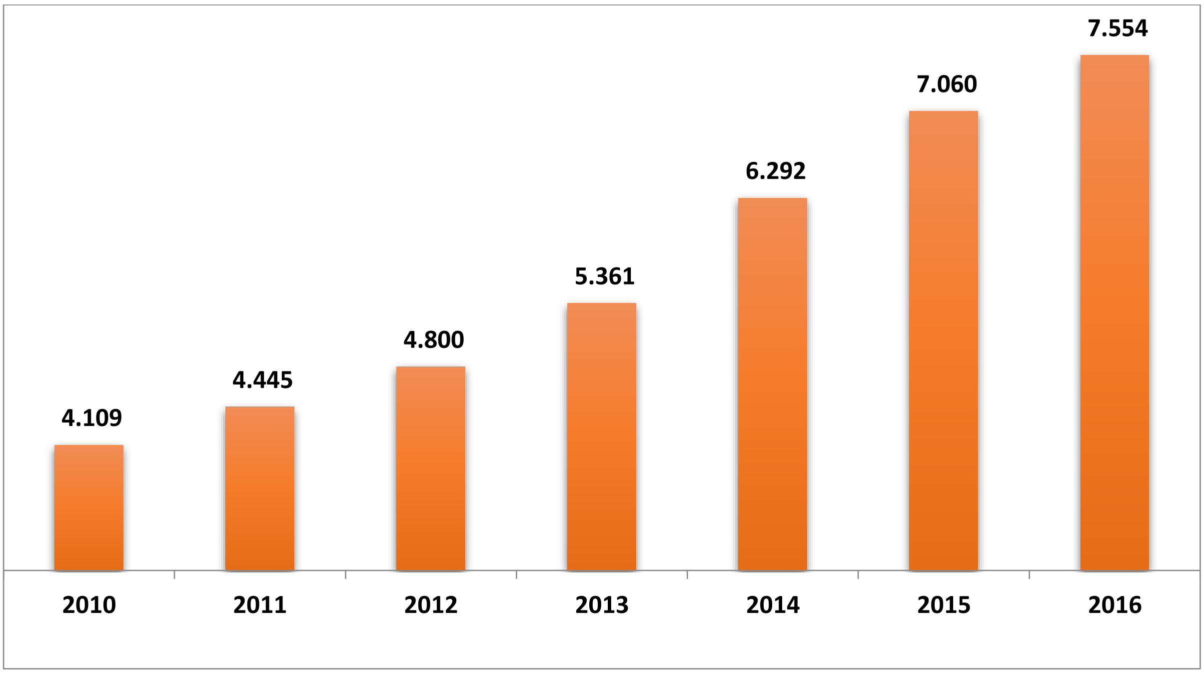


Cash equivalents: They consist of cash accounts, deposits with the Central Bank and deposits at banks and amounted in the year 2016 to € 34,1 million from € 30,1 million in 2015 recording a 13,3% increase.

Loans: Despite the adverse economic climate also in 2016, the Bank continued to support the enterprises and the households and provide loans. At 31/12/2016 the total of the Bank's loans and advances to customers amounted to € 63,7 million as against € 63,1 million in 2015, maintaining a fixed percentage.

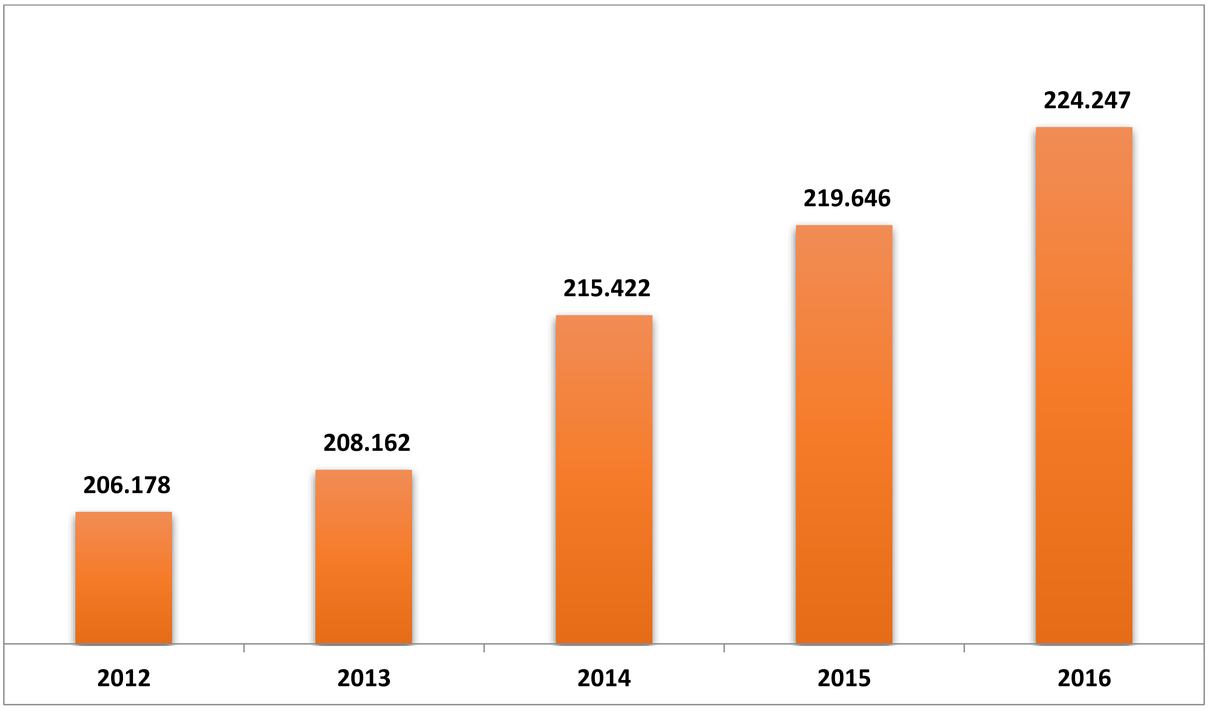


Members: The number of the Bank's partners-members at 31/12/2016 reached 7.554, presenting an increase by 494 new members or 7% increase in relation to 2015. Between 2010 and 2016 the number of members has been rising steadily and the increase reaches 84%. Our objective now is to reach and surpass the 10.000 members.



(Amounts expressed in Euro)

Cooperative share parts: Also in 2016 the cooperative share parts increased by 4.601, presenting an increase of 2,1%.



Equity: The equity of the Bank amounted at 31.12.2016 to € 12,26 million as against € 11,66 million in the previous year. As a result, the capital adequacy ratio amounted to 17,93%, as against the minimum regulatory capital ratio 10,50%.

	2016	2015
Cooperative capital	8.297.139	8.126.902
Share premium	6.731.847	6.625.892
Reserves	2.096.154	2.071.434
Retained earnings	(4.864.449)	(5.163.329)
Total equity	**12.260.691**	**11.660.899**

Therefore, the carrying amount of the cooperative share part for 2016 is formed at € 54,68 as against € 53,09 in 2015.

	2016	2015
Nominal value	€ 37,00	€ 37,00
Carrying amount of share part	€ 54,68	€ 53,09

(Amounts expressed in Euro)

Publication of Information under article 6 L. 4374/2016

Information for the year 2016 according to the provisions of the Law 4374/2016.

Article 6. Transparency in relations of credit institutions with media companies and sponsored individuals.

	Advertisements & other Promotions	
S/N	**Trademark or Name**	**NET AMOUNT IN €**
1	GEORGIOS AMVROSIOU L.T.D.	1.806,60
2	G.ALEXIOU & Co. S.A.	2.669,51
3	EVANGELOS LEMAS	2.216,12
4	PLIROFORISI KARDITSAS S.A.	2.694,56
5	PANAGIOTIS V. FILIPPOU	1.916,30
Total Advertisements & other Promotions		**11.303,09**
	Donations & Subsidies	
S/N	**Trademark or Name**	**NET AMOUNT IN €**
1	INTERNATIONAL FESTIVAL OF KARDITSA	1.000,00
2	SPITI TIS AGAPIS	300,00
3	SOFADES GYMNASTICS CLUB	500,00
4	KARDITSA TRADE ASSOCIATION	300,00
5	UNION OF CULTURAL ASSOCIATIONS OF KARDITSA	3.000,00
6	CONFECTIONERS ASSOCIATION OF KARDITSA PREF.	500,00
7	OTHER DONATIONS	130,12
Total Donations & Subsidies		**5.730,12**
	Grand total	**17.033,21**
	Amounts paid to Legal Persons	**16.903,09**
	Amounts paid to Natural Persons	**130,12**

True copy of the Minutes book
of the Board of Directors

Karditsa, 25 May 2017
The Chairman of the Board of Directors

Georgios Boukis

B) INDEPENDENT AUDITOR'S REPORT

To the Partners of the "COOPERATIVE BANK OF KARDITSA"

Report on the Financial Statements

We have audited the accompanying financial statements of the "COOPERATIVE BANK OF KARDITSA" (the Bank), which comprise the balance sheet as at 31 December 2016, the statements of comprehensive income, changes in equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing that have been incorporated into Greek legislation (G.G./B'/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the "COOPERATIVE BANK OF KARDITSA" as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to note 2.1 to the financial statements, where reference is made to the existing economic and financial environment and the current developments in Greece and the material uncertainty deriving from them, which could affect the Bank's going concern principle.

Report on Other Legal and Regulatory Requirements

Whereas management is responsible for the preparation of the Report of the Board of Directors, pursuant to the provisions of paragraph 5, article 2 (part B') of L. 4336/2015, we note that:

a) In our opinion the Report of the Board of Directors has been prepared in accordance with the applicable legal requirements of the article 43a of cod. L. 2190/1920 and its content corresponds with the accompanying financial statements for the year ended 31/12/2016.

b) Based on our understanding obtained when performing our audit of the "COOPERATIVE BANK OF KARDITSA" and its environment, we have not identified any material misstatements in the Report of the Board of Directors.

Athens, 31 May 2017

Apostolos Th. Polyzos

Certified Public Accountant Auditor

Institute of CPA (SOEL) Reg. No. 14491

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C) ANNUAL FINANCIAL STATEMENTS IN ACCORDANCE WITH I.F.R.S.

Table of contents of financial statements

(Amounts expressed in Euro)

Statement of Comprehensive Income

	Note	1/1-31/12/2016	1/1-31/12/2015
Interest receivable and similar income		3.625.906	3.726.258
Interest payable and similar charges		(1.101.556)	(1.339.538)
Net interest income	**6**	**2.524.351**	**2.386.720**
Commissions receivable		539.120	460.988
Commissions payable		(131.772)	(114.462)
Net commission income	**7**	**407.348**	**346.526**
Other income		52.595	36.836
Total income		**2.984.294**	**2.770.082**
Personnel costs and expenses	**8**	(1.015.268)	(967.630)
Depreciation-Amortisation	**16, 17**	(132.360)	(151.062)
Other operating expenses	**9**	(584.301)	(552.868)
Total operating expenses before provisions and impairment		**(1.731.929)**	**(1.671.559)**
Earnings before provisions, impairment and taxes		**1.252.365**	**1.098.523**
Impairment of loans	**14**	(761.021)	(576.234)
Other impairment losses	**10**	(35.541)	(42.016)
Profit/(loss) before tax		**455.803**	**480.273**
Income tax expense	**11**	(144.953)	82.413
Profit/(loss) for the year		**310.850**	**562.686**
Other operating income net of taxes			
Items not subsequently classified in results			
Re-measurement of defined benefit plans	**22**	-	88
Total comprehensive income for the year		**310.850**	**562.774**

The notes in pages 23 to 65 constitute integral part of these financial statements.

(Amounts expressed in Euro)

Balance Sheet

	Note	31/12/2016	31/12/2015
Assets			
Cash and balances with Central Bank	**12**	5.177.165	10.732.534
Loans and advances to banks	**13**	28.899.819	19.321.365
Loans and advances to customers	**14**	47.642.722	47.817.919
Investment Securities portfolio	**15**	1.389.697	340.553
Property, plant and equipment	**16**	356.572	433.319
Intangible assets	**17**	84.931	99.100
Deferred tax assets	**18**	2.388.363	2.422.744
Other assets	**19**	1.855.696	1.883.217
Total Assets		**87.794.964**	**83.050.752**
Liabilities			
Due to customers	**20**	74.479.570	70.462.263
Provisions for liabilities and charges	**21**	155.000	155.000
Retirement benefit obligations	**22**	114.241	102.778
Current tax liabilities		55.193	-
Other liabilities	**23**	730.270	669.813
Total Liabilities		**75.534.274**	**71.389.854**
Equity			
Cooperative capital	**24**	8.297.139	8.126.902
Share premium	**24**	6.731.847	6.625.892
Reserves	**25**	2.096.154	2.071.434
Retained earnings		(4.864.449)	(5.163.329)
Total equity		**12.260.691**	**11.660.898**
Total liabilities and equity		**87.794.964**	**83.050.752**

The notes in pages 23 to 65 constitute integral part of these financial statements.

(Amounts expressed in Euro)

Statement of Changes in Equity for the period

	Note	Cooperative capital	Share premium	Reserves	Retained earnings	Total Equity
Balance at 1 January 2015		**7.970.614**	**6.485.759**	**2.035.509**	**(5.709.928)**	**10.781.954**
Other comprehensive income	**22**			88		88
Profit for the year					562.686	562.686
Total Income recognised in the year		**-**	**-**	**88**	**562.686**	**562.774**
Changes in reserves				16.087	(16.087)	-
Increase in cooperative capital	**24**	156.288	140.133	19.750		316.171
Balance at 31 December 2015		**8.126.902**	**6.625.892**	**2.071.434**	**(5.163.329)**	**11.660.898**

	Note	Cooperative capital	Share premium	Reserves	Retained earnings	Total Equity
Balance at 1 January 2016		**8.126.902**	**6.625.892**	**2.071.434**	**(5.163.329)**	**11.660.898**
Profit for the year					310.850	310.850
Total Income recognised in the year		**-**	**-**	**-**	**310.850**	**310.850**
Changes in reserves				11.970	(11.970)	-
Increase in cooperative capital	**24**	170.237	105.956	12.750		288.943
Decrease in cooperative capital						-
Balance at 31 December 2016		**8.297.139**	**6.731.847**	**2.096.154**	**(4.864.449)**	**12.260.691**

The notes in pages 23 to 65 constitute integral part of these financial statements.

(Amounts expressed in Euro)

Statement of Cash Flows

	Note	1/1-31/12/2016	1/1-31/12/2015
Cash flows from operating activities			
Profit/(loss) before taxes		**455.803**	**480.273**
Adjustments for non-cash items:			
Depreciation	**16, 17**	132.360	151.062
Impairment of loans	**14**	761.021	576.234
Other impairment losses	**10**	35.541	42.016
Provisions for staff retirement benefits	**22**	11.463	12.077
		1.396.188	1.261.662
Net (increase)/decrease of assets related to continuing operating activities:			
Loans and advances to banks		(9.578.454)	19.622.516
Loans and advances to customers		(585.823)	(1.386.642)
Other assets		(16.530)	(46.411)
		-10.180.807	18.189.463
Net (increase)/decrease of assets related to continuing operating activities:			
Due to customers		4.017.307	(17.085.229)
Other liabilities		60.457	(4.760)
		4.077.764	-17.089.989
Net cash flows from operating activities before taxes		**(4.706.855)**	**2.361.136**
Income tax paid		(46.870)	81.080
Net cash flows from operating activities		**(4.753.725)**	**2.442.216**
Cash flows from investing activities			
Sales of tangible assets			
Securities purchases		(1.049.143)	(100.000)
Purchases of tangible and intangible assets		(41.444)	(62.171)
Net cash used in investing activities		**(1.090.587)**	**(162.171)**
Cash flows from financing activities			
Dividend distribution		-	-
Net increase in cooperative capital	**24**	288.943	316.171
Net cash used in financing activities		**288.943**	**316.171**
Net increase/(decrease) in cash and cash equivalents for the year		**(5.555.370)**	**2.596.216**
Cash and cash equivalents at beginning of the year		10.732.534	8.136.318
Cash and cash equivalents at end of the year	**12**	**5.177.165**	**10.732.534**

The notes in pages 23 to 65 constitute integral part of these financial statements.

(Amounts expressed in Euro)

Notes to the financial statements

1. General information

The CO-OPERATIVE BANK OF KARDITSA (hereinafter "the Bank" or "THE CO-OPERATIVE BANK OF KARDITSA") was founded in Greece in 1994, operates as a credit institution and is registered with the General Commercial Registry (G.E.MI.) with registration No.: 122314731000. The head office of the Bank is in Karditsa in the prefecture of Karditsa, at Kolokotroni and Taliadourou Str. - Centre of Karditsa, P.C. 43132. The website of the Bank is http://www.bankofkarditsa.gr.

By the inaugural meeting dated 28.3.94 it was established, in accordance with the provisions of L. 1667/1986, as a credit co-operative with the name "CREDIT CO-OPERATIVE OF KARDITSA", the articles of Association of which were recorded in the book of Registry of the Co-operatives of the Justice of the Peace of Karditsa by act No. 289/95 of the Justice of the Peace of Karditsa and with reg. No. 19/5.4.1994. By decision of the Banking and Credit Committee of the Bank of Greece (meeting 607/26.01.98) published in the Government Gazette (G.G. A 74) it was granted a licence to operate as a credit institution to the Credit Development Association of the Prefecture of Karditsa with the name "Co-operative Bank of the Prefecture of Karditsa".

Upon resolution of the General Meeting held on 11.06.2009 was resolved the modification of the name from "Co-operative Bank of the Prefecture of Karditsa" to "Co-operative Bank of Karditsa".

The CO-OPERATIVE BANK OF KARDITSA operates since 1998 as a credit institution, mainly in the frame of the Prefecture of Karditsa. It has the following branches and offices:

-Central Branch in Karditsa

-Office of Palamas in the Pr. of Karditsa

-Office of Mouzaki in the Pr. of Karditsa

- Office of Sofades in the Pr. of Karditsa

The main purpose of the cooperative according to its articles of Association is, by the combined efforts and cooperation of its members, the assistance and promotion of their economic, social and cultural aspirations and their interests.

It is a credit cooperative, its purpose is economic and it aims at improving and protecting the industry and crafts, the trade, the agriculture, livestock and fisheries, and generally all economic activity fields.

In the Bank's purpose are also included banking activities, which are subject to the decisions of the Bank of Greece, as these are in effect.

1.1 Board of Directors

The composition of the Bank's Board of Directors is as follows:

CHAIRMAN-LEGAL REPRESENTATIVE	Georgios Boukis	EXECUTIVE MEMBER
A' VICE CHAIRMAN	Thomas Deligiannis	EXECUTIVE MEMBER
B' VICE CHAIRMAN	Aristotelis Mylonas	NON EXECUTIVE MEMBER
TREASURER	Apostolos Kandylas	NON EXECUTIVE MEMBER
GENERAL SECRETARY	Orestis Psachoulas	EXECUTIVE MEMBER
DEPUTY TREASURER	Georgios Papakostas	EXECUTIVE MEMBER
DEPUTY GENERAL SECRETARY	Konstantinos Gaitanidis	NON EXECUTIVE MEMBER
MEMBER-EXECUTIVE GENERAL DIRECTOR	Panagiotis Tournavitis	EXECUTIVE MEMBER
MEMBER-EXECUTIVE GENERAL DIRECTOR	Charalampos Fyllos	EXECUTIVE MEMBER

The term of office of the Board of Directors ends in November 2019.

1.2 Approval of Financial Statements

The annual financial statements were approved by the Bank's Board of Directors on 25 May 2017 and are subject to approval by the Annual General Meeting of shareholders.

2. Basis of preparation

The present financial statements include the annual financial statements of the COOPERATIVE BANK OF KARDITSA, for the year ended 31 December 2016 and have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS"), as they have been adopted by the European Union.

The financial statements have been prepared under the historical cost convention and the going concern principle.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgment in the process of applying the accounting principles. Moreover, is required the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of preparation of financial statements and the reported income and expense amounts during the reporting period. Although these estimates are based on Management's best possible knowledge with respect to current circumstances and actions, the actual results may eventually differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

2.1 Going concern

The completion of the first review of the third economic adjustment programme realised in mid-2016 constituted a significant positive development for Greek Economy. After signing the supplemental memorandum and the decision of the ESM on 17/6/2016 was given the possibility for disbursement of total amount € 10,3 billion, that was paid by € 7,5 billion on 21/6/2016 and by € 2,8 billion on 26/12/2016 after the required measures were voted by the Plenary session of the Hellenic Parliament. The said amounts were provided mainly for serving the financial needs and paying the Greek government's obligations due. This fact, however, even though it affected positively the limitation of uncertainty and the improvement of the economic climate, did not contribute to full kick-start of the Greek economy and its return to growth.

Also, in December 2016 at the Eurogroup was decided the implementation of debt relief measures by extension of the period of repayment to the EFSF, reduction of the existing interest rate risk as well as other relevant measures.

The economic and financial environment of Greece remains adverse with material uncertainty. As main factors that cause uncertainties, which could affect the Bank's going concern principle, can be considered a) the ability of the Greek economy to cope successfully with the constantly increasing required additional budgetary measures, as currently agreed with the institutions, b) the continuing for a long time recession of the Greek economy, c) the delay and uncertainty regarding the lifting of capital controls, d) the procrastination of governmental decisions in dealing with "non-performing loans".

However, the successful completion of the second assessment could help reduce part of the existing instability and lead to a more favourable macroeconomic environment by lifting or easing capital controls and providing easier access to cheaper sources of financing for the Banking system. Otherwise, a prolonged period of completing the second assessment and of continuing instability would result to the deterioration of the economy.

Nevertheless, it is pointed out that, despite the prevailing adverse economic conditions, it maintains a high capital adequacy ratio and a satisfactory liquidity ratio (paragraphs 4.2.3 and 4.3.).

It is further noted that in the first half of 2015, mainly as a result of the prolonged period of the country's negotiations with the institutions, uncertainty increased considerably and there were significant outflows of deposits at the credit institutions ultimately leading to the mandatory shutdown of banks and the imposition of capital controls. These outflows resulted to the creation of conditions of dependency on the Emergency Liquidity Mechanism (ELA), in most credit institutions mainly in large Greek banks but also large Cooperative Banks. Despite these circumstances, the Bank did not need financing from ELA, since it maintained a significant amount of liquidity, mainly by its deposits in other Banks, in current and time deposit accounts.

The Bank closely monitors these risks and their effects on its activity, in order to modify where necessary its business strategy or financial policy. In this context, an important positive development is the signing in 2016 of agreement between the Bank and the European Investment Fund, based on which it is provided the granting of guarantees from the said fund, with the purpose of creating a microfinance portfolio in entities characterized as small-sized with funding amount per borrower € 25 thousand and up to the total amount of financing € 5 million. The loans to be funded with the Bank’s capitals will be 80% guaranteed by the European Investment Fund.

Taking into account the above factors, the Board of Directors, considers that the financial statements of the Bank can be prepared based on the going concern principle.

2.2 New standards and interpretations

2.2.1 New standards and amendments adopted by the Bank

The Bank applied for the first time certain standards and amendments which are mandatory for the current year 2016. The Bank has not earlier applied any other standard, interpretation or amendment issued but their application is not mandatory for the current year 2016.

The nature and the impact of each new standard or amendment, related to the Bank’s activity, is described below, despite the fact that these new standards and amendments which are applied for the first time in 2016, had no material impact on the annual financial statements of the Bank.

IAS 1 (Amendments) “Presentation of Financial Statements: Disclosure Initiative”

The amendments to IAS 1 clarify, instead of significantly changing the existing requirements to IAS 1. The amendments clarify:

- The materiality requirements of IAS 1
- That certain items in the Statement of Financial Position and the Statement of Comprehensive Income may be detailed
- That entities have flexibility as to the order in which they present the notes to the financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be classified between those items that will or will not be subsequently reclassified to profit or loss

- The requirements for how additional subtotals are presented in the Statement of Financial Position and the Statement of Comprehensive Income

The above amendments have no impact on the Bank.

IAS 16 (Amendments) "Property, Plant and Equipment" and IAS 38 "Intangible Assets: Property, Plant and Equipment: Clarification of Acceptable methods of depreciation and amortisation"

The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such revenue reflect usually other factors than the consumption of an asset's expected future economic benefits.

These amendments have no impact on the Bank, since it has not used any revenue-based depreciation method for non-current Assets.

IAS 19 (Amendments) "Employee benefits: Employee contributions to defined benefit plans"

The amendments clarify that the contributions by employees or third parties associated with the service, in a benefit plan, should be attributed to periods of service. The amendments have no impact on the Bank.

Annual Improvements to IFRSs 2010-2012 Cycle

The amendments of the 2010 - 2012 Cycle were issued by the IASB on 12 December 2013, are applicable for annual periods beginning on or after 1 February 2015. None of these amendments has impact on the Bank.

- **IFRS 2 "Share-based Payments"**

  The definitions "vesting conditions" and "market condition" are amended and definitions for "performance condition" and "service condition", previously making part of the definition "vesting conditions", are added.

- **IFRS 3 "Business combinations"**

  The amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

- **IFRS 8 "Operating segments"**

  The amendments require additional disclosures regarding judgements when two or more operating segments have been aggregated in one reportable segment. These also clarify that a reconciliation of the total of reportable segments assets to the entity's assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker.

- **IFRS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"**

  The two standards were amended to clarify how the gross carrying amount and accumulated amortisation are adjusted in case of revaluation of a (tangible or intangible) asset at its carrying amount.

- **IAS 24 "Related Party Disclosures"**

  The amendment addresses the transactions arising when a management entity provides services of key management personnel, in the sense of IAS 24, to the reporting entity.

Annual Improvements to IFRSs, Cycle 2012-2014

The amendments of the 2012 - 2014 Cycle were issued by the IASB on 25 September 2014, are applicable for annual periods beginning on or after 1 January 2016. None of these amendments has impact on the Bank.

- **IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"**

  The amendment clarifies that the change from one method of disposal to another (i.e. sale or distribution to owners) should not be considered as a new plan of sale but as a continuation of the original plan of disposal. Consequently, the requirements of IFRS 5 continue to apply. The amendment also clarifies that changes in the method of disposal shall not change the date of classification.

- **IFRS 7 "Financial Instruments: Disclosures"**

  The amendment clarifies that a servicing contract that includes a fee, may give rise to continuing involvement in a financial asset that has been de-recognised. This affects the disclosure requirements of the standard. Also, the amendment clarifies that the disclosures of the IFRS 7 concerning the offsetting of financial assets and financial liabilities are not required in condensed interim financial statements.

- **IAS 19 "Employee Benefits"**

  The amendment clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level and not a country level.

- **IAS 34 "Interim Financial Reporting"**

  According to the amendment, the entity has the ability to present the disclosures of paragraph 16A of IAS 34 either in the interim financial statements or incorporated by cross-reference from the interim financial statements to information in another statement (such as management commentary or risk report), available to users of the financial statements on the same terms as the interim financial statements and at the same time.

2.2.2 Standards and Interpretations mandatory for subsequent periods that have not been earlier applied by the Bank

The following new standards, amendments to existing standards and interpretations have been issued, are related to the Bank's activity, but are mandatory for subsequent periods. The Bank has not earlier applied these standards and is assessing their impact on the financial statements.

IAS 7 (Amendments) "Statement of Cash Flows: Disclosure Initiative"

In January 2016, IASB amended IAS 7 requiring an entity to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are applicable for annual periods beginning on or after 1 January 2017, have not yet been approved by the European Union and shall have no material impact on the Bank's financial statements.

IAS 12 (Amendments) "Income tax: Recognition of Deferred Tax Assets for Unrealised Losses"

The amendments to IAS 12 clarify that the decrease below the cost in the carrying amount of a fixed-rate debt instrument measured at fair value, while its tax base remains at cost, gives rise to a deductible temporary difference and, therefore, the recognition of a deferred tax asset. Another issue also clarified by the amendments is that should be determined the probable future taxable profit against which deductible temporary differences shall be offset to assess whether a deferred tax asset should be recognised or not. In addition, when an entity assesses whether taxable profits will be available in the future, against which it can utilise a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it may make deductions. The amendments are applicable for annual periods beginning on or after 1 January 2017, have not been adopted yet by the European Union and shall have no impact on the Bank's financial statements.

IAS 40 (Amendments) "Investment Property: Transfer of Investment Property"

The amendment clarifies that the transfer of an asset, including property under construction or development, to or from investment property should only be made when there is a change in use. This change in use occurs if the property meets, or ceases to meet, the definition of investment property and should be documented. The amendments are applicable for annual periods beginning on or after 1 January 2018, have not been adopted yet by the European Union and shall have no impact on the Bank's financial statements.

IFRS 2 (Amendments) "Share-based Payments: Classification and Measurement of Share-based Payment"

The amendments clarify the effects of vesting conditions on the measurement of cash-settled share-based payments, the accounting for withholding tax obligations for share-based payments and the accounting for modifications to the terms and conditions of share-based payments. The amendments to IFRS 2 are applicable for annual periods beginning on or after 1 January 2018, have not been adopted yet by the European Union and shall have no impact on the Bank's financial statements, since the Bank does not have, or intends to offer share-based benefit plans.

IFRS 4 (Amendments) "Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**"**

The IFRS 4 was amended providing two options for the application of IFRS 9 until the new standard replacing IFRS 4 and concerning insurance contracts is completed. One option concerns temporary exemption from application of IFRS 9 and the other option provides an overlay approach to the presentation of the statement of comprehensive income. The amendments to IFRS 4 are applicable for annual periods beginning on or after 1 January 2018, have not been adopted yet by the European Union and shall have no impact on the Bank's financial statements.

IFRS 9 "Financial instruments"

The new standard determines the principles of recognition and measurement of financial assets, financial liabilities and some purchase or sale contracts for non-financial items. The standard comes to supersede the IAS 39. The financial assets are valued at amortised cost, at fair value through profit or loss, or the fair value through other comprehensive income, based on the entity's business model for the management of the financial assets and the contractual cash flows of the financial assets. Except for the entity's credit risk, the classification and measurement of financial liabilities is not changed in relation to the existing requirements. The IFRS 9 introduces a new impairment model for financial assets, rather than the expected credit loss model. The model also introduces significant changes to the hedge accounting model.

The IFRS 9 is mandatory for annual periods beginning on or after 1 January 2018. The Bank is assessing the impact of the IFRS 9 on its financial statements.

IFRS 15 "Revenue from Contracts with Customers"

The IFRS 15 determines the requirements for recognition of revenue, applicable to all contracts with customers, except for contracts within the scope of the standards regarding financial instruments, leases and insurance contracts. The IFRS 15 supersedes the previous standards (and interpretations) relating to revenue.

The standard provides a uniform model of five steps that shall be used in all the contracts with customers for the revenue recognition. Also, the entity shall recognise the incremental costs of obtaining a contract as an asset, if the entity expects to recover these cots. The IFRS 15 requires further disclosures, both quantitative and qualitative information, to enable users of financial statements to understand the nature, amount, timing and uncertainty of the revenue and cash flows arising from contracts with customers.

The IFRS 15 is mandatory for annual periods beginning on or after 1 January 2018. The Bank is now assessing the effects of IFRS 15 on the financial statements, but its adoption is not expected to have material impact on the financial statements.

IFRS 15 (Amendments) "Revenue from Contracts with Customers"

The amendments do not change the underlying principles of the Standard, but rather clarify how the principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether the Bank is a principal (provider of a good or service) or an agent (responsible for arranging for the good or service to be provided). It is also determined whether the revenue from granting a licence should be recognized immediately or over time. The amendments also include additional transitional relief provisions aimed at reducing the cost and complexity for entities when they first apply the new Standard. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 and have not yet been approved by the European Union.

IFRS 16 "Leases"

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases for lessees and lessors. The new standard replaces IAS 17 *Leases* and the interpretations SIC 15 *Operating leases-Incentives*, SIC 27 *Evaluating the substance of transactions involving the legal form of a lease* and IFRIC 4 *Determining whether an arrangement contains a lease*.

The standard adopts a single lessee accounting model. According to this model, the lessee is required to recognise in the statement of financial positon assets and liabilities for all leases the lease term of which is more than twelve months, unless the underlying asset has a low value and depreciation with finance expense, during the lease term in the statement of comprehensive income. Lessor continue to classify leases as operating and finance and follow different lessor accounting for each type of contract. This standard also requires further disclosures in the lessee's financial statements.

The IFRS 16 is mandatory for annual periods beginning on or after 1 January 2019 and has not yet been approved by the European Union. The Bank is still assessing the impact of IFRS 16 on its financial statements even though it is not expected to be significant due to the low value of the lease contracts it has concluded.

3. Summary of significant accounting policies

3.1 Foreign Currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). The financial statements are presented in Euros, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions during the year and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at balance sheet date are recognized in the income statement. Translation differences on non-monetary financial assets and liabilities measured at their fair value through profit or loss are reported as part of the fair value gain or loss.

3.2 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at the Bank of Greece which are not subject to restrictions, requirements of financial institutions, highly liquid and low risk investments with original maturities of three months or less.

3.3 Financial instruments

3.3.1 Initial recognition

The Bank recognises financial assets or financial liabilities when it becomes a party to the contractual provisions of the instrument.

Upon initial recognition, the Bank measures financial assets and liabilities at fair values. Financial instruments not measured at fair value through profit or loss, are initially recognised at fair value plus transaction costs and minus income and fees that are directly attributable to the acquisition or issue of the financial instrument.

3.3.2 Classification and subsequent measurement of financial assets

The financial assets of the Bank are classified in the following categories for subsequent measurement purposes. The classification depends on the purpose for which the investments were acquired. Management determines the classification at initial recognition.

(a) Loans and receivables

Non derivative financial assets, with fixed or determinable payments, that are not quoted in an active market and for which the Bank does not expect not to recover substantially its investment, other than because of credit deterioration of the issuer, can be classified in this category. The Bank has classified the following as loans and receivables:

i. loans to customers,

ii. bonds with fixed or determinable payments that are not quoted in an active market.

This category is measured at amortized cost using the effective interest rate method and is periodically tested for impairment.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or expense during the relative period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the contractual life of a financial instrument or the next repricing date.

(b) Financial assets at fair value through profit or loss

Financial assets or financial liabilities are classified at fair value through profit or loss either when held for trading or when defined as measured at fair value through profit or loss at their initial recognition. Derivatives are classified as held-for-trading, unless they are designated as hedges.

The Bank does not hold any investments in this category.

(c) Held-to-maturity investments

It includes non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold until maturity.

Realised and unrealised gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are recognized in the income statement in the period in which they occur.

The Bank does not hold any investments in this category.

(d) Available-for-sale

In available-for-sale financial assets are included non-derivative financial assets that are either designated in this category or financial assets that cannot be classified in any of the previous categories. The Bank has included in this category unlisted equity instruments.

Available-for-sale financial assets are subsequently carried at fair value and the related gains or losses are recognized in other comprehensive income until the assets are sold or impaired. When investments classified as available for-sale are sold or impaired, the gains or losses accumulated in equity are transferred to the results. Impairment losses recognized in profit or loss and concerning equity investments are not reversed through profit or loss.

The fair values of quoted investments are based on current bid prices. For assets or liabilities that are not quoted in an active market, fair value is determined using valuation techniques, such as the use of recent arm's length transactions, reference to other instruments that are quoted and discounted cash flow analysis. In cases where the fair value cannot be measured reliably, investments are measured at cost less any impairment loss.

3.3.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.3.4 Derecognition of financial assets

The Bank derecognizes financial assets when:

- the cash flows from the financial assets expire,
- the contractual right to receive the cash flows of the financial assets is transferred and at the same time both risks and rewards of ownership are transferred,
- loans or investments in securities are no longer recoverable and consequently are written off.

3.3.5 Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The financial assets that are reviewed for impairment (provided that the relative indications exist) are assets stated at cost, assets measured at amortized cost (loans and receivables) and available-for-sale investments.

Objective evidence that an asset or group of assets, classified in the category "loans and receivables", is impaired, constitute the data and information coming to the attention of the Bank about loss-making events, whose effect on the estimated future cash flows can be reliably measured and determined. The most important of these indications are stated in para. 4.2.1.I "impairment of loans".

In the case of equity investments classified as available-for-sale, any significant and prolonged decline in the fair value of the investment below its cost is taken into account. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized as expense in profit or loss – is removed from equity and recognized in profit or loss.

In case of subsequent increase in the value of a debt instrument classified as available-for-sale, the loss previously recognized through profit or loss is reversed through the income statement. Impairment losses recognized as expense in the income statement on equity instruments are not reversed through the income statement.

3.3.6 Subsequent measurement of financial liabilities

The financial liabilities of the Bank are subsequently measured at amortized cost using the effective interest method. In this category are included the liabilities to customers and other liabilities.

The Bank has no financial liabilities measured at fair value through the income statement.

3.3.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants, at the measurement date, in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability to which the Bank has access. The fair value of a liability reflects non-performance risk.

The Bank measures the fair value of assets and liabilities, using the quoted market prices in active markets, if these are available. To be considered an active market, transactions for the asset or liability being measured must occur frequently enough and in sufficient volume to provide pricing information on an ongoing basis. When there is no available quoted market price, in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all factors that market participants would consider in setting a price.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 inputs: quoted market prices (unadjusted) in active markets for identical assets or liabilities to which the Bank has access at measurement date.

Level 2 inputs: directly or indirectly observable inputs except the quoted market prices included in level 1.

Level 3 inputs: unobservable inputs for assets or liabilities.

The Bank does not hold financial instruments measured at fair value. Available-for-sale financial assets which are held and include unquoted equity instruments have been measured at cost less impairment as their fair value cannot be reliably measured (paragraph 15).

3.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The acquisition cost includes all costs directly associated to the acquisition of assets.

Subsequent expenditure is recognized on the carrying amount of the item or recognized as a separate asset only when it increases future economic benefits for the Bank and their cost can be reliably measured. Expenditure on repairs and maintenance is recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

- Buildings	50 years
- Improvements to leased property	The lease term
- Furniture and fixtures	5-10 years

The residual value of property and equipment and their useful lives are periodically reviewed and adjusted if necessary at each reporting date.

When the carrying amount of property, plant and equipment exceeds its recoverable amount, the difference (impairment) is recognised as an expense in the income statement.

On disposal of the assets, the difference between the proceeds and the carrying amount is recognized as profit or loss in the income statement. Finance charges concerning the construction of assets are capitalized in the period required to complete the asset’s construction. All other finance charges are recognized in the income statement as incurred.

3.5 Leases

The Bank as lessee

Leases of property, plant and equipment, where the Bank has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease’s inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the lease term and their useful life, unless there is reasonable certainty that the Bank will obtain ownership by the end of the lease term in which case they are depreciated over their useful life.

During the present and the previous year the Bank did not contract finance leases whereas there were no obligations from finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Bank as lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the Bank are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term. Any initial direct costs that are charged to the Bank at the negotiation of an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as for the lease income.

3.6 Intangible assets

Computer software

Acquired computer software licenses are measured at cost less accumulated amortization and impairment loss. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, which is 5 to 16 years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

3.7 Assets by auction

“Assets by auction” include assets that have been acquired by the Bank through the auction process, in full or partial satisfaction of its debts. The Bank assesses these assets at each balance sheet date, at the lower of the carrying amount and the fair value, assigning their valuation to independent valuers.

3.8 Impairment of non-financial assets

With the exception of assets acquired by actions, which are tested for impairment at least annually, the carrying amount of other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

When the carrying amount of an asset exceeds its recoverable amount, the respective impairment loss is recognized in profit or loss. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties, after deducting any direct incremental disposal costs, whereas value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life. For determining impairment loss, assets are grouped at the lowest level for which cash flows can be identified separately.

3.9 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement unless it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws effective in Greece. The current income tax expense includes the current income tax charge arising based on the Bank's profit as this is restated in its tax returns and provisions established for additional taxes in respect of un-audited, by the tax authorities, fiscal years and is calculated according to the tax rates (and Laws) enacted or substantively enacted.

The deferred income tax arises from the temporary differences between the tax base of assets and liabilities and their respective carrying amounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction do not affect the accounting or the taxable profit or loss. Deferred income tax assets are recognized to the extent that there will be future taxable profit for the use of the temporary difference that creates the deferred tax asset. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are offset against deferred tax liabilities when settled in the same tax authority.

3.10 Provisions and contingent liabilities

Provisions are recognized when:

- There is a present obligation, legal or constructive, as a result of past events

- It is probable that an outflow of resources will be required to settle the obligation and

- The amount can be reliably estimated

When the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities are not recognized in the financial statements but are disclosed, unless the possibility of an outflow of economic resources is remote. Contingent assets are also not recorded in the financial statements but disclosed where an inflow of economic benefits is probable.

3.11 Employee benefits

(a) Short-term benefits

Short-term benefits to employees in money and in kind are recognized as an expense when they are accrued.

(b) Post-employment benefits

Post-employment benefit schemes comprise both defined contribution plans (state plans) and defined benefit plans.

The accrued cost of the defined contribution plans is recognized as an expense in the period it concerns.

Liabilities deriving from defined benefit pension plans are calculated at the discounted value of future benefits to employees accrued at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy by the Bank in exchange for these benefits. The Bank recognizes the termination benefits as obligation and expense at the preceding between the following dates: a) when the entity can no longer withdraw the offer of these benefits and b) when the entity recognizes restructuring cost that falls under the scope of IAS 37 and entails the payment of termination benefits. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

3.12 Equity – Cooperative Capital

The rights and obligations of the Cooperative Bank's partners are determined by l. 1667/2986 as amended and currently in force (last modification by l. 4340/2015), as well as the Bank's articles of Association and the decisions of the administrative bodies.

Each partner joins the cooperative obtaining a compulsory share part. He may even acquire optional share parts, in addition to the compulsory one up to the maximum number specified on each occasion by the Law and the articles of Association. The value of the optional share parts equals the value of the compulsory share part. In particular, public entities may acquire an unlimited number of optional share parts.

The cooperative share part is transferred only to partners. The transfer of the cooperative share part to third parties is allowed only upon decision of the Board of Directors. The Board of Directors refuses the transfer, as long as for the third party do not concur the conditions required for the entry of a partner (article 2 L. 1667/86).

Each partner is obliged to pay the value of the cooperative share part at the date of registration in the cooperative. The cooperative share part is undivided and equal for each partner.

The market price is determined by the Bank using accepted valuation methods, as provided by the law and the articles of Association.

In any kind of liquidation of share parts is paid the amount of value of the share part attributable to the net assets of the cooperative, as this arises from the balance sheet of the last year, taking into account a) the amount by which the formed provisions fall short of the required according to the independent auditor's report and b) the limitations set out in article 149 of L. 4261/2014.

Each partner is held jointly and severally liable to the cooperative and its creditors for amount equal to the value of its share parts. (Limited Liability Partnership, article 4 para. 4 L. 1667/86).

The Bank has recognized the total value of its Cooperative Capital in Equity, in the frame of the interpretation *IFRIC 2 "Members' Shares in Co-operative Entities and Similar Instruments"*, since there is no authorization for redemption of the share parts to partners, by the Bank of Greece, in accordance with the provisions of article 149 of L. 4261/5.5.2014.

Incremental costs of cooperative capital increase: Incremental costs directly attributable to the issue of new share parts are shown in equity as a deduction, net of tax, from retained earnings.

Share premium: In this account is recorded the difference between the nominal value of the share parts issued and their market value.

3.13 Revenue recognition

Revenue is recognized when it is probable that future economic benefits will flow to the Bank and the amount can be measured reliably.

The revenue of the Bank includes mainly income from loans and interest-bearing securities, commission for issuing letters of guarantee and other banking transactions, dividend income and other income. Revenue is recognized as follows:

i) Interest income

Interest income is recognized in the Balance Sheet for all interest bearing financial assets and liabilities and is recognised on an accrual basis and measured using the effective interest rate method. Interest income includes interest on loans and interest on fixed income securities.

ii) Fee and commission income

It is recognized in the income statement when the relevant service has been provided.

iii) Dividend income

Dividend income is recognized when the right to receive payment is established, that is upon approval by the General Meeting.

3.14 Expenses

i) Interest expense

Interest expense is recognized in the income statement for all interest bearing financial assets and liabilities. It is recognised on an accrual basis and measured using the effective interest rate method.

ii) Other expenses

The other expenses are recognized in the income statement on an accrual basis.

3.15 Dividend distribution

Dividend distribution is recognized as a liability when the distribution is approved by the General Meeting of partners.

4. Financial risk management

4.1 Risk management framework

The Board of Directors has the overall responsibility for the development and supervision of the risk management framework, establishes the risk-taking strategy and capital management, in correlation with the Bank's business objectives, while it assesses the effectiveness of the risk management policy as well as the Equity adequacy, in relation to the size and the type of the taken risks. The risk management framework is assessed ad evolved over time, taking into consideration the Bank's historical data basis, the markets dynamic, the compliance with supervisory requirements and international best practices. To this extent the Bank has established a Risk Management Unit according to the Bank of Greece Governor's Act 2577/2006.

4.2 Financial risks

The financial risks management is inherent in the business activity of the Bank. The Management, having as aim the maintenance of stability and the continuation of the business gives great importance to adherent implementation and constant improvement of an effective risk management framework for mitigating eventual negative effects on the financial results of the Bank.

Due to the nature of its business activities, the Bank is exposed to various financial risks, such as credit risk, market risk (including foreign currency risk, interest rate risk) and liquidity risk. The Bank's risk management strategy aims at mitigating the negative effects that the above risks may have on the financial performance, financial position and cash flows of the Bank.

The Bank, annually submits to the competent departments of the Bank of Greece the Internal Capital Adequacy Assessment Process (ICAAP) where it analyses in quantity and quality the instruments it uses for the management of the separate risks and the future impact on its solvency (Capital Adequacy Ratio).

4.2.1 Credit risk

The Bank is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk arises mainly from the Bank's lending to individuals and businesses, including the prevention measures that are provided, as the financial guarantees, as well as from other activities, such as investments in bonds.

The Bank manages the separate exposures to credit risk as also the concentrations of credit risk.

I. <u>Credit risk management</u>

The clients of the Bank, which almost to their majority are also its partners come from the local society operating mainly in activity sectors such as, trade, production of electric power, manufacturing and constructions.

The Board of Directors for its well-functioning and quick reaction to various matters further to the Audit Committee and the Committees on Credit-granting and Treasury Management as also those provided occasionally by the institutional and regulatory framework may establish informal committees where the role of coordinator undertakes compulsorily a member of the Board. In these take part officials of the Bank and as advisor the chief of the Risk Management Unit. Upon completion of their task the committees are obliged to submit minutes to the plenary session of the B. of D. signed by all of their members.

Audit committee

The members of the Committee are appointed by the B. of D. The Committee is composed of three non-executive and independent Directors of which at least one is a financial expert with sufficient knowledge and experience on issues related to auditing matters.

The Committee members are appointed for a one-year term of office, which can be renewed indefinitely. To each member is provided upon its appointment, but also on a continuing basis, appropriate updating and training. The members of the Committee should not hold parallel positions or competencies or carry out transactions that could be deemed to be incompatible with the mission of the Committee. Taking part in the Audit Committee does not exclude the possibility to participate also in other committees of the Board of Directors.

Among other the Audit Committee:

- reviews the effectiveness of the systems of internal control, risk management, regulatory compliance and financial disclosures of the Bank and accordingly reports to the Board of Directors,
- reviews the annual report of the A.C.U. that concerns the adequacy of the System of Internal Control and reports to the Board of Directors,
- reviews at least twice a year the reports of the Regulatory Compliance Division, including also the Bank's regulatory compliance programme,
- monitors the implementation and assesses the effectiveness of the Code of Conduct in respect of the chief financial executives of the Bank.
- submits proposals to the B. of D. in order to remedy weaknesses identified and follows up the implementation of the measures that are decided.

Credit Committee

The Credit Committee is composed of 5 appointed members and 3 alternate members and decides on the lending facilities and recommends to the Board of Directors on the credit growth.

The Committee unanimously decides on the credit limits of each member, up to the amount approved by the Board of Directors, as also on the credit-granting decided by it, taking into account whether the recommended credits meet the criteria of the relevant decisions of the Bank of Greece as well as the credit criteria that the Bank itself has or will enforce determining simultaneously and the collaterals or the coverage that the Bank will receive in order to grant the requested financing (notice of charge, pledge, customers cheques or bill of exchange, etc.). In this context the B. of D. decides on the introduction of credit-granting scales to which are assigned the competencies of the Committee. The Bank has established four credit risk groups namely a) up to 50 thousand b) between 50-200 thousand c) between 200-400 thousand and d) above 400 thousand.

In case where application for financing is submitted by member of the Board of Directors, this request is assessed at first and last grade by the Board of Directors. In case of either negative decision taken by majority, either positive decision taken by majority, the customer's application for financing with the decision of the Committee, is transmitted to the Board of Directors for taking final decision thereon.

It decides following proposal of the Branch and recommendation of the General Director, according to the terms and conditions that are required, the transfer in bad debts of uncollectible receivables, up to the sum that has been approved by the Board of Directors.

The Basic Credit Principles, procedures and rules for evaluation, assessment, approval and rating of obligors, the discontinued accrual of interest and the classification of borrowers as default as well as the implementation of the decisions of the regulatory authorities, are set out in the Credit Policy, which is accordingly adjusted depending on the occasionally prevailing circumstances.

(Amounts expressed in Euro)

Arrears management body

The management of receivables in arrears has been delegated by decision of the B. of D. to the arrears department (Arrears Management Body) and the decision-making to the Arrears Committee. The arrears division follows among other also the Code of Conduct and classifies the borrowers as willing to pay and as non-willing to pay.

Credit risk assessment and internal ratings

In the context of the above referred, according to the Regulation (Credit Policy), is assessed the businesses' creditworthiness and their rating in credit risk scales through the Bank's rating system RVRATING (RVR) of the company "Systemic R.M. S.A." the collaboration of which is going on. Based on this system businesses are rated in 9 grading scales and in each assessment grade corresponds a particular probability of default. Also, it is used one grade for the un-covered credit facilities of customers.

The operation of the programme RVCredit / RVRating is until today considered very satisfactory. The course of works of the Credit Risk Management of Cooperative Banks team where takes part also this Bank continuous smoothly its work. This system performs obligor's credit ratings – only for businesses but not to retail customers. In 2012 occurred change in the algorithms for the calculation of the probability of default but it was not changed its use in the rating of the Bank's customers.

In the table below are presented the rating scales:

RATING SCALE	GRADE	PD	Risk Level	Credit Rating
A	1	1,11%	Low	Strong
B	2	3,14%		
C	3	5,80%	Lower than average	
D	4	7,96%		
E	5	12,05%	Average	Satisfactory
F	6	18,56%	Higher than average	
G	7	29,46%		
H	8	38,31%	High	Watch list
I	9	57,92%		

Credit risk mitigation techniques

In order to mitigate credit risk and ensure prompt repayment of granted loans, the Bank receives coverage and collaterals. The principal collaterals received include:

- Real estate mortgage and pre-notices on mortgages
- Pledges on deposits
- Pledges on cheques
- Assigned E/P (E/P Production entities)
- Greek Government Guarantees
- Greek and European Funds and Organizations Guarantees (Hellenic Fund for Entrepreneurship and Development S.A., European Investment Fund (EIF), etc.)

The bank calculates the value of the real securities/collaterals by periodic valuations adjusting accordingly the needs for setting up allowances. The value of the real securities is decreased depending on their age (time-impairment), while in parallel additional impairment is calculated depending on the type of the real securities (commercial real estate, residential real estate).

Impairment of loans

The Bank assesses at the date of preparation of the Financial Statements, whether a loan or a group of loans has suffered impairment.

A loan or a group of loans has suffered impairment, fact that leads to recognition of impairment provisions in case and only when there are objective indications as result of one or more events (loss-making events) occurred after the initial recognition of the loan and such events affect the estimated future cash flows of the loans and their effect can be estimated reliably.

Certain basic indications of loan impairment are:

- Breach of contractual terms and conditions
- Significant financial difficulties of the borrower
- When the creditor gives concession to the debtor for financial or legal reasons, related to the financial difficulties of the debtor, that the creditor would not have considered otherwise (loan forbearance measures)
- When it is likely the borrower to end up in bankruptcy or other financial deterioration
- Listed on Tiresias registry
- Injurious events that could affect the borrower’s ability to repay its contractual obligations within the agreed-upon time.

Impairments of loans are assessed on an individual basis while for certain categories are assessed and calculated on a collective basis. For the individual assessment for impairment are taken into account the following:

Individual assessment

- The definitive arrears (Justice) are impaired to the amount of the collateral
- A sinking loan or drawing account is impaired to the value of the collateral if it has been classified by the competent division in discontinued accrual of interest status and its total repayment is past due more than 12 months.
- The sinking loans past due more than 91 days and less than 180 days are assessed as to the classification of the borrower as willing to pay or non and in the case where the borrower has been classified as non-willing to pay, according to the Code of Conduct, all its exposures are impaired to the amount of the collateral
- If there is a sinking loan past due more than 6 months then it is impaired to the amount of the collateral
- If the borrower has indication for impairment to the amount of the collateral in one of its loans then automatically also on all its other exposures impairment is performed in the same manner.

Collective Assessment

Specific category of modifications:

- For all exposures without indication for individual impairment, is calculated their unsecured balance. According to this is estimated an initial loss rate.
- If the analysis concerns forborne performing loans it is introduced probability of re-default (are not initially considered as impaired) taking into account the average or probability of default calculated on total forborne exposures and arises based on a) the probability of default according to the RVRating ™ of the company Systemic S.A. (Systemic RM) on individual basis, at minimum LossRate=15% and b) the probability of default based on total unsecured balance of forborne loans.
- It is noted that if a part has already been used for individual impairment, this is not taken into account for the above calculations.

(Amounts expressed in Euro)

If in a subsequent period the impairment allowance amount is reduced due to events occurred after the recognition of the impairment, which led to improvement of the borrower's credit rating, the amount of the allowance earlier recognized is reversed and the arising difference is recognised in profit and loss.

In case where an exposure becomes non recoverable or is settled then it can be written off against the amount of the individual accumulated allowance, if this is applicable by the tax requirements occasionally in effect. If recovery is effected in time subsequent to writing off, this is credited to the profit and loss account "Impairment allowance for loans and advances to customers".

I. Maximum credit risk exposure before collaterals

The maximum credit risk exposure at 31.12.2016 and 31.12.2015 is as follows:

	31/12/2016	31/12/2015
Credit risk exposure relating to balance sheet items:		
Due from banks	28.899.819	19.321.365
Loans and advances to customers	47.642.722	47.817.919
Investment securities portfolio	1.389.697	340.553
Other assets	143.514	165.065
Credit risk exposure relating to off balance sheet items:		
Letters of guarantee	6.442.748	9.953.633
Total credit risk exposure	**84.518.500**	**77.598.536**

II. Loans and Advance to customers

Below is set out a detailed review of the Bank's exposure to credit risk arising from loans and advances to customers.

(a) Loans and Advances to Customers by Asset Quality

The loans and the advances to customers are classified as "Neither past due nor impaired loans", "Past due but not impaired loans" and "Impaired loans".

The category "Neither past due nor impaired loans" includes loans in respect of which there are no past due payments, on the basis of the loan agreement as well as no other indications of impairment.

The category "Past due but not impaired loans" includes loans in respect of which there are past due payments, on the basis of the loan agreement, at least for one day, without however their value being impaired unless if specific information exists that indicates the opposite.

The category "impaired loans" is distinguished between impaired loans individually assessed and impaired loans collectively assessed (see note 4.2.1.I).

The tables below present the value of loans and advances to customers before impairment, which constitutes also the maximum before impairment credit risk exposure as well as their classification to not impaired (namely "Neither past due nor impaired loans" and "Past due but not impaired loans") and impaired loans.

Also, the tables below present the balance of impairment allowance recognized by type of loans and advances to customers and the method for determining its balance (namely "individual" or "collective" assessment), the total net amount of loans and advances, after impairment, as well as the value of collaterals held for restricting the credit risk exposure.

(Amounts expressed in Euro)

Balance 31.12.2016	Non impaired loans and advances		Impaired loans and advances		Total gross amount	Accumulated Impairment Allowance		Total net amount	Value of Collateral
	Nether past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed		Individually assessed	Collectively assessed		
Corporate lending									
SME's	22.324.269	2.475.114	17.835.381	9.411.439	52.046.204	10.710.902	2.261.254	39.074.048	28.294.342
	22.324.269	2.475.114	17.835.381	9.411.439	52.046.204	10.710.902	2.261.254	39.074.048	28.294.342
Retail lending									
Mortgage	1.923.324	547.170	3.346.340	1.539.349	7.356.182	1.036.093	369.854	5.950.235	5.880.340
Consumer	726.729	151.664	2.605.465	776.931	4.260.789	1.455.680	186.670	2.618.439	1.730.061
	2.650.053	698.834	5.951.805	2.316.280	11.616.972	2.491.773	556.524	8.568.674	7.610.401
Total	**24.974.322**	**3.173.948**	**23.787.187**	**11.727.719**	**63.663.176**	**13.202.675**	**2.817.778**	**47.642.722**	**35.904.744**

Balance 31.12.2015	Non impaired loans and advances		Impaired loans and advances		Total gross amount	Accumulated Impairment Allowance		Total net amount	Value of Collateral
	Nether past due nor impaired	Past due but not impaired	Individually assessed	Collectively assessed		Individually assessed	Collectively assessed		
Corporate lending									
SME's	21.981.773	4.192.856	18.969.334	6.268.431	51.412.394	10.930.441	1.581.928	38.900.025	31.886.760
Retail lending									
Mortgage	2.260.981	967.799	3.559.474	559.709	7.347.963	900.273	165.450	6.282.240	5.857.570
Consumer	722.778	254.314	2.683.751	656.152	4.316.995	1.487.382	193.958	2.635.654	1.754.301
	2.983.759	1.222.113	6.243.225	1.215.861	11.664.958	2.387.655	359.408	8.917.894	7.611.872
Total	**24.965.531**	**5.414.969**	**25.212.559**	**7.484.292**	**63.077.352**	**13.318.096**	**1.941.337**	**47.817.919**	**39.498.632**

Past due but not impaired loans and advances to customers

The tables below present an ageing analysis of past due but not impaired loans and advances to customers, by product line:

Ageing of past due but not impaired loans and advances by product line (31.12.2016)	CORPORATE LENDING	RETAIL LENDING		TOTAL PAST DUE BUT NOT IMPAIRED
	SME's	MORTGAGE	CONSUMER	
1-30 days	1.421.159	349.801	83.890	1.854.850
31-60 days	540.683	75.143	47.950	663.775
61-90 days	195.808	61.833	5.812	263.454
91-180 days	198.778	60.393	14.012	273.183
> 6 months	-	-	-	-
>12 months	118.686	-	-	118.686
	2.475.114	**547.170**	**151.664**	**3.173.948**
Value of collateral	1.521.920	449.607	21.880	1.993.407

(Amounts expressed in Euro)

Ageing of past due but not impaired loans and advances by product line (31.12.2015)	CORPORATE LENDING	RETAIL LENDING		TOTAL PAST DUE BUT NOT IMPAIRED
	SME's	MORTGAGE	CONSUMER	
1-30 days	1.679.582	697.860	121.580	2.499.022
31-60 days	505.866	197.532	57.498	760.895
61-90 days	999.321	45.351	9.758	1.054.429
91-180 days	835.421	27.056	65.478	927.956
> 6 months	114.829	-	-	114.829
>12 months	57.837	-	-	57.837
	4.192.856	**967.799**	**254.314**	**5.414.969**
Value of collateral	2.238.792	796.304	99.087	3.134.183

Impaired loans and advances to customers

The tables below present an ageing analysis of impaired loans and advances to customers, by product line, after impairment, as well as the value of collaterals held for restricting the credit risk exposure.

Ageing of impaired loans and advances by product line (31.12.2016)	CORPORATE LENDING	RETAIL LENDING		TOTAL NET AMOUNT
	SME's	MORTGAGE	CONSUMER	
Current	6.669.168	1.307.585	486.128	8.462.880
1-30 days	1.357.165	374.653	141.349	1.873.167
31-60 days	1.026.535	36.574	145.724	1.208.834
61-90 days	701.817	9.751	87.833	799.401
91-180 days	328.400	101.578	4.442	434.420
> 6 months	967.447	101.998	45.270	1.114.716
>12 months	16.196.289	2.953.550	2.471.649	21.621.488
	27.246.821	**4.885.689**	**3.382.396**	**35.514.906**
Value of collateral	11.804.766	3.656.777	1.469.773	16.931.316

Ageing of impaired loans and advances by product line (31.12.2015)	CORPORATE LENDING	RETAIL LENDING		TOTAL NET AMOUNT
	SME's	MORTGAGE	CONSUMER	
Current	3.661.905	407.675	379.435	4.449.015
1-30 days	831.235	16.295	165.655	1.013.184
31-60 days	362.962	71.046	84.284	518.293
61-90 days	572.665	-	10.063	582.728
91-180 days	690.343	127.924	58.021	876.289
> 6 months	1.034.829	423.153	100.656	1.558.638
>12 months	18.083.825	3.073.090	2.541.790	23.698.705
	25.237.765	**4.119.183**	**3.339.903**	**32.696.851**
Value of collateral	10.957.482	3.028.948	1.444.236	15.430.665

(Amounts expressed in Euro)

(b) Industry sector breakdown of the loans and advances to customers

The tables below present the total loans and advances to customers, before impairment, the impaired loans and advances to customers, as well as the impairment allowance by industry sector.

Loans and advances to customers, impaired loans and accumulated impairment allowance by type of loan and industry sector	**31.12.2016**		
	Gross amount	Impaired amount	Accumulated impairment allowance
Corporate lending			
Agriculture-livestock farming	2.856.528	994.215	294.899
Mining-Quarrying-Manufacturing	5.301.599	3.530.725	1.568.843
Industry	3.295.433	1.226.901	415.359
Building-Construction	4.310.864	3.737.276	2.057.743
Trade	16.401.924	10.391.920	5.782.909
Tourism	2.237.982	3.447.591	870.867
Energy	6.210.736	225.041	-
Transport	2.167.208	620.460	217.450
Other sectors	9.263.930	3.072.693	1.764.087
	52.046.204	**27.246.821**	**12.972.156**
Retail lending			
Mortgage	7.356.182	4.885.689	1.405.947
Consumer	4.260.789	3.382.396	1.642.350
	11.616.972	**8.268.085**	**3.048.297**
Total	**63.663.176**	**35.514.906**	**16.020.453**

Loans and advances to customers, impaired loans and accumulated impairment allowance by type of loan and industry sector	**31.12.2015**		
	Gross amount	Impaired amount	Accumulated impairment allowance
Corporate lending			
Agriculture-livestock farming	3.102.396	617.108	266.532
Mining-Quarrying-Manufacturing	4.885.659	3.592.894	1.481.453
Industry	4.426.332	850.311	341.269
Building-Construction	4.361.851	3.946.404	2.178.585
Trade	16.024.239	9.616.300	5.772.050
Tourism	2.368.986	1.666.721	353.685
Energy	7.438.404	224.742	-
Transport	2.066.857	621.068	218.224
Other sectors	6.737.670	4.102.217	1.900.570
	51.412.394	**25.237.765**	**12.512.369**
Retail lending			
Mortgage	7.347.963	4.119.183	1.065.723
Consumer	4.316.995	3.339.903	1.681.340
	11.664.958	**7.459.086**	**2.747.064**
Total	**63.077.352**	**32.696.851**	**15.259.433**

According to the above tables, the percentage of impairment allowance on total loans amounts at 31.12.2016 to 25,16% (2015: 24,19%).

(Amounts expressed in Euro)

(c) Forborne measures for loans and advances to customers

The original contractual terms of loans may be modified due to various factors, such as changes in market conditions as well as eventual deterioration in the financial position of the borrower.

In the context of forbearance are implemented the guidelines provided in the technical standards developed by the "European Banking Authority - Implementing Technical Standards (EBA)" and the Bank of Greece Executive Committee Act No. 42/30.5.2014 as amended by the ECA No. 47/9.12.2015 and No. 102/30.8.2016. The forborne practice followed by the Bank concerns the cases of modification of the contractual terms for the repayment of loans due to financial difficulties of the borrower in meeting his financial commitments according to the relative terms of the agreements. In such cases the Bank proceeds in grating facilities through favourable modification of the terms and conditions provided for by the initial loan agreement, which would not be provided if the borrower was not facing the financial difficulty. Other cases where modifications are provided by the Bank and do not refer to financial difficulty of the debtor but are determined by factors of business nature, do not constitute forbearance measures.

Forborne loans are classified as impaired and non-impaired after assessment of the extent of non-performing period that they present and their credit rating, as at the time of their modification and at the reporting date.

Detailed data related to the forborne loans and their classification are set out in the tables below:

Forborne loans and advances to customers by product line	**31.12.2016**	**31.12.2015**
Corporate lending		
SME's	11.007.849	6.677.826
	11.007.849	**6.677.826**
Retail lending		
Mortgage	1.911.407	559.709
Consumer	931.445	700.158
	2.842.852	**1.259.867**
Total	**13.850.701**	**7.937.694**

(Amounts expressed in Euro)

Analysis of forborne loans and advances to customers according to their credit quality	**Total amount of loans and advances to customers**	**31.12.2016** **Total amount of forborne loans and advances to customers**	**Forborne loans and advances to customers (%)**
Neither past due nor impaired	24.974.322	11.348.510	45,44%
Past due but not impaired	3.173.948	379.209	11,95%
Impaired	35.514.906	2.122.982	5,98%
Exposure before impairment	**63.663.176**	**13.850.701**	21,76%
Individual impairment allowance	13.202.675	1.152.875	8,73%
Collective impairment allowance	2.817.778	2.817.778	100,00%
Total net amount	**47.642.722**	**9.880.048**	20,74%
Value of collateral	35.904.744	7.367.784	20,52%

Analysis of forborne loans and advances to customers according to their credit quality	**Total amount of loans and advances to customers**	**31.12.2015** **Total amount of forborne loans and advances to customers**	**Forborne loans and advances to customers (%)**
Neither past due nor impaired	24.965.531	4.436.043	17,77%
Past due but not impaired	5.414.969	3.048.249	56,29%
Impaired	32.696.851	453.401	1,39%
Exposure before impairment	**63.077.352**	**7.937.694**	**12,58%**
Individual impairment allowance	13.318.096	351.825	2,64%
Collective impairment allowance	1.941.337	1.941.337	100,00%
Total net amount	**47.817.919**	**5.644.532**	**11,80%**
Value of collateral	39.498.632	3.862.186	9,78%

The forborne loans are monitored with particular care at their initial stage and depending on the behaviour of the obligor, the Bank classifies them and determines their default probability after assessment of their credit quality. In this context, further to the credit worthiness is also examined the customer's intention to repay its debt (willing to pay customer). Purpose of the forborne policy is to provide possibility to borrowers that encounter demonstrated problems due to financial difficulties, through renegotiation of the original contractual terms, to pay out their obligations, fact that constitutes protection of the Bank from contingent losses.

The forbearance measures mainly include:

- Reduce payments scheme
- Loan term extension
- Arrears capitalization
- Grace period

In the table below are set out detailed data of the forbearance measures in relation to the value of the forborne loans.

Type of Forbearance measure (€ thousand)	31/12/2016	31/12/2015
Reduce payment scheme	453	263
Grace period	288	332
Loan term extension	6.558	2.427
Arrears capitalization	3.441	2.981
Partial debt write-off	265	282
Combination of forbearance measures	1.267	455
Interest rate reduction	1.478	1.098
Other	101	100
Total net amount	**13.851**	**7.938**

III. <u>Credit risk from debt instruments</u>

Credit risk from debt instruments for the Bank is negligible. The Bank possesses unlisted bank bonds at fixed interest rate, value 1.100.274, which it has classified as Loans and Advances (note 15). These bonds are not classified otherwise. It is noted that in March 2017 was liquidized an amount of € 1.000.000 from the above total at 31.12.2016.

4.2.2 Market risk

Market risk is the existing or contingent risk of losses from unfavourable changes in the value or volatility of interest rates, equity prices, commodities and foreign exchange rates.

The Bank is not exposed to significant market risk.

a. Interest rate risk

Interest rate risk is the risk that concerns probable loss in the Bank's portfolio due to unfavourable changes in interest rates. The Bank is not exposed to significant market risk, since the total value of the investment securities portfolio (bank bonds at fixed interest rate) is negligible in relation to its total assets.

b. Equity risk

The bank is not exposed to equity risk since it does not hold shares, derivatives or other related financial instruments.

c. Foreign currency risk

The Bank does not carry out transactions in foreign currency neither it maintains assets or liabilities denominated in foreign currency, therefore is not exposed to foreign currency risk.

4.2.3 Liquidity risk

As liquidity risk is defined the possible inability of the Bank to maintain sufficient funds available to meet its financial obligations when these are claimable. Policy and Plan has been established by the Bank for encountering a liquidity crisis while the basic liquidity ratios are monitored systematically. In monitoring the liquidity risk the Bank classifies the items of Assets and Liabilities into time periods in accordance with the contractual maturity date thus ensuring a picture of the future outflows and inflows. The following tables analyse the Bank's Assets and Liabilities into time periods (maturity groupings) based on the remaining period as at 31.12.2016 and

31.12.2015 to the contractual maturity date, according to the Bank of Greece Governor's Act 2614/2009 as in force.

31.12.2016 (amounts in € thousand)	Total	Items of overnight maturity	2-7 days	8-30 days	1-3 months	3-6 months	6-12 months	More than 1 year
Assets								
Cash and balances with Central Bank	5.177	4.561		616				
Due from banks	28.900			28.900				
Loans and advances to customers	47.643		173	7.170	854	1.611	2.498	35.337
Investment securities portfolio	1.390				1.000			390
Property, plant and equipment	356							356
Intangible assets	85							85
Deferred tax assets	2.388							2.388
Other assets	1.856							1.856
Total Assets	**87.795**	**4.561**	**173**	**36.686**	**1.854**	**1.611**	**2.498**	**40.412**
Liabilities and Equity								
Due to customers	74.480	7.339	2.823	11.300	15.663	2.590	122	34.643
Provisions for liabilities and charges	155							155
Employee defined benefit obligations	114							114
Current tax liabilities	55							55
Other liabilities	730							730
Total Liabilities	**75.534**	**7.339**	**2.823**	**11.300**	**15.663**	**2.590**	**122**	**35.697**

31.12.2015 (amounts in € thousand)	Total	Items of overnight maturity	2-7 days	8-30 days	1-3 months	3-6 months	6-12 months	More than 1 year
Assets								
Cash and balances with Central Bank	10.733	10.169		564				
Due from banks	19.321	10.218	7.103	2.000				
Loans and advances to customers	47.818	0	26	6.243	896	1.654	2.836	36.163
Investment securities portfolio	341							341
Property, plant and equipment	433							433
Intangible assets	99							99
Deferred tax assets	2.423							2.423
Other assets	1.883							1.883
Total Assets	**83.051**	**20.387**	**7.129**	**8.807**	**896**	**1.654**	**2.836**	**41.342**
Liabilities and Equity								
Due to customers	70.373	7.360	3.674	11.972	12.891	1.694	15	32.767
Provisions for liabilities and charges	155							155
Employee defined benefit obligations	103							103
Other liabilities	759							759
Total Liabilities	**71.390**	**7.360**	**3.674**	**11.972**	**12.891**	**1.694**	**15**	**33.784**

The Liquidity ratios of the Bank are as follows:

	31/12/2016	31/12/2015
a. Liquid Funds (0 - 30 days) / Current Liabilities	**46,03%**	**42,62%**
b. Receivables less Payables (0 - 30 days) / Current Liabilities	**15,99%**	**7,83%**

Note: In calculating the ratios in the current liabilities is included also the amount € 7.471 that concerns unused approved contractual limits of loans (2015: € 7.608).

To encounter the liquidity risk the Bank monitors the liquidity exposures that arise from mismatching between the items of the Assets and the Liabilities and makes efforts for balancing them so as the Bank to respond to its cash needs.

The funding of the Bank's Assets derives mainly from customer deposits. It is about the savings accounts and the sight deposits. Although these deposits may be withdrawn on demand, the number of accounts and type of depositors ensure that unexpected significant fluctuations are limited. The imposition of capital controls contributes in ensuring stability of the deposit base and constitutes a limiting factor for outflows of deposits.

Treasury Committee

The Bank has established a Treasury Committee which is composed of two members of the Board of Directors, appointed by decision of the Board, the General Director and two staff members.

The Committee deals with the following matters:

- Developments in the liquidity, the money market and the foreign exchange currency.
- Savings accounts and demand of loans.
- Cost of marginal cash.
- Foreign currency position of the Bank.
- Liquidity position of Euro and foreign currency.
- Optimum relation of Assets-Liability.
- Mandatory commitments and placements.
- Placements in money market and capital market.
- Breakdown of Funds, securities management.

The Committee decides for:

- Investment of funds in Greek Government securities.
- Investment of funds in interbank market.
- Investment of funds in another Bank.
- Sale and repurchase, to Bank members of Greek Government Treasury bills out, of the Bank’s funds reserve (REPOS REVERSE and REPOS).

Also, the committee establishes and monitors the financial transactions with the Bank of Greece.

4.3 Capital adequacy

To assure the capital adequacy of Banks, the competent supervisory authorities have put in place quantity criteria and require the maintenance of minimum amounts and capital ratios the determination of which is made on risk-weighted basis. In determining such ratios it is taken into consideration the relation common equity to risk-weighted assets.

The European Parliament and the Council of the European Union in June 2013 issued the EU Regulation 575/2013 and the EU Directive 2013/36/EU (CRD IV) as regards the access to the credit institutions operation and the preventive supervision of credit institutions and investment enterprises through which was made the transposition and adjustment at European Union level of the changes introduced by the Committee Basel III. The above Regulation and Directive were transposed in the Greek Legislation by the Law 4261/2014, came into force on 1.1.2014 and are implemented as developed following the amendments made a) to the EU Directive 2013/36/EU by the L. 4335/2015 and L. 4340/2015 and b) to the EU Regulation 575/2013 EU by the authorizing Regulation 62/2015 and the Implementing Regulation 680/2014 as this was subsequently amended by the Implementing Regulations 79/2015, 227/2015 and 1278/2015. Until 31.12.2013 was applied the supervisory framework Basel II that was transposed in the Greek Legislation by the Law 3601/2007 and its subsequent amendments.

According to the EU Regulation 575/2013/EU and the EU Directive 2013/36/EU the credit institutions registered in Greece, must satisfy at least limit 4,5% for Common Equity (CET 1) ratio 6,0% for Common Equity (Tier 1) ratio and 8% total CaR Ratio. The Total CAD Ratio % according to article 92 of the Regulation (EU)

No. 575/2013, after taking into account the Total Capital (EDEA) Ratio (1,25%) and the provisions of article 122 of L. 4261/2014 on the maintenance of a capital conservation buffer amounts to 10,5%.

The Bank maintains a high capital adequacy ratio. In particular the CET 1 Capital Ratio at 31.12.2016 was at 17,93% (2015: 18,11%). At same levels were so the Trier 1 Common Equity Ratio as also the Total CAD Ratio.

In April 2015 were realised by the B. of G. two scenarios of stress tests for the years 2015-2016, based on submitted Business Plan. According to the results of the test, announced by the Bank of Greece in May 2015, did not result any need for increase of Capital, since the Bank in both scenarios (adverse/baseline) had the necessary capitals.

In he year 2016 was held the Special Diagnostic Assessment Committee (EDEA) by the Supervisory Authority and, based on its results, arose the above adjustment of the Total Capital Ratio to 9,25%.

5. Critical accounting estimates and assumptions

The estimates and judgments of management are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual amounts may differ from those estimates.

The Bank makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

5.1 Impairment losses of financial assets

The Bank, when performing impairment tests on loans and advances to customers, makes estimates regarding the amount and timing of future cash flows. Given that these estimates are affected by a number of factors such as the financial position of the borrower, the net realizable value of any collateral or the historical loss ratios per portfolio, actual results may differ from those estimated. Similar estimates are used in the assessment of impairment losses of securities classified as available for sale.

5.2 Deferred tax

The Bank recognizes deferred tax assets to the extent that it is probable that it will have sufficient future taxable profit available, against which, deductible temporary differences and tax losses carried forward can be utilized. This requires critical accounting estimates of management regarding the size of the future taxable profits. In applying this estimate, the Bank assesses all the records available, including historical size of profitability, Management’s forecasts for the estimation of future taxable profits and the applicable tax law.

5.3 Classification of cooperative capital

The Bank’s Management deems that concur all the requirements for the recognition of the cooperative capital in Equity, according to the interpretation IFRIC 2. Any future change of these or part of these requirements (see note 3.12) may result in reclassification of all or part of the Equity in the financial liabilities.

(Amounts expressed in Euro)

6. Net interest income

	1/1-31/12/2016	1/1-31/12/2015
Interest and similar income		
Loans and advances to customers	3.006.035	3.211.410
Due from banks	593.479	497.034
Interest income from investment bonds portfolio	8.296	-
Other	18.096	17.814
Total	**3.625.906**	**3.726.258**
Interest expense and similar charges		
Due to customers	(832.567)	(1.062.922)
Contribution L. 128/1975	(229.585)	(242.771)
Contribution to Deposit and Investment Guarantee Fund	(28.810)	(31.790)
Other	(10.594)	(2.055)
Total	**(1.101.556)**	**(1.339.538)**
Net interest income	**2.524.351**	**2.386.720**

7. Net fee and commission income

	1/1-31/12/2016	1/1-31/12/2015
Fee and commission income		
Letters of guarantee	114.292	156.087
Brokerage services	33.789	36.394
ATM	6.104	7.400
Other credit related fees	189.330	167.500
Cheques management fees	4.515	5.408
Assurance services	33.908	37.723
Transfer of funds	76.477	46.790
POS Commission	65.693	-
Other fees	15.012	3.686
Total	**539.120**	**460.988**
Fee and commission expense		
DIAS	(16.503)	(16.272)
ATM	(59.627)	(41.809)
Tiresias S.A.	(39.542)	(42.236)
Other fees	(16.100)	(14.145)
	(131.772)	**(114.462)**
Net fee and commission income	**407.348**	**346.526**

(Amounts expressed in Euro)

8. Staff costs

	1/1-31/12/2016	1/1-31/12/2015
Wages and salaries	(681.642)	(707.196)
Social security contributions	(174.200)	(175.164)
Other costs and benefits	(147.964)	(73.192)
Pension cost of defined benefit plans	(11.463)	(12.077)
Total	**(1.015.268)**	**(967.630)**

The total number of employees as at 31/12/2016 amounts to 33 persons (2015 : 40 persons).

9. Other operating expenses

	1/1-31/12/2016	1/1-31/12/2015
Third party fees and expenses	(82.830)	(54.174)
Telecommunications and postage	(54.371)	(57.529)
Lease rentals	(75.313)	(66.088)
Insurance	(14.227)	(18.935)
Repairs and maintenance	(96.868)	(89.648)
Electricity-Water supply-Cleaning fees	(19.599)	(31.148)
Taxes-duties	(41.596)	(44.394)
Travel expenses	(28.496)	(8.239)
Marketing and advertising expenses	(2.986)	(8.260)
Subscriptions and contributions	(43.117)	(26.623)
Sponsorship	(5.730)	(7.140)
Printed matter and stationery	(29.562)	(21.125)
Publication expenses	(7.690)	(6.041)
Judicial and extra-judicial actions expenses	(30.790)	(45.259)
Other expenses	(51.126)	(68.264)
Total	**(584.301)**	**(552.868)**

10. Other impairment losses

	1/1-31/12/2016	1/1-31/12/2015
Impairment losses on assets obtained from auctions (note 19)	(15.000)	(8.865)
Impairment losses on tangible assets (note 16)	-	(6.000)
Impairment losses on other loans and advances (note 19)	(20.541)	(27.151)
Total	**(35.541)**	**(42.016)**

(Amounts expressed in Euro)

11. Income tax expense

	2016	2015
Current tax	(110.573)	(74.829)
Deferred tax (note 18)	(34.380)	157.242
Total	**(144.953)**	**82.413**

The income tax on profit before tax differs from the theoretical amount which would have arisen if we had used the basic tax rate of Greece, as follows:

	2016	2015
Profit/(loss) before tax	**455.803**	**480.273**
Tax calculated based on current tax rates applicable in Greece 29% (2015 : 29%)	(132.183)	(139.279)
Expenses non-deductible for tax purposes	(12.770)	(18.739)
Effect of change in tax rate	-	260.432
Provisions	-	(20.000)
Income tax expense	**(144.953)**	**82.413**

The Greek tax law and the related provisions are subject to interpretations by the tax authorities. The income tax returns are filed on an annual basis, but the profits or the losses declared for tax purposes remain temporary until the tax authorities examine the tax returns and audit the books of the tax payer when there will be also settled the relevant tax liabilities. Tax losses, to the extent they are recognised by the tax authorities can be utilised to offset profits of the next five years that follow the year they concern.

The Bank has settled its tax liabilities up to the tax year 2009 according to the provisions of L. 3888/2010 and L. 3697/2008. Therefore, till today have not been examined by the tax authorities its tax returns for the years 2010 to 2016 and consequently the tax results for these years have not been made final. The Bank's Management deems that it has set up adequate provisions to cover any differences from these un-audited tax years, the accumulated size of which at 31.12.2016 amounts to € 155.000 (note 21).

12. Cash and Balances with Central Bank

	31/12/2016	31/12/2015
Cash	1.652.591	1.319.981
Balances with Central Bank	3.524.574	9.312.553
CIT-transports	-	100.000
Total	**5.177.165**	**10.732.534**

The Bank is required to maintain a current account with the Bank of Greece in order to facilitate interbank transactions with the Central Bank and other financial institutions.

These deposits are interest bearing based on the refinancing rate set by the European Central Bank which at 31.12.2016 was negative and amounted to -0,40%.

For the statement of cash flows presentation purposes, cash and cash equivalents means the balances of the accounts "Cash and balances with Central Bank" and "Short-term placements with other banks".

13. Due from banks

	31/12/2016	31/12/2015
Current deposits	15.140.723	9.210.224
Term deposits	13.759.096	10.111.142
Total	**28.899.819**	**19.321.365**

All of the Bank's deposits are denominated in Euro.

14. Loans and advances to customers

	31/12/2016	31/12/2015
Retail lending		
Mortgages	7.270.310	7.347.963
Consumer	4.193.929	4.316.995
Corporate lending		
Small-medium sized entities	52.198.936	51.412.394
Total	**63.663.176**	**63.077.352**
Less: Accumulated impairment allowance	(16.020.453)	(15.259.433)
Total	**47.642.722**	**47.817.919**

The movement in the account allowance for impairment losses is as follows:

	31/12/2016	31/12/2015
Balance at 1 January	15.259.433	14.683.199
Net allowance for the year	761.021	576.234
Balance at 31 December	**16.020.453**	**15.259.433**

15. Investment securities portfolio

	31/12/2016	31/12/2015
a. Financial assets available-for-sale		
Non-listed equity instruments	1.270.943	1.222.073
Less: Impairment	(981.520)	(981.520)
Total a	**289.423**	**240.553**
b. Loans and advances		
Bank Bonds	1.100.274	100.000
Total b	**1.100.274**	**100.000**
Total a and b	**1.389.697**	**340.553**

The available-for-sale investments are measured at cost given that these are not traded in an active market but subject to impairment testing of their value.

The bank bonds classified as loans and advances are measured using the effective interest rate method.

The movement in investment securities portfolio is as follows:

(Amounts expressed in Euro)

	2016	2015
At 1 January	240.553	243.493
Additions	100.000	-
Accrued interest	-	(2.940)
At 31 December	**340.553**	**240.553**

16. Property, plant and equipment

	Land & Buildings	Furniture & Equipment	Lease hold improvements	Total
Cost				
At 1/1/2015	97.000	875.343	376.798	1.349.141
Additions	-	33.742	-	33.742
At 31/12/2015	97.000	909.085	376.798	1.382.883
Accumulated depreciation and impairment losses				
Opening net book amount 1/1/2015	(7.531)	(579.505)	(236.234)	(823.270)
Depreciation charge	(1.519)	(75.730)	(43.046)	(120.294)
Impairment charge	(6.000)	-	-	(6.000)
Closing net book amount 31/12/2015	(15.049)	(655.235)	(279.280)	(949.564)
Net book amount at 31/12/2015	**81.951**	**253.850**	**97.518**	**433.319**
Cost				
At 1/1/2016	97.000	909.085	376.798	1.382.883
Additions	-	25.752	-	25.752
At 31/12/2016	97.000	934.838	376.798	1.408.636
Accumulated depreciation and impairment losses				
Opening net book amount 1/1/2016	(15.049)	(655.235)	(279.280)	(949.564)
Depreciation charge	(1.399)	(67.932)	(33.169)	(102.500)
Impairment charge				-
Closing net book amount 31/12/2016	(16.449)	(723.167)	(312.448)	(1.052.064)
Net book amount at 31/12/2016	**80.551**	**211.671**	**64.350**	**356.572**

For the above assets there are no real liens.

As at 31.12.2016 the Bank did not have contractual obligations for the purchase of property, plant and equipment.

The Bank performed impairment test of its property assets as at 31 December 2016 and 31 December 2015, by assigning to an independent valuer the determination of their fair value. As recoverable amount of the assets was used the fair value less the selling cost, which is considered that approximates their value in use. The selling cost was considered to be negligible (zero). The fair value of the assets is estimated based on Level 3 inputs of hierarchy of assets at fair value. The fair values of assets were estimated based on market prices, using comparative adjusted prices in relation to the nature, location, and the status condition of the assets as well as on the lease unit value of comparable assets per square meter.

In detail:

	Estimated fair value of unit (€/m^2)	Estimated lease value of unit (€/m^2)	Annual return ratio
2016			
Office space	840-1570	5 € to 9 €	7,50%
2015			
Office space	840-1570	5 € to 9 €	7,50%

From the impairment testing arose for the previous year, losses of 6.000 which are presented in the item "Other impairment losses" in the statement of income. For the current year 2016 was not recognised any impairment loss.

17. Intangible assets

	Software
Cost	
At 1/1/2015	468.619
Additions	28.428
At 31/12/2015	497.048
Accumulated amortisation and impairment losses	
Opening net book amount	(367.181)
Disposals & Write Offs	334
Amortisation charge	(31.101)
Closing net book amount	(397.948)
Net book amount at 31/12/2015	**99.100**
Cost	
At 1/1/2016	497.048
Additions	15.691
At 31/12/2016	512.739
Accumulated amortisation and impairment losses	
Opening net book amount	(397.948)
Amortisation charge	(29.860)
Closing net book amount	(427.808)
Net book amount at 31/12/2016	**84.931**

18. Deferred income taxes

	31/12/2016	31/12/2015
At 1 January	2.422.744	2.264.355
Income statement charge (note 11)	(34.380)	157.242
Other comprehensive income charge	-	1.147
At 31 December	**2.388.363**	**2.422.744**

The largest part of deferred tax assets (liabilities) is recoverable (payable) after 12 months.

(Amounts expressed in Euro)

The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of tax loss carry-forwards, is as follows:

Deferred income tax liabilities:	**Accrued interest**	**Total**
At 31 December 2015	**-**	**-**
(Debited)/credited to income statement	(38.894)	(38.894)
At 31 December 2016	**(38.894)**	**(38.894)**

Deferred income tax assets:	**Fixed assets**	**Impairment of loans and other advances**	**Other**	**Total**
At 1 January 2015	9.057	2.056.791	198.507	2.264.355
(Debited)/credited to income statement	6.302	145.588	5.352	157.242
(Debited)/credited to other comprehensive income	-	-	1.147	1.147
At 31 December 2015	**15.359**	**2.202.379**	**205.006**	**2.422.744**
(Debited)/credited to income statement	6.648	(5.459)	3.324	4.514
At 31 December 2016	**22.007**	**2.196.920**	**208.330**	**2.427.257**

The deferred tax which was recognized in other comprehensive income during the previous year concerns actuarial losses from re-measurement of defined benefit plans.

19. Other assets

	31/12/2016	**31/12/2015**
Deposit and Investment Guarantee Fund	1.362.182	1.344.642
Assets obtained from auctions	350.000	365.000
Current tax assets	-	8.510
Other accounts receivable and pre-payments	143.514	165.065
Total	**1.855.696**	**1.883.217**

With effect from the application of L. 4370/2016 (G.G. 37/7.3.2016) were repealed the provisions in articles 1 to 27 of L. 3746/2009 concerning the “Hellenic Deposit and Investment Guarantee Fund (HDIGF)” whereas are in force the provisions laid down in the above L. 4370/2016 In this context the amount of deposits guaranteed by the deposit guarantee scheme was determined to € 100.000 per customer (article 9, L. 4370/16). Respectively, a new method was introduced for the calculation of contributions in the Deposit Cover Scheme (DCS), the Investment Cover Scheme (ICS) and the regular contributions determined in advance in the Resolution Scheme (R.S.), whereas it was also introduced a duty of participation to the Hellenic Deposit and Investment Guarantee Fund (HDIGF). The cash equivalents of the Resolution Scheme (RS) as a Resolution Fund for credit institutions, derive from regular contributions determined in advance and extraordinary ex-post contributions according to the provisions of L. 4335/2015 and the relevant modifications brought by L. 4370/2016. The credit institutions participating at the time of granting loans to the Resolution Scheme pay contributions by which the Resolution Scheme repays its liabilities from loans, for resolution purposes. The above changes in the institutional framework of HDIGF and the calculation of contributions brought a slight decrease in the contributions paid to HDIGF in the closing year (note 6), since no extraordinary contributions arose.

(Amounts expressed in Euro)

The item Assets obtained from auctions includes assets that came into the bank's possession from auctions. At 31.12.2016 as also at 31.12.2015 the Bank measured these assets at the lowest value between the carrying amount and their fair value, assigning their valuation to independent valuers. The fair value of fixed assets was calculated based on inputs of fair value hierarchy in Level 3. From the impairment test have arisen losses for the current year, amounting 15.000 (2015: 8.865) which are included in "Other impairment losses" of the Income Statement.

In Other accounts receivable and pre-payments impairment was performed in the current year 2016 and in the previous year 2015 whereas arose losses amounting respectively 20.541 and 27.151, which are included in "Other impairment losses" of the Income Statement.

20. Due to customers

	31/12/2016	31/12/2015
Deposits - current accounts	22.331.060	18.900.970
Deposits - savings accounts	17.774.008	19.648.113
Deposits - Term deposits	34.323.096	31.823.868
Cheques and orders payable	51.405	89.311
Total	**74.479.570**	**70.462.263**

21. Provisions for other liabilities and charges

	Provisions for un-audited tax years
At 1 January 2015	**135.000**
Additional provisions charged to the year	20.000
At 31 December 2015	**155.000**
At 31 December 2016	**155.000**

22. Employee defined benefit obligations

	31/12/2016	31/12/2015
Liabilities recognised in the balance sheet:		
Pension benefits	114.241	102.778
Charged to the income statement		
Pension benefits (note 8)	11.463	12.077
Actuarial (gains)/losses (Other comprehensive income)		
Pension benefits	-	1.060

The amounts recognised in the income statement are as follows:

(Amounts expressed in Euro)

	1/1-31/12/2016	1/1-31/12/2015
Current service cost	9.305	10.195
Interest cost	2.158	1.882
Total included in staff costs	**11.463**	**12.077**
Movement in the liability recognised in the balance sheet:		
	31/12/2016	**31/12/2015**
Opening balance	102.778	89.641
Total expense - as above	11.463	12.077
	114.241	**101.719**
Actuarial (gains)/losses due to changes in financial assumptions	-	-
Actuarial (gains)/losses due to experience adjustments	-	1.060
Closing balance	**114.241**	**102.778**

The principal actuarial assumptions used for accounting purposes were as follows:

	31/12/2016	31/12/2015
Discount rate	2,1%	2,1%
Inflation rate	2,0%	2,0%
Future salary growth	3,8%	3,8%

Average expected term of maturity of the employee benefit obligation: 23 years.

23. Other liabilities

	31/12/2016	31/12/2015
Liabilities to third parties	349.329	268.627
Liabilities from taxes - duties (except income tax)	53.771	52.647
Liabilities to Insurance Funds and other contributions	41.830	43.697
Dividends payable	27.281	49.374
Suppliers	72.478	58.463
Accrued expenses	-	4.428
Other	185.581	192.577
Total	**730.270**	**669.813**

24. Cooperative capital and Share premium

	Cooperative capital	Share premium	Number of Share Parts
At 1 January 2015	7.970.614	6.485.759	215.422
Cooperative capital increase	156.288	140.133	4.224
At 31 December 2015	**8.126.902**	**6.625.892**	**219.646**
Cooperative capital increase	170.237	105.956	4.601
At 31 December 2016	**8.297.139**	**6.731.847**	**224.247**

The nominal value of the share part amounts to € 37.

The Management of the Bank deems that concur all the requirements for the recognition of the cooperative capital as Equity, according to the Interpretation IFRIC 2, because there is a relative prohibition by the Bank of Greece, pursuant to the provisions of article 149 of L. 4261/5.5.2014 for capital refunds.

(Amounts expressed in Euro)

25. Reserves

	Statutory reserve	Extraordinary reserves	Reserve under Articles of Association (subscription rights)	Reserves from income taxed at special law provisions	Taxed reserves of special law provisions	Reserve of actuarial gains/ (losses)	Other reserves	Total
At 1 January 2015	**1.202.347**	**33.148**	**388.630**	**14.667**	**401.054**	**(20.722)**	**16.385**	**2.035.509**
Setting up statutory reserve	16.087							16.087
Increase of cooperative capital			19.750					19.750
Actuarial gains/(losses) during the year						88		88
At 31 December 2015	**1.218.434**	**33.148**	**408.380**	**14.667**	**401.054**	**(20.634)**	**16.385**	**2.071.434**
At 1 January 2016	**1.218.434**	**33.148**	**408.380**	**14.667**	**401.054**	**(20.634)**	**16.385**	**2.071.434**
Setting up statutory reserve	11.970							11.970
Increase of cooperative capital			12.750					12.750
At 31 December 2016	**1.230.404**	**33.148**	**421.130**	**14.667**	**401.054**	**(20.634)**	**16.385**	**2.096.154**

(a) Statutory reserve

Statutory Reserve is set up pursuant to the provisions of the Greek Legislation (Codified Law 1667/1986) according to which it is mandatory to be transferred an amount at least equal to 10% of annual net profit (after tax) to a Statutory Reserve, until this reserve amounts to the total of the Bank’s cooperative capital. The statutory reserve can only be used for the Bank’s operations and to offset any losses and it can be distributed only after the dissolution of the Bank.

(b) Extraordinary reserves

Extraordinary reserves include amounts of reserve funds which have been created following the decisions of the Annual General Meetings, do not have a special purpose and are available to be used following appropriate decisions of the Annual General Meeting. These extraordinary reserves have been set up from taxed profits and therefore will not be subject to further tax when distributed or capitalised.

(c) Reserve under Articles of Association (subscription rights)

Special reserve under article of association is created from the partners’ subscription rights and from the contribution of the new incoming partners. This reserve can be used for the Bank’s business growth or for any other purpose the Board of Directors deems appropriate.

(d) Reserves from income taxed at special law provisions

Are monitored the reserves that are created from net profit, which based on special law provisions, occasionally in force, are not taxed. Namely, they result from net profit in respect of which it is not calculated and is not paid any tax. The reserves of special law provisions are reserves subject to tax when their distribution is decided.

(e) Taxed reserves of special law provisions

Taxed reserves of special law provisions include amounts of reserve funds which have been created from tax-exempted income and from sale of securities in respect of which the tax liability has been exhausted and can be distributed to the partners by decision of the General Assembly without being subject to further taxation.

(f) Reserve of actuarial gains/(losses)

Are recognised as actuarial gains and the losses that arise from experience adjustments and from changes in actuarial assumptions at the measurement of the employee retirement benefit obligation.

(Amounts expressed in Euro)

26. Related-party transactions

The related parties of the Bank include the members of key management personnel of the Bank, close members of their families and entities over which the above persons have control or joint control.

All the transactions with related parties, are substantially made on terms equivalent to those that prevail in arm's length transactions with non related parties and do not entail higher than normal risks.

The outstanding balances of the Bank's transactions with related parties are as follows:

31-December-16	**Key management personnel**	**Entities controlled or jointly controlled by key management personnel**
Assets		
Loans and advances to customers	428.070	1.096.727
Less accumulated impairment allowance	(82.691)	(141.239)
Total	**345.379**	**955.488**
Liabilities		
Due to customers	**368.326**	**79.947**
Letters of guarantee and uncommitted credit lines	**410.331**	**286.710**
Income		
Interest and similar income	17.490	60.273
Fee and commission income	3.452	27.260
Total	**20.942**	**87.533**
Expenses		
Interest expense and similar charges	2	-
Current fees and benefits paid	204.944	-
Total	**204.946**	**-**

(Amounts expressed in Euro)

31-December-15	Key management personnel	Entities controlled or jointly controlled by key management personnel
Assets		
Loans and advances to customers	1.147.844	3.115.129
Less accumulated impairment allowance	(308.483)	(549.343)
Total	**839.361**	**2.565.786**
Liabilities		
Due to customers	**643.871**	**135.552**
Letters of guarantee	**304.143**	**629.006**
Income		
Interest and similar income	43.669	156.752
Fee and commission income	5.515	23.497
Total	**49.184**	**180.249**
Expenses		
Interest expense and similar charges	6.991	257
Current fees and benefits paid	132.735	-
Total	**139.725**	**257**

27. Contingent liabilities and commitments

i) Operating leases

At 31 December 2016 and 2015 the Bank has entered into various agreements under non-cancellable operating leases regarding the lease of its shops (one-stop-shop) and the office space for the Management. The future minimum lease payments are as follows:

	31/12/2016	31/12/2015
No later than 1 year	77.578	75.571
Later than 1 year and no later than 5 years	362.875	386.742
Later than 5 years	77.529	170.049
	517.982	**632.361**

ii) Off Balance sheet liabilities

The Bank, in its ordinary course of business, undertakes commitments that is likely to entail in the future changes in the structure of its assets. Such commitments are monitored in off Balance sheet accounts and concern issued letters of guarantee.

	31/12/2016	31/12/2015
Letters of guarantee	6.442.748	9.953.633

(Amounts expressed in Euro)

iii) Legal proceedings

There were no legal proceedings outstanding against the Bank or any other contingent liabilities as at 31 December 2016, in respect of which no provision has been recognised that are likely to significantly affect the financial position of the Bank.

28. Information according to the provisions of Law 4151/2013

According to the provisions of the Law 4151/2013, all credit institutions, that operate in Greece, are obliged to transfer to the Greek State, the aggregate balance of dormant deposit accounts, including any interest, that remain dormant further to a 20-year period. The transfer of the respective amounts should be made by the end of April of each year.

Given that the lapse of 20 years from the beginning of its operation as credit institution, the Bank did not have to transfer to the Greek State, amounts of dormant deposits and interest according to the above-stated.

29. Dividends and capitalization of loss carried forward

The Bank did not pay dividends in the current and the previous year. For the current year the Board of Directors proposes to the General Meeting of partners the distribution of dividends totalling € 224.100 from reserves set up in prior years for which according to the provisions of the L. 2579/1998 and the article 72 of L. 4172/2013 has been exhausted the tax obligation so for the Legal Person as also for the partners and can be distributed without any further tax charge.

Moreover, it proposes before the decision for the above distribution, decision to be taken by the General Meeting for covering the balance of loss carried forward at 31.12.2016 amount € 4.864.449 initially by an equal in amount increase of the Cooperative Capital by capitalization of an equal part of the existing Reserve above par and increase of the par value of the cooperative share part by € 21,6923 and afterwards by an equal in amount reduction of the Cooperative Capital by decrease of the par value of the cooperative share part by € 21,6923 for covering the above existing at 31.12.2016 "Loss carried forward".

30. Events after the balance sheet date

Further to the already mentioned events there are no significant events subsequent to 31 December 2016 which should either be disclosed either differ the items of the published financial statements.

THE CHAIRMAN OF THE B. OF D.	**THE VICE CHAIRMAN OF THE B. OF D.**	**THE TREASURER**	**THE HEAD OF THE ACCOUNTING DEPT.**
GEORGIOS BOUKIS **ID. No. AI 318877**	**THOMAS DELIGIANNIS** **ID. No. P 853484**	**APOSTOLOS KANDYLAS** **ID. No. AZ 283943**	**THEMISTOKLIS GIANNAKOPOULOS** **ID. No. AM 844309** **Licence No. 86778 A' Class**